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2023

ABOUT THE AUTHORS

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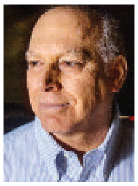

Michael Passoff is the founder and CEO of Proxy Impact, a shareholder advocacy and proxy voting service for sustainable and responsible investors (SRIs). Michael has over 25 years of experience in corporate social responsibility, shareholder advocacy, and philanthropy. For more than a decade Michael served as the Senior Program Director for the *As You Sow* Foundation's Corporate Social Responsibility Program. In 2005 he founded the *Proxy Preview* to alert foundations, SRIs, pension funds, labor, and faith-based communities to upcoming shareholder resolutions that are relevant to their mission. Michael has led and participated in more than 400 shareholder dialogues and resolutions on environmental, social and governance issues. His shareholder advocacy work led him to be named as one of 2009's "100 Most Influential People in Business Ethics" by Ethisphere Magazine and he also received the Climate Change Business Journal award for a shareholder campaign that achieved the first majority vote for a climate resolution and prompted greenhouse gas emission reductions and renewable energy development at public utilities.

SPONSORS

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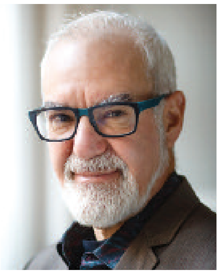
Updates on Information in *Proxy Preview*

Information about the proposals and companies mentioned in the *Proxy Preview* was accurate as of February 15, 2023. 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 529 proposals—for updates on proposals at select companies, follow our Proxy Season Updates at www.proxypreview.org.

LETTER FROM THE PUBLISHER



The capital market paradigm has shifted and leading companies realize they have the opportunity to outperform by taking into account environmental and social risks coupled with transparent corporate governance. Over the past 50 years shareholder advocates have helped birth this new reality, with help from mainstream investors who now routinely support the new ideas and creative solutions proxy season presents each year. While political efforts to roll back the clock are underway, they will crumble against the wall of economic reality investors and companies deal with every day.

Why the shift? Sustainable markets that consider systemic risks clearly will deliver better outcomes for all stakeholders in the long-term. Climate change induced storms and droughts are currently playing havoc with global commodity supply chains and destroying operational infrastructure. Renewable energy is now far less expensive than burning fossil fuels, heralding the end of the internal combustion engine and its ills. Companies with a more diverse workforce outperform their competitors and the best and brightest jobseekers do not want to work for a CEO who makes 1,000 times more than everyone else. Employees and customers also prefer working and purchasing from companies that do not exploit their workers, have toxins in their products and despoil the environment. Finally, many workers are increasingly choosing sustainable investing for their retirement savings—and are starting to participate in capital market democracy by voting their shares.

Success breeds opposition and emulation, which has prompted the recent rise of an anti-ESG crusade. A small band of well-funded zealots is orchestrating the attacks, trying to inject politics and a "culture war" into basic business. Instead of actual free market tenets, these players are using the age-old tools of authoritarians: censorship, government overreach and ideological persecution of vulnerable groups—pursued at any cost, for a select and privileged few. Yet, the capital markets work best when shareholders and corporate executives make their own investment and business decisions. A wave of heavy-handed state laws using big government to restrict free markets and impose investment choices have led seven states to waste an estimated $1.3 billion of their citizens' cash by overpaying for municipal bonds. State pensions are moving firefighters' and teachers' nest-eggs into risky investments that put their life savings at risk.

This is no place for political theater. Some asset managers' willingness to assess clear risks and opportunities may have chilled, however most investors view the anti-ESG activities as anti-capitalist and ironically as anti-conservative. Polls show the vast majority of a new generation of retail investors, 401(k) plan participants, pensioners, family offices and others who until now have been on the sidelines of proxy voting, support company policies and practices moving toward justice and sustainability. Proxy season showcases these innovative ideas and enables investors to align their actions with their values to shape capital allocation that will ensure financial outperformance and a livable planet.

When companies ignore investors' voices about shareholder resolutions, boards increasingly are in the spotlight. Three areas that promise to shape director elections stand out. First, the peril of climate change and the need to set and achieve absolute GHG emission reduction targets. This is paramount for retirement plans that are universal owners and most affected when a few companies create systemic harm to the entire portfolio. Second, the evidence is clear that a diverse workforce outperforms on key financial metrics and that all-white management teams underperform. Executives know they must attend to racial justice, gender equality, diversity and equity to build a culture for success. Third, boards of directors know they must be transparent about all their efforts to influence the political arena, through both direct contributions and dark money spent via trade associations and other intermediaries—or face the ire of stakeholders who call out mismatched policies and spending. Major companies are quietly agreeing to treat political spending as they do any capital expenditure, with an ROI analysis and clear metrics.

The long-awaited climate disclosure rule from the Securities and Exchange Commission will soon establish trust between companies and their investors, enabling everyone to grapple with climate risk. Leveling the playing field for market participants has been the SEC's mission from the start: requiring accurate, standardized disclosure verified by a third party and trusted by all. Human capital, ignored for too long, is next. And, soon we will also have the long-overdue mutual fund naming rule mandating that a prospectus reflects the fund holdings and does not mislead investors.

The shift to a just and sustainable economy is giving forward-thinking investors, company boards and executives a guide to thoughtfully move onto paths for success that will correct mistakes of the past and create a dynamic regenerative world for all. A handful of extremists are desperately trying every tactic to slow the awakening of a mass movement to this transformation; they are on the wrong side of history. The vast majority of Americans are already awake and actively fighting all forms of injustice, oppression and inequality while defending democracy, the free markets and freedom of thought. Some people call that "woke." Vilifying a word and dividing society will not impede a movement that is committed to bringing people together to solve the most intractable issues that have evaded prior generations. Finding solutions is not a threat to the American way of life, but rather the manifestation of our most precious and sacred values.

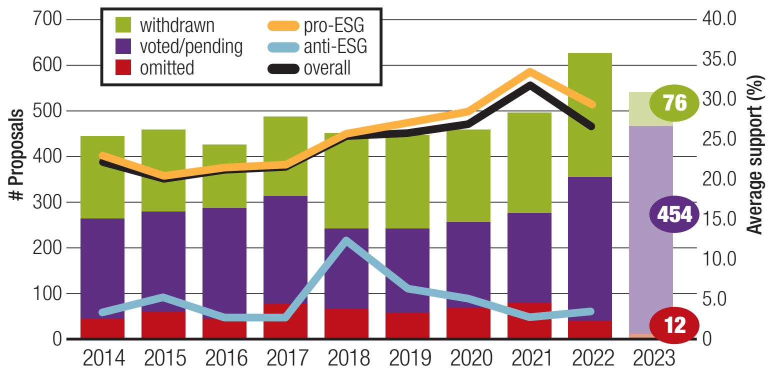
Andrew Behar
CEO, *As You Sow*

EXECUTIVE SUMMARY

Proponents have filed at least 542 shareholder resolutions on environmental, social and related sustainable governance issues for the 2023 proxy season, about the same as last year and on track to match or exceed last year's unprecedented final total of 627. A shift at the Securities and Exchange Commission (SEC) last year dramatically cut the number of proposal omitted and far fewer companies have submitted challenges in 2023; 12 have been omitted to date and the SEC staff has yet to respond to 76 more challenges (compared with 103 in mid-February 2022). Withdrawals appear to be down—just 76 so far compared with 106 last year, but negotiations in engagements are ongoing and many are likely to produce agreements. While 454 were slated for votes as of mid-February, this number will drop.

Record high votes on many issues in 2021 appear to have prompted both more filings in 2022 and—to some extent—more expansive proposals. After the average vote then fell, though, proponents now have reframed some requests. The 2022 overall average also was pulled down by 34 votes on anti-ESG proposals that attracted average support of only 3.5 percent support. *(Bar chart below.)*

Environmental & Social Policy Shareholder Proposal Outcomes

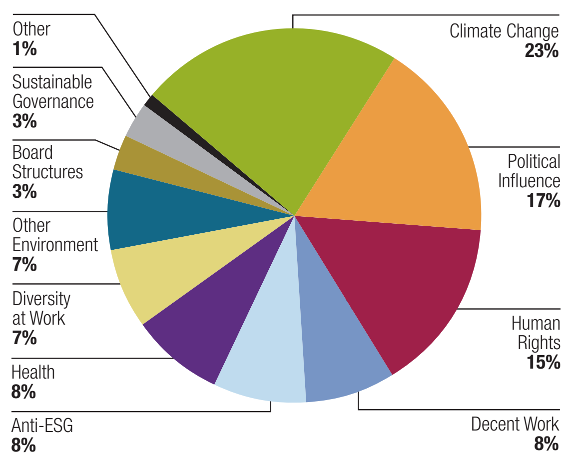


Excludes 47 not voted for other reasons. As of Feb. 17, 2023.

Key shifts for 2023: The two biggest changes for 2023 are a continued increase in climate change proposals and a significant expansion of resolutions about reproductive health, in response to the U.S. Supreme Court decision last June that is prompting a wave of restrictions nationwide. Also new are proposals pressing companies to commit (or recommit) to international standards that protect the right to organize unions. Corporate political influence resolutions are now split in three roughly equal buckets: lobbying, election spending and values congruency (between company policies and the viewpoints of recipients). Early indications are that anti-ESG resolutions, which expanded last year, will increase still further despite the cool reception they receive.

A more detailed look at topic trends appears below on p. 10, while this year's breakdown by topic appears on the pie chart here.

2023 ESG Shareholder Proposals



Regulation: In November 2021, the SEC rescinded guidance issued during the Trump administration in Staff Legal Bulletin 14L, providing clarification about which proposals can be omitted on ordinary business grounds and narrowing the basis for exclusion, in what shareholder advocate and attorney Sanford Lewis called a reset of the process. The result is that there are about 30 percent fewer requests from companies to omit proposals in 2023, as of the end of January.

In 2022, the commission proposed further amendments to its rules about whether a proposal has been implemented, if it can be resubmitted and if it is duplicative. This may address the "Trojan horse" issue discussed later in this report, in which similar sounding resolved clauses are filed by proponents that have competing aims.

Proponents continue to feel the impact of the September 2020 rule that makes it harder to file and resubmit shareholder resolutions but it had little impact on volume. A decision on the lawsuit from the Interfaith Center on Corporate Responsibility, *As You Sow* and James McRitchie has yet to occur; the latest of several postponements has set a potential decision date for May 2023, well past when it could affect this proxy season.

INTRODUCTION

Overview and New Issues in 2023

This section provides a look at the main issues raised for the topics in this report, with special attention to new issues and basing the analysis on what is requested in the resolved clauses of resolutions. Additional proposals will be filed as the year progresses but the shape of the 2023 spring annual meeting season is now clear. Data in this report are as of February 17, with a few updates for meeting dates released in the last half of the month.

Environment

Climate change was at the top of the proxy season agenda last year and continues to be the biggest single topic. It is even more dominant when 22 related proposals about political influence and board oversight are counted. Many proposals about environmental management also have climate angles, as so do newer "climate justice" requests. In all, there are 160 on the environment so far, compared with nearly 180 in all of 2022. Since more are coming, the year-end totals may be about the same as in 2022.

Climate change: The volume of proposals specifically on climate change is up from last year at this point—122 compared with 109 in mid-February 2022. *(Fifteen more with new angles climate-related lobbying are discussed below, p. 42.)* The heavy focus on greenhouse gas emissions targets and reporting from last year remains, with a notably consistent approach. The biggest set is 72 proposals on emissions, but 42 ask about strategy and risk assessment and eight are on deforestation.

Emissions reporting—Most of the proposals want companies to set either net-zero GHG goals or those that are "Paris-compliant," framed as part of a "transition plan" to a lower carbon economy that may stave off catastrophic shifts in the climate. Only three of the emissions disclosure proposals are resubmissions. A few refer to recent sector-specific guidance from initiatives such as the Science-Based Targets Initiative (SBTI), including indirect Scope 3 emissions outside companies' direct control. Ten are specific to methane and two companies prompted withdrawals after they joined an industry initiative to improve monitoring.

As You Sow has a new and more specific request at **Chevron** and **ExxonMobil** about how each calculates an emission baseline that determines progress towards emissions reduction goals. Critics argue that divesting high-carbon operations makes company progress on emissions reduction appear more substantial, while not addressing the continued impact of divested assets *(see below for more in the strategy section)*.

Emissions targets—The mantra for most of 17 consistent proposals is to set "science-based targets" rigorously defined by SBTI for all operations and the supply chain; another seven resolution want Scope 3 targets at energy and utility firms and four others ask for net-zero goals.

Climate finance—Last year's focus on how banks and insurers finance and underwrite fossil fuel projects continues with 22 proposals, although requests to cut off funds earned much lower support in 2022 and the resolutions now ask for "time-bound phaseouts" that provide more wiggle room. One resolution from the New York City Comptroller asks just for absolute 2030 GHG targets for two high-emitting sectors, in a new and more specific proposal at **Bank of America**, **Goldman Sachs** and **JPMorgan Chase**.

Impact reports—The United Steelworkers and the Teamsters unions have filed more proposals at energy companies on how they will respond to climate-related economic changes, referencing the International Labor Organization's "just transition" guidelines about layoffs, workers and communities.

A grab bag of additional concerns includes the various impacts climate change may have on water availability, rates of illness from coal pollution, how communities of color and low-income people see greater impacts from environmental problems, plus one on aircraft (at **Southwest Airlines**). **ExxonMobil** has three other new proposals, about its offshore oil operations near Guyana, concerning litigation risks and about development in the Arctic National Wildlife Refuge.

Transition planning and accounting—A new proposal from several shareholders asks five oil and gas companies to provide audited reports about how asset retirement obligations affect net-zero goals calculations.

Deforestation—Five of six proposals last year about deforestation were withdrawn but five this year are now pending, asking food companies for reports on their supply chain impacts, with a focus on commodities.

Environmental management: The number of environmental management proposals bumped up last year to 52 but has dropped back to 38.

Plastic—By far the biggest group of waste and pollution resolutions (13) are those seeking more disclosure from producers and users of plastics and their goals to reduce, with six resubmissions. A new proposal at **Constellation Brands** from *As You Sow*, filed on behalf of Warren Wilson College, is about supporting a "circular economy," filed because the company compares unfavorably to peers.

Chemicals and water—Two companies—**Costco** and **Walt Disney**—have agreed to report more fully on their chemical reduction efforts and a proposal will not go to a vote. Another vote about water contamination at **Essential Utilities** will not occur because the company will make public the test results for its wells and water systems, in a win for the Sisters of St. Francis of Philadelphia.

Agriculture—While proposals about the welfare of farm animals had abated for a few years, they are back this year in force. As before, the concerns are cage-free eggs and the treatment of animals ultimately headed for the slaughterhouse (11 proposals). Plant-based foods resolutions (five) are new but one has been omitted and the other four face SEC challenges. People for the Ethical Treatment of Animals (PETA) will see its proposal at **Starbucks** about the higher cost of plant-based milk go to a vote on March 23.

The Shareholder Commons is reiterating its previously expressed concerns about the dangers of antibiotic resistance emanating from usage in food animals and has a new proposal seeking compliance with World Health Organization guidelines, but investors remain unenthused, so far giving just 5.9 percent at **Hormel Foods** and 4.6 percent at **Tyson Foods**. **McDonald's** will consider this and a pesticides proposal if they are not withdrawn.

Social Issues

Animal testing: PETA has returned to proxy season with new angles in its long-running opposition to the use of animals in laboratories. It is seeking reports about the welfare of non-human primates imported to and transported in the United States at **Charles River Labs** and **Laboratory Corporation of America**, its long-time foes. PETA argues the primates may be a public health risk but also is concerned about the impact on populations in the wild. It also is taking aim at **Ford Motor** given its earlier sponsorship of car crash tests that used dead pigs.

Corporate political influence: The shift in political influence proposal continues, with 30 proposals this year on lobbying, 28 on elections and 35 on other issues that largely are about mismatches between corporate policies and recipients' viewpoints. Only a handful have been withdrawn so far. The established approach to political money controversy—adopting a policy and providing oversight and disclosure—is clearly not sufficient to the moment for most; hyper-partisanship in the political arena means companies face ever-greater scrutiny about the actions of political players they fund.

New references for investors with respect to climate-related influence spending are a new set of international guidelines released last March, as well as a report from ICCR this past fall.

Oversight and disclosure—There are 30 proposals about lobbying and just over half are at new targets; the resubmissions earned for the most part high previous support. On elections, there are 17 proposals (just one a resubmission) that continue to request oversight and disclosure on campaign expenditures, although eight more promote adherence to CPA's Model Code about disclosing third-party recipients of company money and what they spend. Four SEC challenges to the Model Code proposal have yet to be decided, however.

Congruency—Proposals about how companies may affect public policy on climate change are more specifically concerned with support for net-zero or Paris-compliant aims this year. Another new angle seeks a "framework for identifying and addressing misalignments" at big tech firms. Most climate lobbying proposals were withdrawn after agreements last year and three of four votes were more than 30 percent.

Rhia Investors continues to pressure companies about inconsistencies between policies on women (and other issues) and their support for anti-abortion politicians. (Si2 has uncovered highly partisan spending in the South and other parts of the country where abortion bans are proliferating.) Votes on six Rhia proposals last year averaged about 40 percent, evincing strong support. The first in 2023 goes to a vote at **Walt Disney** on April 3.

Decent work: About 50 proposals (down from last year's 70+) ask about fair pay, working conditions and benefits. The resolutions come as the SEC says it plans to soon release a mandatory human capital management disclosure rule, long sought by investors and advocates. Academics, former SEC officials and experts outlined possibilities in June 2022 and Deloitte recently discussed shifting corporate board perspectives.

Fair pay—Almost all the 2023 proposals about gender and racial pay disparities are the same. Support for greater disclosure jumped dramatically last year after falling when proponents became more precise about what they wanted disclosed in 2020. Proposals this year seek unadjusted median and adjusted pay gaps at 11 companies and global and country-specific reporting, with some variations. An early win this year was an agreement by Visa last fall to report. Just three proposals this year ask about pay disparities between the CEO or senior executives, down from earlier years, plus one more about inequality and financial priorities at **Kroger**.

Working conditions—New worker health and safety proposals ask for audited annual reports on company performance at warehouses (**Amazon.com**), two dollar stores and **Uber Technologies**. Another new proposal asks **Walmart** how it plans to keep workers safe from gun violence.

The New York State Common Retirement Fund (NYSCRF) has a new, detailed proposal at **Activision Blizzard**, **Pinterest** and **Wells Fargo** seeking specific metrics on harassment and discrimination. The proposal joins others familiar from earlier years about concealment clauses that can mask malfeasance, particularly with sexual harassment, in addition to two more specifically on such harassment.

Benefits—Eight resolutions ask for adopting or reporting on paid sick leave, an issue that continues to resonate given the long reach of the Covid-19 pandemic and also recent labor strife with American railroads that nearly caused a crippling strike last fall. Trillium Asset Management has a new proposal at auto part company **LKQ** that seeks a policy that would provide "transgender-inclusive healthcare coverage."

Diversity in the workplace: Proponents pushed their capacities and filed more than 70 resolutions two years ago seeking more disclosure on diversity program metrics so investors could assess their effectiveness. Last year there were 50 workplace diversity resolutions but there are only 38 this year. But many companies now are offering more transparency, so the reduction marks success rather than waning interest from proponents. All but three of the 21 filings on diversity programs this year are at new targets but five already have been withdrawn.

NorthStar Asset Management continues to focus on racism in employment practices and has a new proposal at four companies—**Adobe**, **Badger Meter**, **IDEX** and **Xylem**—asking how hiring practices regarding those with a criminal record align with their DEI approaches.

Ethical finance: A big idea for proxy season begun last year is that compliance with the Global Reporting Initiative's (GRI) Tax Standard is needed, given concerns that companies do not pay their fair share to the public treasury when they offshore profits. A request from Oxfam and two other investors is a resubmission at **Amazon.com** and **Microsoft**, which earned votes around 20 percent last year; it also is pending at three big oil companies—**Chevron**, **ConocoPhillips** and **ExxonMobil**.

Health: Investors face a much larger array of proposals about health, driven by barriers to care that are politically motived but those based on cost. Proponents have filed 41 proposals and withdrawn 10 as of mid-February.

Reproductive rights—The June 2022 U.S. Supreme Court decision that struck down nearly 50 years of abortion rights is rapidly eroding access to both abortion and other reproductive and maternal health care across the country. In response, Rhia Ventures has substantially increased the number proposals about these issues, adding several new angles. Seven ask how companies are handling the risks new restrictions impose—a reprise of earlier proposals. New requests ask seven more companies how they will handle law enforcement queries about private health information and two make specific request to step up digital privacy policies. Three ask about insurance coverage for reproductive health care, two are about maternal health benefits and three others ask hospital companies about their policies on access to abortion.

One of the seven withdrawals so far occurred at **HCA Healthcare** after it clarified that its own doctors would perform emergency abortions as needed for miscarriage care.

Health equity—Parallel to the Rhia campaign are proposals from NYSCRF about maternal and general health disparities based on race. Comptroller DiNapoli discussed the issue in a February 15 press release, noting a withdrawal at **Humana** and pending proposals at **Centene** and **Elevance Health**.

Pharmaceuticals—ICCR members have a new and very specific proposal about the drug patenting process, with challenges from eight of nine recipients that argue it is too detailed; the SEC has yet to respond. Oxfam has resubmitted proposals that earned 25 percent to 35 percent last year about government subsidies for Covid drug development and the resulting impact, if any, on prices and access; other are about sharing technology to help spread access to treatment in lower-income countries.

Human rights: The surge in proposals seeking racial justice audits helped drive last year's record volume, with 79 resolutions (down from 91 last year). Sixty were pending as of mid-February and many will go to votes since withdrawals are scarcer on human rights than other topics.

Audits—Half of 24 pending proposals seeking civil rights or racial justice audits are resubmissions that earned in almost every case significant support in 2022. Most ask for a comprehensive assessment of how race and civil rights intersect with employment practices and in product offerings, regarding financial services, disparate rates of tobacco use, the treatment of prisoners and detained immigrants, and differential credit ratings. A few specifically focus on community impacts and environmental justice. One such proposal resubmitted at **Chevron** this year earned 47.5 percent in 2022 and is now pending at **Valero Energy**, as well.

Risky business—Almost two dozen resolutions voice longstanding requests for assessments of human rights policies and risks. Resubmitted proposals address military products, targeted social media ads, Indigenous peoples and child and forced labor in supply chains.

A specific new proposal asks **Kroger** to join the Fair Food Program for purchasing tomatoes. **PayPal** has a new proposal asking it to make its services available in conflict zones "such as Palestine," which other electronic payment companies do. In one of the only proposals to directly address the war in Ukraine, Friends Fiduciary asks **Texas Instruments** to report about its processes for avoiding links to international law violations, noting a report that company components have been found in weapons Russia is using in Ukraine—some made by Iran.

With regard to personal firearms, the New York City pension funds have withdrawn a proposal at **American Express** that is still pending at **Mastercard**. It asks about compliance with using a new industry merchant code for firearms sales, supported by gun control advocates. (Other resolutions argue companies are discriminating against gun owners, as noted below).

Organizing rights—Domestic union organizing ferment has sparked new proposals filed mostly by the New York City and State Comptrollers. Eleven proposals are still pending, asking either that companies adopt International Labor Organization and UN trade union standards or report on their compliance if they already invoke these standards in their policies. NYC Comptroller Brad Lander reached an agreement in January in which **Apple** will assess its compliance with organizing rights following allegations of union busting at its retail stores; this could provide space for additional agreements.

Media and technology—About a dozen proposals continue to ask about the vexing problems of divisive content on digital platforms, including the algorithms responsible for shaping personal experience and the challenges of ensuring online safety. One proposal at **Alphabet** newly notes impending regulations that could affect YouTube. Another new proposal from SumOfUs at **Meta Platforms** asks about facilitating political extremism in India. Proponents again ask about protecting digital privacy and collaborating with repressive governments, too. In an early win for proponents, Apple will provide by year's end more information on why it removed or rejected apps. *(As with guns, a mirroring proposal noted below says the problem is U.S. domestic repression that abrogates free speech rights.)*

Sustainable Governance

Improvements in board diversity and ubiquitous sustainability reporting continue to erode proposals on sustainable governance; the total is down 70 percent from just four years ago. Eighteen proposals in 2023 ask about board diversity and specific types of oversight and 17 more are on high-level sustainability approaches. Outside the scope of this report, though, is a growing tendency for investors to vote against directors, a routine matter for each annual meeting. Majority Action is a key promoter of this tactic, but some, such as Proxy Impact, have voted against directors on all-white boards for several years.

Board diversity and oversight: Proposals about board diversity are not yet public but five others ask about specific types of oversight, with a new proposal at **HCA Healthcare** in which the Illinois Treasurer wants an assessment of staffing levels because they are well below the health care sector average.

ESG pay links: Seven proposals ask companies to consider ESG pay links in compensation arrangements, reprising earlier proposals at a new recipients. A new proposal at **Molina Healthcare** asks for a report on links between incentive pay and maternal morbidity metrics.

Investment practices: *As You Sow* is pressing ahead with its idea that corporate employee retirement plans should include options for climate-friendly investing. It has resubmitted proposals at three companies from last year and filed at two new targets—**Campbell's Soup** and **Netflix**.

Anti-ESG

While much recent public controversy about sustainable investment has centered around climate change and fossil fuel companies, almost all the shareholder proposals from organizations opposed to ESG investment considerations instead concentrate on social policy. There is simply not much support for shareholder proposals with right-wing ideas, however; votes average 4 percent or less. In mid-February last year, Si2 had identified 27 anti-ESG proposals and for 2023 there are at least 40, a big jump that suggests last year's surge will be surpassed.

Proponents include longtime players such as the National Center for Public Policy Research (NCPPR) and the National Legal and Policy Center (NLPC); they are joined this year by purveyors of "biblical investing" and individuals with close ties to right-wing organizations like the Alliance Defending Freedom and Consumer's Research. These groups are actively discouraging consideration of ESG factors in state investments, supporting a wave of statehouse bills nationwide, although a recent analysis in *The Washington Post* suggest a backlash to such efforts has begun.

Human rights and diversity: Proposals in 2023 reprise concerns about ties to the Communist Party in China, which as noted above is a shared concern with progressive groups; early votes will occur at **Apple**, **Starbucks** and **Walt Disney** but six more also are pending—all from the NLPC.

NCPPR and its allies continue to assert that corporate efforts to improve diversity, equity and inclusion discriminate against white people or those with conservative political views, with seven proposals; four more contend additional liberal business bias. One suggests **AT&T's** decision not to renew its contract with the news outlet One America News was politically motivated. Another says **Meta Platform's** content moderation has a liberal bias informed by Biden administration interference. In the same vein, more new proposals allege major banks inappropriately worked with the Biden administration or state governments to close accounts and violate individuals' constitutional rights to bear arms and/or exercise free speech.

Political influence: A new proposal questions the benefits of external partnerships and asserts ties with leading business and foreign policy organizations such as the World Economic Forum, the Council on Foreign Relations and the Business Roundtable. It says such ties are inconsistent with the fiduciary duty to maximize shareholder profits.

Climate change: Three proposals question the benefits of corporate efforts to combat climate change, saying it is a futile waste of money.

Sustainability: Procedural filing errors have blocked consideration of a new proposal filed at **Levi Strauss** and **Warner Brothers Discovery** that claimed corporate support for civil rights groups encourages crime and "civilization-destroying developments."

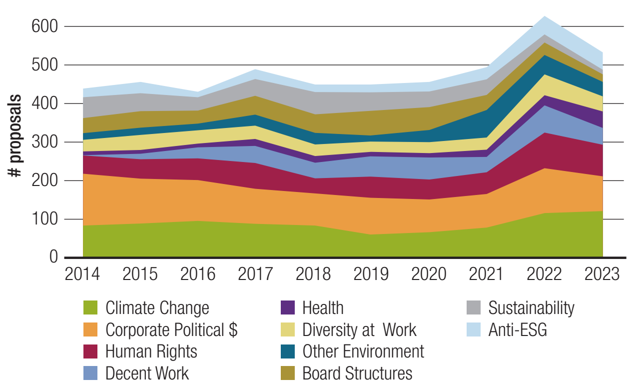
Health: A new proposal at **Eli Lily** from NCPPR seeks a report on how the company's public statement in support of abortion rights undercut its diversity policy and respect for those who oppose abortion.

Proposal Trends

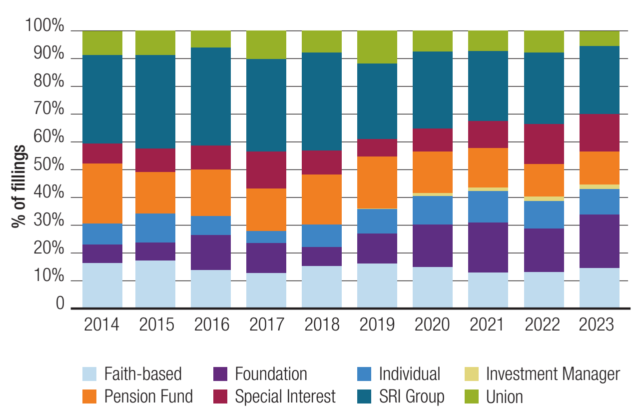
The charts below illustrate long-term trends for proposal filings. The first shows the dominance of political influence and climate change, a recent rise for human rights, growth for decent work, workplace diversity and health—and falling numbers for board-specific and sustainability. Anti-ESG proposals have grown but remain a minor part of proxy season and support for them has not risen.

The second illustrates shifts in the types of shareholder proponents who are lead proposals filers. (Because many faith-based investors of the Interfaith Center on Corporate Responsibility co-file with other proponents and may not be lead filers, the chart significantly undercounts their participation.) The growth in foundation filers is primary attributable to *As You Sow*.

U.S. Environmental & Social Shareholder Proposal Topic Trend



Primary Proponent Types



Explaining the Recent Anti-ESG Crusade

The past year has seen a well-funded and vocal reaction to the success that shareholder advocacy has achieved over the past 50 years in compelling companies to reduce material risk for all stakeholder and reach their full potential.

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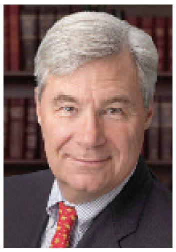
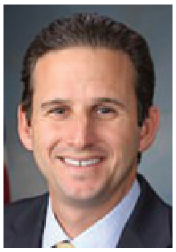
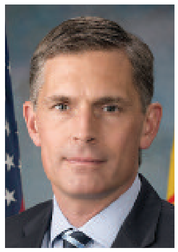






REPUBLICAN EFFORTS TO LIMIT ESG INVESTING ARE ANTI-CAPITALIST

SENATOR SHELDON WHITEHOUSE *(D-Rhode Island)*
SENATOR BRIAN SCHATZ *(D-Hawaii)*
SENATOR MARTIN HEINRICH *(D-New Mexico)*

Originally published by CNBC, Fri, Jan. 13, 2023 reprinted with permission of Sens. Sheldon Whitehouse, D-R.I., Brian Schatz, D-Hawaii and Martin Heinrich, D-N.M

There is a cohort of elected officials in the United States presently engaged in an anti-capitalist crusade against free-market principles. No, they are not socialists. They are congressional Republicans, and they are attempting to prevent financial institutions from allocating capital in accordance with investor preferences and risk management principles. This attempted crackdown is purely ideological in nature — it is an exercise in political pressure to force a gross government overreach into U.S. capital markets.

This campaign, which should offend anyone with even a modicum of pro-market sensibilities, is being championed from within the Republican Party. Republican state lawmakers and members of Congress are attempting to stifle the growth of sustainable investing and to punish corporate efforts at climate-related financial risk management.

The underlying problem is that the fossil fuel industry is running up against a "risk wall," where long-established economic risks associated with climate change are now sufficiently clear and present to trigger ordinary risk-reporting requirements in financial markets. Rather than reduce their emissions, or face up to the risks that they cause, the fossil fuel industry is trying to break and remake traditional risk reporting to selectively remove reporting of climate-related risks.

If it seems that elected Republicans have very suddenly awakened to the momentum toward climate risk reporting and the popularity of so-called environmental, social, and governance (ESG) investing, and dramatically stepped up their counteroffensive accordingly, that is no coincidence. This is a closely coordinated political effort driven by a network of dark money organizations fronting for climate denial groups and fossil fuel interests.

The recent election showed the extent of the Republican Party's dependence on "outside spending." This is usually anonymous dark money, and it is often traceable back to the fossil fuel industry. Those millions in political dark money likely came with strings attached, and those strings are likely pulling this political effort.

As of this year, there are $8.4 trillion in U.S. assets under management that employ sustainable investing strategies. The boom in sustainable and responsible investing has occurred for a very simple reason: there is enormous market demand for it. Warnings abound of significant economic risks that are plainly foreseeable if we don't transition to a low-carbon economy.

Investors see that danger ahead. Asset owners, accordingly, are clamoring for responsible investment options. They may have determined that sustainable investments better suit their risk tolerance and objectives over longer time horizons, as is the case for many pension funds whose beneficiaries depend on long-term, prudent stewardship of their retirement savings.

Or, they may be responding to clients who want investment options that align with their personal values. Either way, asset managers have simply kept pace with this demand. To refuse to do so would be to lose share in this rapidly growing, competitive market.

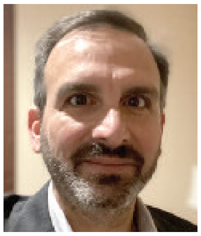
Elected officials should ensure that financial regulatory agencies properly account for risks in their financial stability and supervisory work. Climate change poses unambiguous risks to the financial system, and regulated financial institutions do not have the luxury of picking which risks to manage and which risks to ignore.

But Republicans are engaged in an entirely different pursuit. They are attempting to bully financial institutions and regulators into ignoring market demand and market risk. Imagine elected officials telling investment firms they cannot offer large-cap or small-cap funds, or emerging market funds, or value funds — or, for that matter, sector funds with exposure to energy companies.

That would be considered preposterous. It is similarly bizarre to tell asset managers they are not allowed to reflect the preferences of their investors in their investment stewardship and proxy voting, or to tell regulators that they are not allowed to consider a major source of economic and financial risk.

This isn't how the free market works. This is picking winners and losers, in this case putting a thumb on the scale in favor of the fossil fuel industry and completely disregarding the overwhelming risks that climate change poses to our economy and financial system.

There is no reason to think Republicans will stop with ESG; next, they could very well be telling investors not to put their money in tech companies or companies with unions. It is a stunning exercise in bald-faced hypocrisy from the party that so often claims to champion free-market values. The intent of their effort is very straightforward: to create a chilling effect and force financial firms to disregard the market's preferences and regulators to disregard actual risk. Wall Street — and its regulators — must not be intimidated.

ESG DATA HELPS MANAGE INVESTMENT RISK

URIAH KING
Public Policy & Government Affairs Director, For The Long Term

DAVE WALLACK
Executive Director, For The Long Term

Institutional investors have been paying attention to environmental, social and governance risk factors long before it was "ESG." Without fanfare or agenda, these long-term investors took notice of weak governance practices that led to corruption, friction with workforces that led to strikes and factories that spewed toxins into rivers leading to lawsuits from those who lived downstream.

These investors either underweighted short-sighted companies knowing they were destined to underperform their competitors or successfully engaged them to unlock immense value and maximize returns for shareholders and beneficiaries.

Over – what is now – decades, the use of ESG information has changed. This is not because long-standing legal duties have been changed, but rather that what was once detached and disparate information points have evolved into broadly accessible, refined data sets available for all investors. This rise of 'Big Data,' combined with advancements in computing power, statistical analysis and now Artificial Intelligence, has transformed financial markets. Rigorous empirical studies, impossible or not cost-effective before, have become ubiquitous.

The new analyses flowing from this revolution will continue to identify long-hidden risks and dramatic opportunities for growth.

Investors also will continue to demand such data because a company's market value is increasingly based on intangible assets. As the economy has become more digitized, many companies today are valued not by their physical assets, but by intellectual property such as patents, software and copyrights.

Changes in marketing and consumer preferences also mean other intangible – yet critical – assets like brand loyalty, reputational capital and commitments to sustainability and fair labor are now intrinsic to value and return. While these factors may be more difficult to quantify, they nevertheless have a significant impact on a company's valuation and long-term success.

And, for fiduciaries? It's simply not an option to ignore these increasingly important indicators of value, newly found risks and emerging opportunities.

All this means companies can't ignore ESG data either.

With growing confidence, investors know that companies that fail to manage ESG risks may face a range of challenges that can lead to poor financial performance and even bankruptcy. For example, companies with poor environmental practices can face regulatory fines, damage to their reputation, or increased operating costs due to environmental cleanup. Companies with weak governance structures may be more vulnerable to fraud, corruption or other misconduct that can harm the company's reputation and lead to legal and financial penalties. And, companies with poor social practices may struggle to attract and retain talent, leading to increased turnover and reduced productivity.

By analyzing ESG data, investors can identify companies that may be more vulnerable to these and other risks and adjust their investment decisions accordingly. By avoiding investments in companies with high ESG risk, investors can reduce the risk of investing in companies that may underperform and increase the likelihood of achieving their long-term investment goals.

In other words, the use of ESG data is simply a routine tool to assess value, potential returns and manage investment risk.

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ESG TRIGGERS THE RIGHT

JON HALE, CFA, PHD
Director, ESG Strategy Morningstar

Republican activists and politicians like former Vice President Mike Pence and Florida Gov. Ron DeSantis have been working overtime to alert America to the dangers of ESG. Red state legislators are pushing dozens of bills this year to restrict the use of ESG by the fiduciaries responsible for state investments, like pension plans, while some are even proposing an outright ban on ESG investing and data. The Republican majority in the U.S. House of Representatives is planning to use its oversight function to investigate the ESG practices of asset managers and the perceived pro-ESG views of the Securities and Exchange Commission. And Republican politicians are placing ESG on the list of grievances and conspiracies they serve up to their base as they try to turn ESG into the next critical race theory (CRT). One activist who was instrumental in convincing the Republican base that CRT is an ominous threat to their existence is heavily involved in the anti-ESG effort.

Although ESG technically refers to data about environmental, social and corporate governance issues that are material to a business, ESG is being used by the Right to refer to the supposed threat posed by the trend of investors and corporations adopting more sustainable and responsible practices. Using a set of initials that few people know the meaning of, rather than positively valanced terms like "sustainable" and "responsible" makes it easier for the Right to demonize something that is widely popular.

Continued next page

ESG TRIGGERS THE RIGHT

Continued

Most people think large corporations should take action to limit their carbon emissions and position their businesses to thrive in a low-carbon economy. Most people also think corporations should treat their workers better and that companies should not be run by only white men and only for the benefit of shareholders. This is the essence of the ESG that the Right is railing against.

These things all threaten the Right's worldview. Its undying support for and the funding it receives from the oil and gas industry fuels its refusal to combat climate change. Texas passed a law in 2021 prohibiting asset managers and banks that consider ESG and climate risk from doing business with state entities. The law tries to force investors to continue investing in the fossil-fuel industry regardless of whether they believe it to be prudent. It costs real money to run a protection racket: A Wharton School study estimated that the cost of this fossil fuel protectionism has already cost the state as much as $500 million.

Anti-ESG legislation has started to trigger its own backlash from bankers and investment professionals. They argue that investment decisions, especially those made on behalf of worker pension plans, should be made by professionals guided by fiduciary duty and not by politicians guided by ideology. Putting investment decisions in the hands of politicians is a recipe for poor investment outcomes; in this case, it's also a recipe for poor outcomes for people and the planet. The anti-ESG forces haven't achieved much substantive success yet, but funded by unlimited dark money and with the 2024 presidential primary season coming up they're unlikely to fold up and go away anytime soon.

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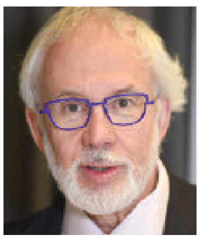

THE PATH TO A PEACEFUL SETTLEMENT IN THE ESG CULTURE WARS

ROBERT ECCLES

Visiting Professor of Management Practice, Said Business School, University of Oxford

Exactly how the acronym of ESG has become the topic of such heated pushback will make for a good doctoral dissertation in sociology. It has become a term derided on both the left ("it's not true sustainability") and the right ("it's a progressive political agenda"). Both camps are being given reasons for doing so by those, both in the corporate and investment community, who claim too much for it ("ESG will save the world!"). Passions are running high all around, with people often talking past each other given the meaning they are imputing to ESG.

It is healthy to have a debate about ESG: What it is, and what it isn't; what it can't do, what it can do, and what it was never meant to do. The term has probably run its full life cycle, and it is time to address the underlying issues of what is being debated.

For starters, Dan Crowley (R) and I have argued that it is important to separate material risk disclosures from salient political issues. We can use climate change as an illustrative example. If investors deem how a company is adapting to climate change to be a material issue, then companies should report on it. After receiving a great deal of feedback based on very different views, the SEC will soon be issuing its proposed rule on climate reporting. It is important that this rule simply be about disclosure of a material risk. Things like targets for carbon reductions are up to companies to adopt on a voluntary basis or not unless there are government-mandated requirements to do so. The political process will determine such things as subsidies for supporting technologies that help address climate change. There will be different party-based views on how best to do so, and this will get sorted out in legislation.

In terms of ESG more broadly, Mr. Crowley and I have also argued that "[t]he key will be returning ESG to its original and narrow intention — as a means for helping companies identify and communicate to investors the *material* long-term risks they face from ESG-related issues." For this reason, I am pleased that Congress will be holding hearings on ESG. This will be a great opportunity to put ESG back in the box where it belongs. Of course, how these hearings are conducted will influence whether it is a learning opportunity that produces light or simply political theater that generates more heat.

I'm realistic and realize some fiery rhetoric is inevitable on both sides. But underneath that I'm very encouraged by the "Mandatory Materiality Requirement Act of 2022," which was introduced by Senator Mike Rounds (R–South Dakota) and seven other senators in September 2022. Companion legislation H.R.9408 was introduced by Congressmen Bill Huizenga (R-Michigan) and Andy Barr (R-Kentucky) in December 2022. These provide a solid foundation for having this discussion.

Let me end with a modest suggestion for how a peaceful settlement can be reached in the "ESG Culture Wars." Let's stop using the term "ESG." Instead, let's talk about material risk factors that matter to shareholder value creation. These are separate from the negative externalities created by companies' products and services. How best to deal with this is what the political process is for.

Looking Ahead at New SEC Rules

In 2023 shareholder advocates and corporations are expecting to see the release of several significant SEC rules that have been debated for many years.

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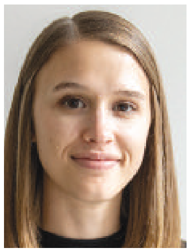

WHAT THE SEC'S MANDATORY CLIMATE DISCLOSURE PROPOSAL MEANS FOR INVESTORS AND MARKET PROTECTION

STEVEN ROTHSTEIN

Managing Director, Ceres Accelerator for Sustainable Capital Markets

BECCA JOHNSON

Associate, Ceres Accelerator for Sustainable Capital Markets

The adage "you can't manage what you don't measure" is a sound argument for measuring and assessing climate risks, which cost the world over $313 billion in 2022 alone. Investors have expressed their resounding support, including more than 600 investors who signed the 2022 Global Investor Statement urging governments to address climate risks through mandatory disclosure.

If you looked at the information companies disclosed 15 years ago in financial filings, you would see few mentions of climate risks or greenhouse gas (GHG) emissions. The international recognition of a need for climate-related financial disclosures has matured dramatically and rapidly in response to the ever-increasing climate risks facing the global economy.

Internationally, the disclosure movement began with the development of a voluntary framework from the Global Reporting Initiative (GRI), followed by CDP and others. In the last five years, the work of the Task Force on Climate-related Financial Disclosures (TCFD) led to regulatory momentum to establish consistent and comparable reporting methods that provide investors with valuable information.

In January, the European Union's Corporate Sustainability Reporting Directive became effective, mandating disclosures affecting U.S. companies with significant business in the EU. Soon the International Sustainability Standards Board will finalize its sustainability disclosure standards, which will be compatible with the International Financial Reporting Standards Board widely used Accounting Standards.

In the United States, while the SEC issued interpretive guidance in 2010 on climate change, we are just now catching up with our global counterparts, including Canada, Japan, New Zealand, Sweden and the United Kingdom, which have already mandated TCFD-aligned climate-related financial disclosures.

In March 2022, the SEC proposed a rule – The Enhancement and Standardization of Climate-Related Disclosures for Investors – that would require U.S. publicly traded companies to disclose annually how their businesses are assessing, measuring and managing climate-related financial risks. The proposal is TCFD-aligned and adapts established, respected standards such as the GHG Protocol. The SEC proposal responds to the need by investors for consistent and comparable corporate reporting to produce useful investment insights.

Climate change poses major risks to companies in every sector of the economy, their supply chains and their investors. Threats include physical risks to real assets from increasing frequency and severity of extreme weather events and transition risks posed by changes in regulation, technology and market preferences as the economy adapts. The rule's disclosure requirements vary based on a company's size and include disclosures on governance, strategy, risk management and metrics and targets, including Scopes 1, 2 and 3 GHG emissions.

Thousands of companies worldwide already disclose this type of information. A January 2022 study by The Conference Board found that more than half of S&P 500 companies already disclose climate risks in annual reports, and 71 percent disclose GHG emissions in annual reports or another location.

However, these voluntary disclosures are resulting in fragmented and inconsistent information across companies. This lack of comparability and completeness can lead to the mispricing of climate risk and prevent investors looking to invest capital in innovative and resilient firms from identifying opportunities. Investors bear significant costs to find the information they need, and some of that information is simply not available.

The status quo of voluntary disclosure is confusing for both issuers and investors and hinders efficient investment decision-making and capital investments. A clear SEC rule standardizing climate disclosure would alleviate these burdens.

During the comment period, the SEC received over 14,000 responses. Comments from investors showed overwhelming support for many of the key provisions of the proposal, including these disclosures in financial filings, requiring GHG data and aligning with the TCFD and the GHG Protocol. A final rule is expected to come out in the first half of 2023.

In addition to addressing climate risk concerns, the SEC proposed two rules in 2022 focused on preventing greenwashing and other misleading fund practices. The ESG Disclosure proposal would require greater disclosures for funds and advisers claiming use of ESG strategies and/or criteria. The Fund Names proposal would expand the current naming policy, which requires 80 percent of a fund's assets to be invested in accordance with the category suggested by its name, to include strategies such as ESG investing in the scope of its requirements. Both proposals are expected to be finalized later this year.

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2023 UPDATE ON SEC SHAREHOLDER PROPOSAL RULES AND GUIDELINES

SANFORD LEWIS
Director, Shareholder Rights Group

Administration Increases Efficiency and Reduces Costs of SEC Process

Recent efforts of the Securities and Exchange Commission (SEC) Staff to create a more objective and efficient process for handling shareholder proposals have borne fruit in 2023, resulting in a 30 percent reduction in company-filed challenges to shareholder proposals. Clearer guidelines from the Staff have made it possible for shareholders to draft more defensible proposals.

Staff Legal Bulletin 14L issued in November 2021 revoked a number of opportunities for companies to argue for exclusion of proposals that were added to the SEC no-action process during the Trump administration. The 2021 bulletin reset the process to better align with the rule as written by the Commission.

According to analysis by the Sustainable Investments Institute, as of January 31, 2023, 140 no action requests had been submitted as compared with 209 on the same date last year. All told, it appears that there will be about 30 percent fewer no action requests submitted to the SEC this year.

The new guidance provided by the Staff provides, for the first time in decades, objective indicators to allow both proponents and companies to assess whether a given proposal will withstand a challenge based on the ordinary business rule. With its framework for proponents to draft compliant proposals, the bulletin has made the drafting process more predictable and therefore less likely that proponents will file proposals subject to contests at the SEC. The reduction in unnecessary legal challenges is a good government initiative because it reduces unnecessary costs of the process for issuers, proponents and SEC Staff.

Pending Lawsuit and Rulemaking

In 2020, the SEC finalized a rulemaking that increased the thresholds for filing and resubmission of shareholder proposals and which otherwise complicated the process for filing of proposals with new rules on representation and engagement. A lawsuit attempting to vacate the rule was filed by the Interfaith Center on Corporate Responsibility, *As You Sow* and James McRitchie. The judge hearing the lawsuit has repeatedly deferred a decision, with a possible decision expected later this year.

In 2022, the Commission also proposed further amendments to the shareholder proposal rules regarding substantial implementation, resubmission and duplication. For instance, the current rule assessing whether the company has "substantially implemented the proposal" allows companies to argue that even if they have not taken an action consistent with what the text of the proposal requests, they have more or less met the "essential purpose" of the proposal. This leads to extended philosophical arguments in company challenges to proposals, often distorting the purpose of a proposal to align with the company's existing actions. The new rule would look instead to the essential elements of the proposal and not invite this extended debate over "purpose."

Similarly, the proposed amendments on duplication and resubmission would provide a welcome solution to a growing phenomenon in the market regarding disingenuous anti-ESG proposals that could have the effect of displacing a subsequently submitted pro-ESG proposal, whether for the same proxy statement or as a resubmission of the topic in a subsequent year.

THE 2023 PROXY SEASON

This section of the report presents information on the 542 shareholder proposals investors have filed so far for the 2023 proxy season, about even with last year at this point in 2022—when by year's end a total of 617 had been filed. Additional proposals for spring votes will show up as the season progresses and more will be filed for meetings that occur after June. Thirty proposals are included in the aggregate totals but not described in detail since they have yet to be made public by the proponents. As noted above, the current SEC is friendly to shareholder proposals and far fewer will be blocked by SEC challenges.

Structure of the report: Information is presented in three main areas—Environment, Social and Sustainable Governance. A separate section covers Anti-ESG proposals. 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.

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 by the commission's Division of Corporation Finance.

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

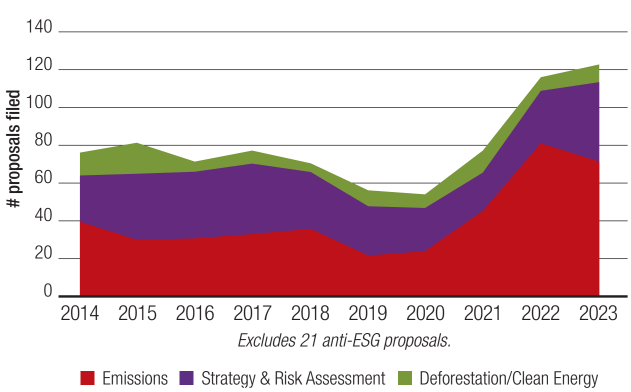
Investors face even more climate-related shareholder resolutions than last year, with a total of 122, up from 110 last year and just 79 in 2021. Thirty-eight are on other environmental management issues, up a little from 34 last year and 31 in 2021.

(The Political Influence section, p. 36, has more detail about climate-related lobbying. Sustainable Governance, p. 71, covers proposals on climate-related board oversight, pay links, and retirement plans.)

CLIMATE CHANGE

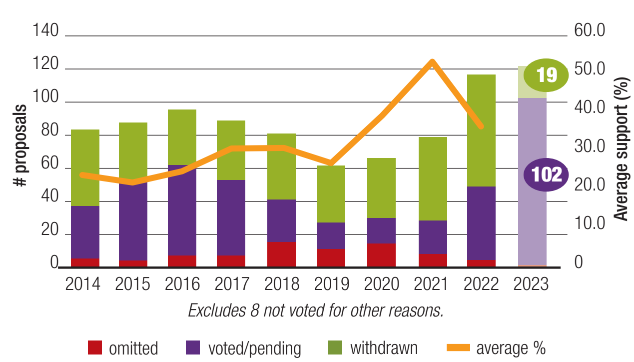
Much was afoot in the climate policy arena during the last year. President Biden and a Democratic Congress shepherded landmark legislation into law that holds the promise of a greener economy. The Securities and Exchange Commission (SEC) now is putting the finishing touches on a mandatory climate change disclosure rule that will affect nearly all public companies. Yet supporters of the fossil-fuel sector and their allies are poised to take legal action as soon as the new SEC rule is final; since opponents of climate action hold a slim majority in the House of Representatives they will work to curtail some federal climate policy. Global investors remain deeply worried about impending financial risks, however, even as profits from price gouging at the pump and crimped supplies from Russia's invasion of Ukraine seemed to have contributed to less investor enthusiasm for climate-related shareholder resolutions in 2022.

Types of Climate Proposals



Excludes 21 anti-ESG proposals.

Climate Change Outcomes



Excludes 8 not voted for other reasons.

The big increase in climate change proposals that started in 2022 continues. Investors have filed at least 122 proposals and plan more for the second half of the year. Average support that jumped in 2021, plus more visible climate impacts and limited progress on emissions reductions, drove some more aggressive requests that seemed to push the envelope too much for some last year, pushing down the average vote by about 10 points, even as companies and shareholders reached more agreements than ever. With the SEC more responsive to shareholders, almost no climate change proposals were omitted in 2022 and that will continue.

Climate proposals in 2023 remain firmly focused on asking for GHG emissions targets and reporting on them. Investors also are asking companies to consider climate risk in their business strategy and disclose how they can adjust to a much lower carbon economy in the future. There are a few more specific angles to related political influence proposals this year, plus a handful of proposals seeking specific oversight and links to compensation. As of mid-February, 72 proposals ask about emissions, 42 ask about strategy and risk assessment and eight are about deforestation. (Climate policy influence proposals have fallen to 15, down from 23 in 2022—*see p. 42*.)

Proponents: *As You Sow* continues to be the most prolific filer of proposals with at least 89 to date, but the Ceres coalition still coordinates a wide array of climate change proposals, through its Investor Network on Climate Risk (INCR). Others come from a broad coalition of investors, including many from the Interfaith Center on Corporate Responsibility (ICCR), the New York City and State pension funds, other state pension funds around the country, plus responsible investment firms and some individuals. Many support Climate Action 100+, a global initiative focused on more than 100 corporate 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 now backed by 700 institutional investors with assets of more than $68 trillion and is focused on the 166 companies which contribute four-fifths of all global industrial emissions; most are not taking sufficient action to stave off catastrophic shifts in the global climate system.

Emissions

Emissions

Company	Proposal	Proponent	Status
Disclosure			
AECOM	Report on use of carbon offsets	John Chevedden	withdrawn
Amazon.com	Report on Scope 3 GHG emissions goals	Green Century	May
Ameren	Report on Paris-compliant plan to cut carbon footprint	Mercy Investment Services	April
C.H. Robinson Worldwide	Report on Paris-compliant plan to cut carbon footprint	7th Generation Interfaith CRI	withdrawn
CarMax	Report on use of carbon offsets	*As You Sow*	June
Chevron	Report on GHG emissions calculations	*As You Sow*	May
Choice Hotels International	Report on net-zero GHG goals	*As You Sow*	May
Cleveland-Cliffs	Report on net-zero GHG goals	*As You Sow*	April
Comcast	Report on Paris-compliant plan to cut carbon footprint	John Chevedden	June
Constellation Brands	Report on net-zero GHG goals	*As You Sow*	July
Deere	Report on Paris-compliant plan to cut carbon footprint	*As You Sow*	withdrawn
Dollar Tree	Report on net-zero GHG goals	*As You Sow*	June
Electronic Arts	Report on Paris-compliant plan to cut carbon footprint	Trillium Asset Management	July
EOG Resources	Report on methane emissions/reduction targets	Mercy Investment Services	withdrawn
ExxonMobil	Report on methane emissions/reduction targets	7th Generation Interfaith CRI	May
ExxonMobil	Report on GHG emissions calculations	Andrew Behar	May
General Electric	Issue audited climate transition plan	*As You Sow*	May
Lockheed Martin	Report on net-zero GHG goals	*As You Sow*	April
Marathon Oil	Report on methane emissions/reduction targets	Mercy Investment Services	May
Marathon Petroleum	Report on methane emissions/reduction targets	7th Generation Interfaith CRI	April
Mosaic	Report on net-zero GHG goals	*As You Sow*	May

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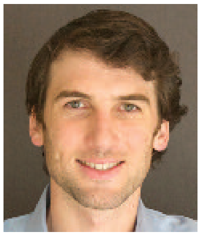
Emissions

Company	Proposal	Proponent	Status
Mueller Industries	Report on net-zero GHG goals	*As You Sow*	May
Olympic Steel	Report on net-zero GHG goals	*As You Sow*	May
Ovintiv	Report on methane emissions/reduction targets	Proxy Impact	April
Quanta Services	Report on Paris-compliant plan to cut carbon footprint	Trillium Asset Management	May
Raytheon	Report on net-zero GHG goals	*As You Sow*	May
Ryerson Holding	Report on net-zero GHG goals	*As You Sow*	April
Skechers U.S.A.	Report on net-zero GHG goals	*As You Sow*	May
Southern	Report on Paris-compliant plan to cut carbon footprint	Seattle City Employees' Retirement System	May
Targa Resources	Report on methane emissions/reduction targets	Miller/Howard Investments	May
Targa Resources	Report on flaring reduction plans	Proxy Impact	May
Texas Roadhouse	Report on Paris-compliant plan to cut carbon footprint	*As You Sow*	May
Valero Energy	Report on Paris-compliant plan to cut carbon footprint	Mercy Investment Services	April
Wabtec	Report on net-zero GHG goals	*As You Sow*	May
Walgreens Boots Alliance	Report on Paris-compliant plan to cut carbon footprint	Mercy Investment Services	withdrawn
Williams Companies	Report on methane emissions/reduction targets	Proxy Impact	withdrawn
Adopt Targets			
Air Transport Services Group	Adopt Paris-compliant strategy to cut GHG emissions	John Chevedden	May
Ameren	Adopt goals/reduce Scope 3 GHG emissions	*As You Sow*	April
American Tower	Adopt Paris-compliant strategy to cut GHG emissions	John Chevedden	May
Bloomin Brands	Adopt Paris-compliant strategy to cut GHG emissions	Green Century	May
Builders FirstSource	Adopt net-zero GHG reduction targets	Green Century	June
California Water Service Group	Adopt Paris-compliant strategy to cut GHG emissions	Nia Impact Capital	May
CenterPoint Energy	Adopt goals/reduce Scope 3 GHG emissions	*As You Sow*	April
Chevron	Adopt goals/reduce Scope 3 GHG emissions	Follow This	May
ConocoPhillips	Adopt goals/reduce Scope 3 GHG emissions	Follow This	May
Costco Wholesale	Adopt net-zero GHG reduction targets	Green Century	withdrawn
ExxonMobil	Adopt goals/reduce Scope 3 GHG emissions	Follow This	May
Freeport-McMoRan	Adopt goals/reduce Scope 3 GHG emissions	*As You Sow*	June
Illinois Tool Works	Adopt Paris-compliant strategy to cut GHG emissions	Clean Yield Asset Mgt.	May
Kadant	Adopt Paris-compliant strategy to cut GHG emissions	Clean Yield Asset Mgt.	May
Kinder Morgan	Adopt Paris-compliant strategy to cut GHG emissions	Presbyterian Church (USA)	May
Martin Marietta	Adopt Paris-compliant strategy to cut GHG emissions	Amundi Asset Management	May
Norfolk Southern	Adopt Paris-compliant strategy to cut GHG emissions	Friends Fiduciary	withdrawn
Nucor	Adopt Paris-compliant strategy to cut GHG emissions	Friends Fiduciary	May
ON Semiconductor	Adopt Paris-compliant strategy to cut GHG emissions	Green Century	May
OraSure Technologies	Adopt Paris-compliant strategy to cut GHG emissions	Nia Impact Capital	May
Public Storage	Adopt net-zero GHG reduction targets	*As You Sow*	April
Quest Diagnostics	Adopt Paris-compliant strategy to cut GHG emissions	John Chevedden	May
Southern	Adopt goals/reduce Scope 3 GHG emissions	*As You Sow*	May
United Parcel Service	Adopt net-zero GHG reduction targets	Green Century	May
Wabtec	Adopt Paris-compliant strategy to cut GHG emissions	Clean Yield Asset Mgt.	withdrawn
XPO Logistics	Adopt Paris-compliant strategy to cut GHG emissions	Mercy Investment Services	withdrawn



INVESTORS EXPECT SCIENCE BASED GHG TARGETS AND REPORTING

DAVID SHUGAR

Say on Climate Initiative Manager, As You Sow

Shareholders in 2023 are tightly focused on resolutions asking companies to establish science-based greenhouse gas reduction targets that cover the full value chain of emissions—and to report on them. The science is clear that companies need to rapidly act to reduce emissions to limit global warming to a 1.5°C increase in warming.

Investor coalitions have clear expectations for companies. The Climate Action 100+ initiative, a coalition of more than 700 investors with $68 trillion in assets, issued a Net Zero Benchmark to be a key reference; it outlines decarbonization strategies. The benchmark also specifically identifies setting reduction goals for relevant Scope 3 value-chain emissions as essential for corporate climate progress.

Additionally, the Science-Based Targets Initiative defines how companies can define their goals. It explains why goals should aim for at least 4.2 percent year-on-year reductions to achieve approximately half the needed reductions by 2030 from baseline emissions. SBTi companies also must set Scope 3 value-chain reduction targets when these emissions represent a significant portion of total greenhouse gas sources.

Value-chain, also called supply-chain, emissions represent the vast majority of climate impacts for many companies. They include purchased goods and services, the use of sold products and 13 other emissions categories defined by the GHG Protocol. Companies can typically reduce value-chain emissions by designing products with lower lifecycle emissions as well as working with upstream and downstream supply chain partners to reduce carbon.

As You Sow's 2023 proposals included those filed for the first time at defense companies **Lockheed Martin** and **Raytheon**, industrial companies **Linde** and **Mosaic** and consumer staples companies **Skechers U.S.A.** and **Dollar Tree**. While some of these companies have set limited operational emissions reduction goals for Scopes 1 and 2, none has set science-based goals for full Scope 3 value-chain emissions. This leaves many climate-related impacts unaddressed.

The slate of proposals on GHG emissions in 2023 heavily focuses on disclosure (42 proposals) and compared to last year make fewer explicit demands for setting targets (30 proposals). Similar requests have been filed at multiple companies.

Disclosure

"Net zero" goals: Fourteen proposals (including one that has yet to be disclosed) specifically seek reports about how each company "intends to reduce" GHG emissions "in alignment with the Paris Agreement's 1.5-degree Celsius goal requiring Net Zero emissions by 2050." Some say the report should cover the "full Scope 1, 2 and 3 value chain" while others seek action across the "operational and value chain," This is a distinction with little difference. *(See table pp. 17-18 for a list; all are slated for votes so far.)*

"Paris-compliant" transition plans: Another dozen proposals are slightly less specific, but each invoke the Paris Climate Treaty and discuss the 1.5-degree Celsius warming limit scientists agree is needed to stave off catastrophic global impacts. Three have been withdrawn as of mid-February.

- At **C.H. Robinson Worldwide**, **Comcast**, **Deere** and two other undisclosed companies, the request is for each company to "issue near and long-term science-based GHG reduction targets aligned with the Paris Agreement's ambition of maintaining global temperature rise to 1.5-degree C and summarize plans to achieve them."
- At **Texas Roadhouse**, *As You Sow* asks for a report on "if, and how, it plans to measure and reduce its total contribution to climate change, including emissions from its supply chain," aligned with 1.5 degrees.
- At **Cleveland-Cliffs**, **Mueller Industries**, **Olympic Steel** and **Ryerson Holdings**, *As You Sow* is similarly focused on Scope 3 emissions and asks for a report on how the companies intend "to reduce its operational and value chain GHG emissions in alignment with the Paris Agreements 1.5 degree C goal requiring Net Zero by 2050 emissions."

Still another variation is a resubmission at **Valero Energy**, where last year Mercy Investments earned a near majority of 45.1 percent. The resolution asks for annual reports on the company's "climate transition plan to align operations and value chain emissions with a well-below 2 degrees Celsius scenario, including short-, medium- and long-term reduction targets."

A new proposal at the utilities **Ameren** and **Southern** seeks information on "operational" emissions goals for the "short, medium and long-term" aligned with a 1.5-degree Celsius temperature increase, but also says the report should be "consistent with sector-modelled pathways." Each proposal acknowledges the companies have set goals, but asserts investors need to know more about how they will achieve them, contending they lag peers. The proposals argue for Science-Based Targets initiative

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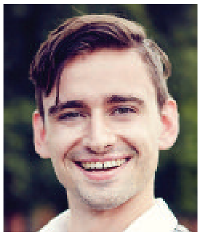

STEEL INDUSTRY NET ZERO TARGETS KEY FOR DECARBONIZATION

DANIEL STEWART
Energy and Climate Program Manager, As You Sow

KELLY POOLE
Energy and Climate Program Associate, As You Sow

Reducing GHG emissions from steel, one of the most widely used industrial materials, is a critical part of the global challenge of maintaining global temperatures to 1.5˚C. According to the U.S. Energy Information Administration, the iron and steel sector accounts for 7 percent of global CO_2 emissions due to its significant use of fossil fuels, heavy industrial process emissions, and power use. By 2050, demand for steel is expected to increase by more than one-third, posing the significant challenge of decoupling emissions from the sector's growth.

The steel industry faces both risks and opportunities in the global transition to net-zero emissions. Long-lived capital-intensive assets typically last 30 to 40 years, which means steel companies risk asset stranding if investments are not compatible with low-carbon technologies. Companies that start mapping optimal climate transition pathways, including making tangible investments in operational efficiencies and low-carbon technologies, will ensure they remain resilient and relevant.

Similarly, companies that innovate green steel products will attain a competitive advantage as customers shift to procure steel from low-emission sources. Demand for green steel is growing because manufacturers with net-zero targets seek to reduce the embodied carbon of products in buildings, planes, automobiles and other heavy machinery. For example, **Volvo**, **Ford** and **GM** all aim to secure low-carbon steel. Industry coalitions such as SteelZero, Responsible Steel, and the Net Zero Steel Initiative will supercharge both the demand and supply-side shift to net-zero steel.

Beyond market risk, the regulatory landscape is rapidly evolving. Companies increasingly face more rigorous standards for disclosing emissions and setting targets. As members of a high emitting sector, steel companies face increased risk from policies with carbon pricing mechanisms, now being discussed in Europe. For example, a recent study about steel company exposure to carbon prices estimates found that the global steel industry may risk 14 percent of potential value if it cannot decrease its impact. On the other hand, policies such as the Inflation Reduction Act increasingly provide support to companies in hard to abate industries, such as steel, that are ready to adapt.

Setting net zero targets is one key step in managing GHG emissions by providing an essential framework for effective short and long-term decisions with a focus on carbon reduction. This year, *As You Sow* has had productive engagements and achieved commitments regarding net-zero transition planning with steel value chain companies including **Cleveland-Cliffs**, **Olympic Steel**, **Ryerson** and **ATI**.

(SBTi) recommendations, which require action on Scope 3, and consulting the Transition Pathways Initiative that defines sector-specific benchmarks. Southern has yet to set Scope 3 goals but has significant emissions from upstream natural gas production and downstream gas combustion, while Ameren plans to keep operating two coal-fired power units until 2040.

Withdrawals—Mercy Investments withdrew after **Walgreens Boots Alliance** agreed to consider near- and long-term GHG reduction SBTI goals, report biannually, set related energy efficiency and renewable energy targets and publish a "climate action transition" plan with specifics. *As You Sow* also reached an agreement at **Deere**. The withdrawal at **C.H. Robinson** came after a procedural problem with the filing, however.

SEC action—**Ameren** has lodged a challenge at the SEC, arguing its current disclosures and GHG ambitions make the resolution moot, but the commission has yet to respond.

Scope 3: Trillium Asset Management zeros in on the vast reach of **Amazon.com's** physical infrastructure and asks it to "measure and disclose scope 3 GHG emissions from its full value chain inclusive of its physical stores and e-commerce operations and all products that it sells directly and those sold by third party vendors." *(See below for requests to set Scope 3 goals.)*

Methane: Proponents have withdrawn three of ten resolutions that are all the same, asking for direct methane measurements instead of the estimated measurements that companies commonly utilize. The resolution says "the reliability of methane emission disclosures" is "a critical climate change concern" and requests public reports that will:

- *summarize the outcome of efforts to directly measure methane emissions by Williams, using recognized frameworks such as OGMP;*
- *describe any material difference between direct measurement results and Company's reported methane emissions; and*
- *assess the degree to which any differences would alter estimates of the Company's Scope 1 emissions.*

Withdrawals—Both **EOG Resources** and **Williams** agreed to join the Oil and Gas Methane Partnership 2.0 (OGMP), and first-time recipient **APA**, a small independent oil and gas firm, also reached an agreement according to the Ceres coalition. OGMP is a voluntary industry initiative formed in 2014 to cut methane releases and its 2.0 framework in 2020 overhauled reporting to educate companies and make reporting more credible. All those aside from APA have received proposals in the past and engaged with investors. Ovintiv agreed to publish additional disclosure regarding its methane detection and measurement methodologies, and to meet with OGMP to compare its own direct methane measurement approach and OGMP's recommendations.

Flaring: In addition to the methane reporting resolution, **Targa Resources** has a second proposal from Proxy Impact, asking it to "to go beyond its existing efforts to curtail its impact on climate change from its own venting and flaring and from upstream venting and flaring that are attributable to or influenced by Targa's midstream activities."

Carbon offsets: Three proposals (one not yet public) ask companies to explain how they use carbon offsets in their emissions reporting. *As You Sow* wants **CarMax** to disclose "if and how carbon offsets are used to achieve Company emissions reduction goals, describing all criteria used for offset purchases, and disclosing the type and quality of offsets purchased." **Williams-Sonoma** provided such information last year, and John Chevedden withdrew at **AECOM** this year after it provided information, so it is not clear any of these proposals will see a vote.

Emissions calculations: Andrew Behar and *As You Sow* are pressing the point about accurate emissions accounting in a new proposal at the two biggest U.S. oil and gas companies. *As You Sow* asks Chevron and Behar asks ExxonMobil to "disclose a recalculated emissions baseline that excludes the aggregated GHG emissions from material asset divestitures occurring since 2016," the year each uses for a baseline against which it figures emissions reductions. The proposals argue that divesting high-carbon assets and operations, and then reporting them as GHG reductions, makes company progress on emissions reductions appear more substantial than they are, while not addressing the continued carbon impact of those divested assets.

SEC—ExxonMobil has challenged the Behar proposal at the SEC alleging that it violates the 14a-8 prohibition against a proponent submitting more than one proposal. Exxon argues that, as CEO and an employee, Behar is the functional equivalent of *As You Sow*. Behar has responded that as a long time Exxon shareholder he has the right to individually submit a shareholder proposal; the SEC has yet to respond.

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METHANE EMISSIONS SIGNIFICANTLY UNDERESTIMATED – DIRECT MEASUREMENT NEEDED

LUAN JENIFER

CEO and President, Miller/Howard Investments

Why does methane matter? It is a powerful greenhouse gas with a global warming potential 80 times that of carbon dioxide over a 20-year period. While carbon dioxide emissions remain in the atmosphere for hundreds to thousands of years, methane breaks down in a decade – impactful while it lasts (and, so far, it's responsible for around 30 percent of global temperature rise), but it has a shorter life in the atmosphere.

Reducing methane emissions now would have an impact in the near term and give us a chance to keep the world on a pathway to a 1.5°C future.

If it leaks from the pipe, it's lost from the pocket: Methane is the primary component of natural gas, so any leak means loss of salable product – which is estimated at $2 billion in lost product annually. Stakeholders are concerned: In 2021, investors managing over $6 trillion supported strong federal methane regulations.

How are methane emissions quantified? Directly through empirical measurement, or indirectly through calculations and modeling. Unfortunately, estimates can miss persistent or significant leaks. Direct measurement, on the other hand, involves a variety of technologies (e.g., on-the-ground infrared cameras and/or aerial surveys) to identify and measure methane on the ground and in the atmosphere. Combining direct measurement's 'top down' and 'bottom up' tools reconciles measurements and identifies unexpected or significant leaks.

Are the numbers reliable? Numerous recent studies have highlighted problems with exclusively using estimates to quantify methane emissions from the oil and gas industry. According to the International Energy Agency, global methane emissions from the energy sector are about 70 percent greater than the amount national governments have officially reported. Studies in the United States have found actual emissions to be one to two times greater than reported emissions. In certain oil and gas basins, actual emissions are more than 10 times higher than industry-disclosed figures.

So, what's the alternative? Initiatives like the Oil & Gas Methane Partnership 2.0 (OGMP) provide a comprehensive, measurement-based reporting framework to improve the accuracy and transparency of global methane emissions reporting. OGMP advocates using direct measurement technologies to help companies identify the actual (not assumed) sources of emissions from their operated assets and provide a credible and transparent framework for analyzing and reporting those emissions. Together, such measurement and reporting improve methane data quality and consistency and enable companies to make more strategic and targeted reduction efforts.

Miller/Howard Investments and others engage companies on emissions management: We discuss processes, protocols and technologies; we encourage companies to join initiatives like the OGMP; we file and support shareholder resolutions that seek company commitments to transparent reporting with accurate and credible information.

At the end of the day, access to reliable, quantitative information is a fundamental concern for investors evaluating climate-related risks. Companies that do not effectively measure and manage methane emissions put their reputations and licenses to operate – and their investors – at risk.

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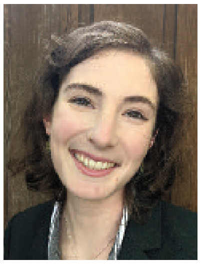

NEW STANDARDS CAN HELP COMPANIES AVOID CARBON OFFSET GREENWASHING

DIANA MYERS
Say On Climate Sr. Associate, As You Sow

Shareholder scrutiny of corporate offsetting strategies is growing as the voluntary carbon market (VCM) grows, with projections it may be worth $50 billion annually by 2030. Carbon offset advocates believe the VCM incentivizes critical investments in mitigation and adaptation, even as global efforts fail to deliver on emission reduction targets. Yet companies can face reputational and litigation risks for participating in the VCM given credibility questions. Companies can reduce the risks associated with purchasing voluntary credits by aligning their strategies with best practices and procuring third-party verified high-quality credits.

Leading experts, including the United Nations High-Level Expert Group and the Science Based Targets initiative, are clear that companies should not use voluntary credits to replace operational and value-chain emission reductions. To achieve net-zero emissions in a science-aligned method, companies should aim to reduce 90 percent of their total emissions and only plan to offset the remaining 10 percent or less with projects that achieve permanent carbon removals.

Companies that want to exceed their emission reduction responsibilities through participation in the VCM need clear disclosures and procurement policies for purchasing high-quality credits and avoiding greenwashing accusations. For example, major S&P 500 companies faced criticism in 2020 for buying voluntary credits that protected trees not in danger of being harvested, producing misleading claims of emissions reductions. Other large market-cap companies purchased offsets from renewable energy projects that had negligible effects to green the grid, harming the credibility of their carbon neutrality claims. Companies can avoid buying bad credits and help signal consistent demand for high-quality credits by publicly disclosing procurement criteria and aligning with the Core Carbon Principles.

High-quality credits should be *additive*, capturing or avoiding carbon above and beyond what would happen naturally. In addition, they should be *permanent*, meaning carbon remains sequestered from the atmosphere with low risk of being released within the next century or more. Improving measurement, reporting and verification is significant improves the legitimacy of the VCM. As a result, companies should look for credits verified by third parties, such as the Gold Standard, and publicly disclose project-level risk and benefit assessments.

Over the past two years, *As You Sow* has engaged companies on corporate offsetting best practices. *As You Sow* filed a first of its kind offset-related resolution last year at **Williams-Sonoma** and withdrew when the company agreed to clarify its offsetting strategy. This year, *As You Sow* filed a carbon offset-related resolution at **CarMax** and withdrew when it agreed to increase offset-related disclosures. *As You Sow* may file additional offset-related resolutions to improve corporate offsets disclosures and policies.

Targets

Paris-compliant strategy for emission cuts: Seventeen proposals (three at undisclosed companies) are nearly identical, asking companies to "issue near and long-term science-based GHG reduction targets aligned with the Paris Agreement's ambition of maintaining global temperature rise to 1.5 degrees Celsius and summarize plans to achieve them. The targets should cover the Company's full range of operational and supply chain emissions."

Four recipients have never received a climate proposal—**Air Transport Services Group**, **Kadant**, **OraSure Technologies** and **Quest Diagnostics**. Previous climate change votes at some others have been high—76 percent in 2021 for a deforestation proposal at **Bloomin Brands**, 76 percent in 2021 at **Norfolk Southern** on climate change advocacy and 60 percent at **Kinder Morgan** in 2018 when it was asked to produce a report about how it would adapt to climate change.

Withdrawals—Proponents have withdrawn five proposals (two at undisclosed companies) so far, with agreements at **Wabtec** (also known as Westinghouse Air Brake) and **XPO Logistics**. The withdrawal at **Norfolk Southern** came after it agreed to publish a climate transition plan in 2023 with near-term targets that cover GHG emissions, governance and lobbying. Norfolk Southern also will make a public statement about joining SBTi or explain why it will not. (A first-time proposal asking for disclosure about the company's climate change advocacy earned 76.4 percent support in 2021.)

SEC action—**American Tower** and **ON Semiconductor** are contending at the SEC that their current reports and policies make the resolution moot but the SEC has yet to respond.

Scope 3 goals: Proponents want targets for indirect emissions from utilities and fuel combustion from energy companies long targeted for their GHG emissions. At **Ameren** and **Southern**, *As You Sow* asks simply for "short and long-term targets aligned with the Paris Agreement's 1.5-degree Celsius goal requiring Net Zero emissions by 2050 for the full range of its Scope 3 value chain GHG emissions." At **CenterPoint Energy**, the proposal is for disclosure of "all Scope 3 emissions" and "Paris-aligned, 1.5-degree Celsius, Scope 3 targets" in the full value chain for the "short, medium, and long-term." A slight variation asks mining company **Freeport McMoRan** how it "intends to reduce the full range of its Scope 3 value chain" to hit the 1.5-degree Celsius net-zero Paris Agreement goal.

The Dutch collaborative Follow This wants emissions goals from oil and gas majors. It asks **Chevron**, **ConocoPhillips** and **ExxonMobil** each "to set a medium-term reduction

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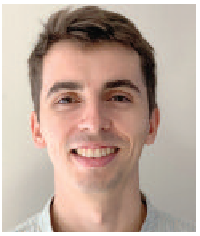


COMPANIES CLAIM TRANSFERRED EMISSIONS REDUCE GHG, BUT ALL IT DOES IS MOVE POLLUTION ELSEWHERE

THOMAS PETERSON
Say on Climate Coordinator, As You Sow

To address growing climate-related portfolio risk, investors increasingly expect companies to set greenhouse gas emissions reduction targets aligned with the Paris Agreement's 1.5o goal and to report their reduction progress. Fundamental to target setting and reporting, however, is accuracy. Reported progress must reflect real-world emissions cuts. Unfortunately, this isn't always the case.

When polluting assets are transferred from one company to another but continue operating, their emissions should not be counted toward the selling company's emissions reduction goals. To do so would be to take credit for climate progress where none has occurred.

The world's largest asset managers have begun warning of the potential consequences of oil and gas companies "decarbonizing" by selling their assets. Cyrus Taraporevala, the former head of State Street Global Advisors, wrote in the *Financial Times* in 2021 about the risk of "selling off the highest-emitting components of businesses to private equity and hedge fund actors." He argued that this could lead to public markets appearing to reach net-zero emissions while global emissions actually increase. In his 2022 letter to CEOs, BlackRock's Larry Fink wrote that "passing carbon-intensive assets from public markets to private markets…will not get the world to net zero."

To avoid these outcomes, investors have begun asking oil and gas companies to disclose emissions associated with their asset transfers. This disclosure will give investors insight into whether a company is actually reducing its emissions or simply shifting them to new, often private, owners. Research from the Environmental Defense Fund (EDF) shows that, in aggregate, upstream oil and gas assets are moving from operators with stronger climate commitments to operators with weaker climate targets and disclosures, an outcome that only increases total global emissions.

As You Sow represents investors asking **Chevron** and **ExxonMobil** to provide accurate greenhouse gas target reporting by recalculating their emissions baselines to exclude emissions associated with asset transfers. This will ensure that when companies report progress toward their targets, transfers are not mistaken for real-world reductions.

This request aligns with the long-standing guidance of leading standard setters. The Greenhouse Gas Protocol indicates that companies should recalculate base year emissions in the event of a "transfer of ownership or control of emissions-generating activities." Oil and gas industry association IPIECA similarly recommends "adjustments to the base year emissions" to account for asset transfers, to avoid giving the appearance of "increases or decreases in emissions, when in fact...emissions would merely be transferred from one company to another."

Once Chevron, ExxonMobil and their peers begin reporting corporate emissions reductions to reflect real-world impact, the conversation can turn to best practices for climate-safe asset transfers. In response to widespread concern about this issue, EDF and Ceres have developed "Climate Principles for Oil and Gas Mergers and Acquisitions." To ensure that the negative emissions impact of asset transfer is minimized, oil and gas companies should begin adopting these principles in deals and stop selling high-emitting assets to operators who will worsen their climate impact.

target" for "emissions of the use of its energy products" consistent with the Paris goals. Support at these companies for more aggressive action to curb emissions has grown over time, with four majority votes on climate change since 2021 and four more above 40 percent. More general proposals from Follow This about all scopes of emissions last year earned 32.6 percent at Chevron, 41.8 percent at ConocoPhillips and 27.1 percent at ExxonMobil.

Net-zero goals: Green Century and *As You Sow* want overall net-zero GHG targets at four more companies. **Builders FirstSource** saw the same proposal receive 87.6 percent last year and Costco reached an agreement this year. The proposal asks that each "adopt short, medium, and long-term science-based greenhouse gas emissions reduction targets, inclusive of emissions from its full value chain…to achieve net-zero emissions by 2050 or sooner and to effectuate appropriate emissions reductions prior to 2030."

The repeat request is slightly more specific at **United Parcel Service**, also a long-time recipient of climate proposals; seeking "independently verified short and long-term science-based" GHG targets for net zero by 2050 and interim cuts by 2030. The vote last year was 28 percent.

At **Public Storage**, the proposal seeks "short and long-term Scope 1-3 greenhouse net-zero goals." Two years ago, *As You Sow* withdrew a proposal about cutting emissions after the company agreed to consider new emissions and energy use goals and said it would work with SBTi.

Strategy & Risk Assessment

The third major group of climate change resolutions takes on strategic questions about how banks and insurers finance and underwrite the fossil fuel economy (22 resolutions), what companies reveal about climate-related impacts created and experienced by stakeholders (13 proposals), and preparation for a shift to a greener economy (seven proposals).

Strategy & Risk Assessment

Company	Proposal	Proponent	Status
Ameren	Report on coal risks	Sierra Club Foundation	May
Bank of America	Report on GHG emissions financing	*As You Sow*	April
Bank of America	Report on high carbon financing	NYC pension funds	April
Bank of America	Limit/end fossil fuel underwriting/financing	Trillium Asset Management	April
Bank of New York Mellon	Limit/end fossil fuel underwriting/financing	Arjuna Capital	April
Berkshire Hathaway	Report on GHG emissions financing	*As You Sow*	April
Berkshire Hathaway	Report on climate-related transition plan	CalPERS	April
BorgWarner	Report on climate transition plan social impact	Domini Impact Investments LLC	April
Chevron	Report on climate transition plan social impact	United Steelworkers	May
Chubb Limited	Report on GHG emissions financing	*As You Sow*	May
Chubb Limited	Limit/end fossil fuel underwriting/financing	Green Century	May
Citigroup	Limit/end fossil fuel underwriting/financing	Harrington Investments	April
ExxonMobil	Report on climate change litigation risks	Anna Marie Lyles	May
ExxonMobil	Report on ANWR development/financing	Green Century	withdrawn
ExxonMobil	Report on offshore oil well risks/impacts	Mercy Investment Services	May
ExxonMobil	Report on climate transition plan social impact	United Steelworkers	May
ExxonMobil	Issue audited report on AROs and net-zero assumptions	Christian Brothers Investment Services	May
Goldman Sachs	Report on GHG emissions financing	*As You Sow*	April
Goldman Sachs	Report on high carbon financing	NYC pension funds	May
Goldman Sachs	Limit/end fossil fuel underwriting/financing	Sierra Club Foundation	May
Hartford Financial Services Group	Limit/end fossil fuel underwriting/financing	Green Century	May
Huntington Bancshares	Limit/end fossil fuel underwriting/financing	Domini Impact Investments LLC	April
JPMorgan Chase	Report on GHG emissions financing	*As You Sow*	May
JPMorgan Chase	Report on high carbon financing	NYC pension funds	May
JPMorgan Chase	Limit/end fossil fuel underwriting/financing	Sierra Club Foundation	May
Kinder Morgan	Issue audited report on AROs and net-zero assumptions	*As You Sow*	withdrawn
Kraft Heinz	Reduce water use and report	Mercy Investment Services	May
Marathon Petroleum	Report on climate transition plan social impact	Teamsters	April
Marathon Petroleum	Issue audited report on AROs and net-zero assumptions	NJ Division of Investment	April
Morgan Stanley	Report on GHG emissions financing	*As You Sow*	May
Morgan Stanley	Report on deforestation and financing	Green Century	withdrawn
Morgan Stanley	Limit/end fossil fuel underwriting/financing	Sierra Club Foundation	May
NextEra Energy	Report on LNG stranded asset scenarios	Freeda Cathcart	omitted
Phillips 66	Issue audited report on AROs and net-zero assumptions	NJ Division of Investment	May
PNC Financial Services Group	Limit/end fossil fuel underwriting/financing	Boston Common Asset Management	April
Southwest Airlines	Report on climate change impacts	CommonSpirit Health	May
Travelers	Report on GHG emissions financing	*As You Sow*	May
Travelers	Limit/end fossil fuel underwriting/financing	Green Century	May
Valero Energy	Issue audited report on AROs and net-zero assumptions	NJ Division of Investment	April
Wabtec	Report on climate transition plan social impact	Domini Impact Investments LLC	May
Wells Fargo	Report on GHG emissions financing	*As You Sow*	April
Wells Fargo	Limit/end fossil fuel underwriting/financing	Sierra Club Foundation	April

INSURERS FAILING TO REFLECT CLIMATE RISK IN UNDERWRITING AND INVESTMENTS

DANIELLE FUGERE
President & Chief Counsel, As You Sow

ANDREA RANGER
Shareholder Advocate, Green Century Capital Management

For a second year in a row, *As You Sow* filed climate-related proposals with three insurers – **Chubb**, **Traveler's**, and **Berkshire Hathaway** – asking the companies to measure, disclose, and set net-zero targets for their underwriting and investing activities. The proposals last year earned majority votes – 72 percent and 56 percent, respectively at Chubb and Travelers, and a vote at Berkshire garnered 46 percent of independent voters supporting the proposal (25 percent overall vote).

Despite these significant votes, each of the three insurers failed to begin measuring their financed and insured emissions or adopt Paris aligned net zero targets. These failures are in contrast to U.S. based insurer **The Hartford**, which received the same proposal last year and committed to a goal to achieve net zero Greenhouse Gas Emissions (GHG) for its full range of businesses and operations by 2050, in alignment with the Paris Climate Accord. Insurer AIG also previously committed "to reach net zero GHG emissions across [its] underwriting and investments portfolios by 2050, or sooner." In explaining these climate commitments AIG states that the scientific data a is unequivocal: "climate change poses a major and unprecedented threat to human health and international security and peace." Globally, a full 30 percent of global insurers have joined the Net Zero Insurance Alliance (NZIA), committing to transition their insurance and reinsurance underwriting portfolios to net-zero GHG emissions by 2050, consistent with a maximum temperature rise of 1.5°C.

Insurer claims that it is impossible to measure insured and underwriting emissions are unconvincing – the core business of the insurance industry is to measure and manage risk using extensive data sets and advanced analytics. Further, the Partnership for Carbon Accounting Financials and NZIA provide methods for measuring insured emissions. Similar to banks two years ago, these methodologies are new, but provide sufficient guidance for insurers to measure the GHG emissions associated with their highest carbon business sectors and to use that data for target setting.

Setting reduction targets is critical to reducing climate risk and ensuring financial stability across the economy: conservative estimates see unabated climate change leading to global costs of more than $500 billion per year. Underwriting and investing in high carbon companies increases the vicious cycle of climate-related losses which insurers themselves are experiencing and which are growing globally. Global insured losses from natural disasters reached $132 billion in 2022, 57 percent above the 21st-century average.

To reduce emissions, insurers can build the price of climate change into their insurance products, limit investments in carbon intense companies and, over time, begin limiting underwriting for high carbon projects.

New fossil fuel projects are a good start. Green Century Funds re-filed resolutions this year at Chubb, Travelers and The Hartford urging the companies to adopt a policy for the time-bound phase out of underwriting projects that support new fossil fuel production. Scenarios developed by the Intergovernmental Panel on Climate Change and the International Energy Agency show that deep cuts in fossil fuel consumption are necessary.

Emissions Financing & Underwriting

Set limits: Once just a small slice of proxy season, climate finance has grown in importance but investor support has been uneven. In 2022, median support at the nine companies which again face similar resolutions was only 11 percent for proposals that would end financing and insuring for new fossil fuel projects. Rejiggered proposals this year at 10 companies—all still pending *(see table, p. 24)*—have more wiggle-room and ask recipients to "adopt and disclose a policy for the time-bound phase out" of either financing or underwriting "new fossil fuel exploration and development projects" in a 1.5-degree Celsius warming limit. Four of the proposals were filed by the Sierra Club Foundation.

More specifically, Domini Impact Investments LLC wants **Huntington Bancshares**, a regional bank in the heart of Appalachia, to "adopt a policy to reduce or eliminate risks associated with financing thermal coal above and beyond any existing policies.

Boston Common Asset Management would like **PNC Financial** to "set near and long-term greenhouse gas emission reduction targets" aligned with the 1.5-degree Celsius Paris Treaty goal and "address the bank's operational and most climate-critical financed emissions, including those associated with the lending and investment activities for its highest-emitting sectors."

Reporting: Investors gave more support last year for disclosure about fossil fuel financing reports. This year these are back, with a few variants:

- At **Bank of America**, **Goldman Sachs**, **JPMorgan Chase**, **Morgan Stanley** and **Wells Fargo**, the proposal seeks "a transition plan" on how each "intends to align its financing activities with its 2030 sectoral greenhouse gas emissions reduction targets," with specifics on policies, reductions and timelines.

- For **Berkshire Hathaway** and **Travelers**, the requested report should address "if and how" each will "measure, disclose, and reduce the GHG emissions associated with its underwriting, insuring, and investment activities" to achieve net-zero emissions. Both had the same resolved clause last year; support was 26.5 percent at Berkshire and 55.8 percent at Travelers.
- At **Bank of America**, **Goldman Sachs** and **JPMorgan Chase**, in addition to the proposal noted above, the New York City Comptroller is more specific, asking each to issue a report that

  > *discloses 2030 absolute greenhouse gas ("GHG") emissions reduction targets covering both lending and underwriting for two high emitting sectors: Oil and Gas and Power Generation. These targets should be aligned with a science-based net zero pathway and in addition to any emission intensity targets for these sectors that [the company] has or will set.*
- **Chubb** is being asked to report on its "1.5 degree Celsius aligned medium and long-term GHG targets for its underwriting, insuring, and investment activities." A similar proposal last year received 72.2 percent.
- Green Century has withdrawn a proposal about financing and deforestation at **Morgan Stanley**. *(More on deforestation is below on p. 29.)*

SEC action—Although the SEC rejected all the company challenges to climate finance proposals in 2022, two companies are trying again. Chubb is reprising its 2022 argument that the proposal is an ordinary business matter and also moot given its current reporting, but it seems unlikely to succeed given the SEC's current orientation. Travelers again says the proposal is moot given its extensive climate-related reporting using TCFD guidelines, and—in a new argument—that it is ordinary business since it is too complex a proposition. It says if it were to set net-zero goals for portfolio of customers, it would have to exit wide swaths of the currently insured market. Other U.S.-based insurers including American International Group and Hartford Financial Services has adopted net-zero goals, however. Thirty global insurers have joined a group called the Net Zero Insurance Alliance.

Impact Disclosure

Just transition: Two labor unions and Domini Investments want more information about how companies will help workers and other affected by economic disruption in our warming world.

Communities, stakeholders and layoffs—The most specific is a resubmission from the Teamsters, which last year earned 16.2 percent; it asks **Marathon Petroleum** to explain how it "is responding to the social impact of Marathon's climate change strategy on workers and communities, consistent with the "Just Transition" guidelines of the International Labor Organization ("ILO")." It says in the resolved clause that the report should include:

- *Marathon's commitment to providing a just transition for its workforce and communities in its plans to address its climate-related risks and opportunities;*
- *Marathon's plans to address the impacts of its climate change strategy on workers and communities;*
- *The integration of these concerns into the governance structure, including executive compensation, stakeholder and workforce engagement processes, and Board oversight.*

At **BorgWarner** and **Wabtec**, the resolution is similar but omits the list of actions, seeking

> *a just transition report, disclosing how [the company] is assessing, consulting on, and addressing, the impact of its climate change-related strategy on relevant stakeholders, including but not limited to its employees, workers in its supply chain, and communities in which it operates, consistent with the ILO's "just transition" guidelines. The report should be updated annually…*

Layoffs and facilities closures—The United Steelworkers at **Chevron** and **ExxonMobil** concentrates on layoffs, asking each to report before the 2024 annual meeting on "the social impact on workers and communities from closure or energy transition of the Company's facilities, and alternatives that can be developed to help mitigate the social impact of such closures or energy transitions." The proposal emphasizes the companies' stated commitment to employees and the ILO's guidance that suggests employers can play a "pivotal role" to address job losses and displacement, among other issues, as the economy changes. Key to success will be "understanding and mitigating the impact of future plant closings and transition on workers and communities."

Water: Just one of two proposals filed on water management remains pending. Mercy Investments wants **Kraft Heinz** to "report to shareholders, using quantitative indicators where appropriate, an assessment to identify the water risk exposure of its supply chain, and its responsive policies and practices to reduce this risk and prepare for water supply uncertainties associated with climate change." A similar proposal earned about 6 percent in 2022; it must receive at least 15 percent in 2023 to qualify for resubmission.

Health: At **Ameren**, the Sierra Club Foundation wants an "audited public report quantifying the rates of illness, mortality, and infant death due to coal-related air and water pollution in communities downwind and adjacent to Ameren's coal operations, and how the Company intends to address and reduce such community impacts from its operations." Earlier proposals about coal risks received substantial support, earned 53.2 percent in 2018 and 46.4 percent in 2017.

Communities of color: The Franciscan Sisters of Allegheny, N.Y., have an unusually detailed proposal at **Honeywell International** about environmental justice, similar to one that received 21.3 percent last year. It asks for "a report on environmental justice, updated annually" that will "identify and reduce heightened environmental and health impacts from its operations on communities of color and low-income communities." It asserts the report "should consider, at a minimum":

- *Past, present, and future disparate environmental and health impacts from its operations;*
- *How responsibilities are allocated within the company regarding governance and management of environmental justice issues;*
- *Quantitative and qualitative metrics on how environmental justice impacts inform business decisions; and*
- *Whether and how Honeywell intends to improve its policies and practices in the future.*

Airlines: One more proposal also concerned with social impact is at Southwest Airlines, where CommonSpirit Health wants a report on how the company identifies and addresses "climate change, greenhouse gas emissions and other pollution resulting from the operation of aircraft." It says this should:

- *Explain the types and extent of stakeholder consultation; and*
- *Address how Southwest tracks effectiveness of measures to assess, prevent, mitigate, and remedy adverse impacts on the environment and human health.*

Three more at ExxonMobil: One of three proposals about climate change impacts has been withdrawn and the other two face SEC challenges, as discussed below.

- A new resolution from Mercy Investments is quite specific about potential pollution off the coast of South America, seeking a report

  > *evaluating the economic, human, and environmental impacts of a worst-case oil spill from its operations offshore of Guyana. The report should… clarify the extent of the Company's cleanup response commitments given the potential for severe impact on Caribbean economies.*

  The resolution notes a large offshore oil play discovered in 2015 is now producing large quantities of oil. The project has prompted concern about safety and the specter of another disaster like the 2010 BP Macondo spill in the Gulf of Mexico—which would both hurt investors and despoil the Caribbean and livelihood of its residents.
- Another new proposal from Anna Marie Lyles asks for "an actuarial assessment…of the potential cumulative risk to ExxonMobil…from current environment-related litigation against the Company and its affiliates. The proposal foresees significant liabilities connected to climate change and asserts the company's disclosure is insufficient.
- Green Century has withdrawn the sole proposal about development in the Arctic National Wildlife Refuge. It wants a report on "the benefits and drawbacks of committing to not engage in oil and gas exploration and production" in the refuge and surrounding areas, "as well as the financial and reputational risks to the company associated with such development."

SEC action—**ExxonMobil** contends that Anna Marie Lyles has impermissibly submitted the litigation proposal alleging that because since she is on the *As You Sow* board she is acting under the control of *As You Sow*. Lyles has responded to the no action request stating that she is an independent shareholder, as volunteer board member she is not under the control of *As You Sow*, and that the proposal was filed independently from *As You Sow*. The SEC has yet to respond.

With respect to the offshore oil risk proposal, ExxonMobil says its current reports about climate change make it moot.

Transition Planning & Accounting

Asset retirements and net-zero accounting: The New Jersey Division of Investment, Christian Brothers Investment Services and *As You Sow* have filed a resolution asking five oil and gas companies (one not yet public) to provide audited reports "disclosing the undiscounted expected value to settle obligations" for asset retirement obligations (AROs). Each asks how AROs affect the company's net-zero emissions calculations. At **ExxonMobil**, it adds that the report can be broken out in separate parts. The **Phillips 66** proposal says (alone of the proposals) that "nothing in this resolution shall serve to micromanage." The resolution also is pending at **Valero Energy**.

MAJORITY VOTES ON DEFORESTATION PUT PRESSURE ON INDUSTRY LAGGARDS

ANNIE SANDERS
Director of Shareholder Advocacy, Green Century Capital Management

Shareholder concern about deforestation speaks for itself. Four majority votes on Green Century proposals in the last three years – **Bunge**, 99 percent; **Bloomin' Brands**, 76 percent; **Procter & Gamble**, 67.6 percent; and **Home Depot**, 64.6 percent – build upon dozens of no-deforestation agreements that shareholders have won and have helped curb climate change and preserve endangered species around the world.

In recent years, deforestation has become widely recognized by companies and governments alike as an urgent problem for both the climate and global biodiversity. According to the Intergovernmental Panel on Climate Change, agriculture, forestry and other land use, change is responsible for 23 percent of total net anthropogenic greenhouse gas emissions, nearly half of which are attributable to deforestation. Furthermore, some scientists say that we cannot limit warming to 1.5 degrees Celsius by the end of this century without dramatically reducing deforestation over the next decade.

A new report from the UN Framework Convention on Climate Change identified deforestation as a source of supply-chain-related cost impacts, demand-related revenue impacts and regulatory and reputational risks for companies. As emissions disclosures, robust climate targets and no-deforestation policies evolve into industry standards, companies are increasingly positioning themselves to address these risks.

But many companies, in Green Century's view, have insufficient plans to meet this challenge with the speed and rigor it demands. To accelerate action and push companies to mitigate the risks posed by deforestation, Green Century filed proposals this shareholder season at **Hormel Foods**, **Archer Daniels Midland (ADM)**, **Bloomin' Brands**, **Morgan Stanley**, **The Cheesecake Factory**, **KraftHeinz** and more. The resolutions varied from requesting a report assessing deforestation risks to asking companies to issue 2025 no-deforestation commitments.

Many companies have committed to setting 1.5°C-aligned emissions targets with The Science Based Targets initiative (SBTi), which has set 2025 as the date by which companies must achieve deforestation-free supply chains in order to align with a 1.5°C scenario. Companies now have under three years to adjust their supply chains to eliminate deforestation, the biggest contributors to which are cattle, soy, palm oil, and wood products. (Horrifyingly, the first half of 2022 broke records for deforestation in the Brazilian Amazon, where land clearance for cattle production drives 90 percent of deforestation.) However, many companies that have submitted targets to SBTi or made a commitment to do so have yet to issue a no-deforestation policy or disclose plans to transition their supply chains.

Companies have responded variously to these proposals. Hormel Foods agreed to eliminate deforestation from its supply chains by 2025, Morgan Stanley strengthened standards for clients sourcing forest-risk commodities and ADM agreed to issue a commitment to rein in native vegetation conversion, of which deforestation is a subset. It remains to be seen how Bloomin' Brands and others will respond, but we believe mounting pressure from investors, other stakeholders and our environment itself points to a broad consensus that companies have a responsibility to address these risks meaningfully, thoroughly and in time to mitigate the worst impacts of the climate and biodiversity crises pushing our planet to the brink.

The more specific scrutiny about what goes into GHG emissions reduction calculations, evinced by this proposal, follows substantial investor enthusiasm in the recent past for setting goals—80 percent at Phillips in 2021 and 47 percent at Valero in 2022. Auditing that would ensure more accurate climate reporting is also gaining investor support, giving just over 51 percent support to a request for an audited emissions report at ExxonMobil last year.

SEC action and a withdrawal—Proponents have withdrawn at **Kinder Morgan** given a procedural problem, but Phillips 66 and Valero both are contending at the SEC that the resolution would micromanage and is ordinary business.

Transition plans: The California Public Employees' Retirement System (CalPERS) wants **Berkshire Hathaway** to "publish an annual assessment addressing how the Company manages physical and transitional climate-related risks and opportunities." The proposal is similar to a resolution that earned 26.5 percent in 2022 and 28.2 percent in 2021. CalPERS wants the report to

> *include a summary of risks and opportunities at the parent Company level and for only those Company subsidiaries and investee organizations that the board believes could be materially impacted by climate change and the energy transition, disclosed in accordance with the Taskforce on Climate-related Financial Disclosure (TCFD) recommendations.*
>
> *The assessment may be a stand-alone report or incorporated into existing reporting, be prepared at a reasonable cost, and omit proprietary information.*

General Electric supported a 2022 proposal asking for a report on net-zero GHG goals and it earned nearly 98 percent support, but this year *As You Sow* wants it to produce an audited report that will:

> *address how application of the International Energy Agency's Net Zero Emissions by 2050 pathway would affect the assumptions and estimates that underlie GE's valuation and expected cash flow assessments. The report should address GE's existing assets as well as planned investments in renewable energy, nuclear, and thermal power; and include asset lives, asset retirement obligations, and capital expenditures (including new material capital expenditures), as well as potential impairments.*

The final transition plan proposal at **NextEra Energy** seeks a report on "how it is responding to the risk of stranded assets of planned natural gas-based infrastructure and assets as the global response to climate change intensifies." But the company is contending at the SEC that the proponent failed to prove her stock ownership, so a vote is unlikely.

Deforestation

Company	Proposal	Proponent	Status
Cheesecake Factory	Report on supply chain deforestation policy/impacts	*As You Sow*	May
Costco Wholesale	Report on biodiversity impact assessment	Vancity Investment Management	withdrawn
Hormel Foods	Report on supply chain deforestation policy/impacts	Green Century	withdrawn
Kraft Heinz	Report on supply chain deforestation policy/impacts	Green Century	May
Papa John's International	Report on supply chain deforestation policy/impacts	*As You Sow*	April
Pilgrim's Pride	Report on supply chain deforestation policy/impacts	*As You Sow*	April
Texas Roadhouse	Report on supply chain deforestation policy/impacts	*As You Sow*	May
United Natural Foods	Report on supply chain deforestation policy/impacts	Green Century	withdrawn

Proponents and companies seem able to come to agreements on the persistent challenge of deforestation and its contribution to climate change, with proposals at home improvement and food companies, plus a few banks. Last year, proponents withdrew five of six shareholder proposals and the sole vote at **Home Depot** was nearly 65 percent. This year, all are at seven companies that have not seen such proposals recently and two already have been withdrawn *(one more is on deforestation financing—see p. 85)*. The focus remains on commodity supply chains. Green Century and *As You Sow* are the proponents.

At four companies—**Papa John's International**, **Pilgrim's Pride**, **Texas Roadhouse** and **Cheesecake Factory**, the proposal asks for a report "disclosing how it can achieve deforestation-free commodity supply chains by 2025." At Pilgrim's Pride, it adds that it seeks independent verification. The proposal is new to these companies, but they have received sustainability or climate change proposals in the past, with agreements to act in a few cases—so withdrawals this year seem possible.

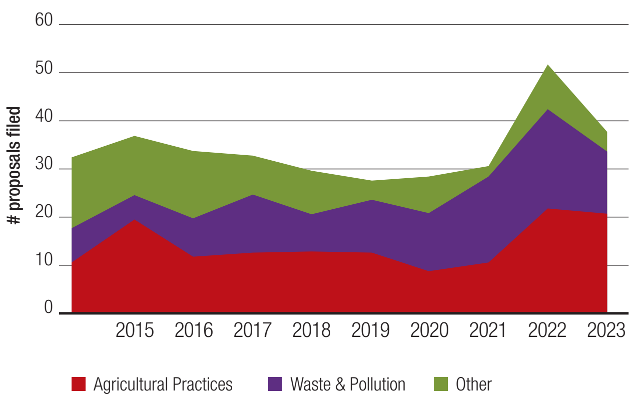
A more specific resolution new this year remains pending at **Kraft Heinz** but was withdrawn at **Hormel Foods** and **United Natural Foods**. The proposal asks that each "accelerate its efforts to eliminate deforestation, native vegetation conversion, and primary forest degradation from its supply chains, so as to achieve independently-verified deforestation-free supply chains by 2025."

The final proposal on forests came from the Vancouver, Canada, pension fund. It withdrew a new proposal at **Costco Wholesale** to "complete a material biodiversity dependency and impact assessment and prepare a report to identify the extent to which the company's supply chains and operations are vulnerable to risks associated with biodiversity and nature loss." It is the first to invoke the new Task Force for Nature Related Financial Disclosures Framework.

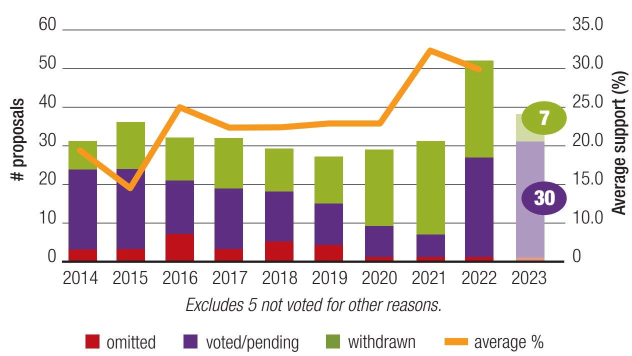
ENVIRONMENTAL MANAGEMENT

Proposals about environmental management that go beyond direct climate impacts long have asked about mitigating various types of pollution and waste, with a growing focus on plastics. They also address agricultural practices such as the treatment of food animals, antibiotics in feed, pesticides and water. This year, the total now sits at 35 resolutions, with several new issues such as product repair, chemical footprinting and mining and indigenous rights.

Environmental Management Proposal Types



Environmental Management Proposal Outcomes



Environmental Management

Company	Proposal	Proponent	Status
Waste & Pollution			
Amazon.com	Report on plastics pollution	*As You Sow*	May
Chevron	Report on plastics pollution	*As You Sow*	May
Colgate-Palmolive	Report on plastics pollution	Green Century	May
Constellation Brands	Report on packaging	*As You Sow*	July
Costco Wholesale	Report on chemical footprint risks/reduction efforts	Trillium Asset Management	withdrawn
Dow	Report on plastics pollution	*As You Sow*	April
Essential Utilities (was Aqua America)	Report on water source contamination and impacts	Srs. of St. Francis of Phila.	withdrawn
ExxonMobil	Report on plastics pollution	*As You Sow*	May
General Mills	Report on plastics pollution	Green Century	September
Keurig Dr Pepper	Report on plastics pollution	Green Century	withdrawn
Kroger	Report on plastics pollution	*As You Sow*	June
McDonald's	Report on plastics pollution	*As You Sow*	May
Phillips 66	Report on plastics pollution	*As You Sow*	May
Walt Disney	Report on chemical footprint risks/reduction efforts	Trillium Asset Management	withdrawn
Westlake	Report on plastics pollution	United Church Funds	May
Yum Brands	Report on plastics pollution	*As You Sow*	May
Agricultural Practices			
Amazon.com	Report on animal welfare in supply chain	PETA	May
Casey's General Stores	Report on cage-free eggs	Humane Society of the U.S.	August
Dine Brands	Report on cage-free eggs	Humane Society of the U.S.	May
Dollar General	Report on cage-free eggs	Humane Society of the U.S.	May
Dollar Tree	Report on cage-free eggs	Humane Society of the U.S.	June
Elevance Health (formerly Anthem)	Offer plant-based meal options	Beyond Investing	May
General Mills	Report on animal welfare in supply chain	Humane Society of the U.S.	September
HCA Healthcare	Offer plant-based meal options	Beyond Investing	April
Hormel Foods	Comply with WHO antibiotics guidelines	The Shareholder Commons	5.9%
Jack in the Box	Report on pig gestation crates	Green Century	withdrawn
McDonald's	Report on animal welfare in supply chain	Humane Society of the U.S.	May
McDonald's	Phase out antibiotic use in animal feed	Benedictine Srs., Boerne - TX	May
McDonald's	Comply with WHO antibiotics guidelines	The Shareholder Commons	May
Molina Healthcare	Offer plant-based meal options	Beyond Investing	omitted
Mondelez International	Report on cage-free eggs	Green Century	May
Post Holdings	Report on pesticide health risks from supply chain	*As You Sow*	withdrawn
RH	Report on animal welfare in supply chain	PETA	June
Royal Caribbean Cruises	Report on animal welfare in supply chain	Humane Society of the U.S.	June
Starbucks	Report on plant-based milk costs	PETA	03/23/2023
Tyson Foods	Comply with WHO antibiotics guidelines	The Shareholder Commons	4.6%
UnitedHealth Group	Offer plant-based meal options	Beyond Investing	June

Waste & Pollution

Plastics and Packaging

As You Sow and Green Century remain the main players seeking to cut the use of plastics at both producers and users, with 13 proposals, six resubmitted. The proposals foresee financial risks to industry of up to $100 billion should governments require them to cover waste management costs they impose. They reference a July 2020 Pew Charitable Trusts report, Breaking the Plastic Wave, which estimates current initiatives will cut ocean plastics by only 7 percent, tripling flows into the oceans by 2040. The resolutions call for sharp reductions in production and use, plus more recycling.

Producers: At plastics producers, *As You Sow* and United Church Funds ask about reducing production. At **Chevron**, **Phillips 66** (where it received 50.4 percent in 2022), **Dow** and **ExxonMobil** (36.5 percent last year), the proposal asks for an audited report on "whether and how a significant reduction in virgin plastic demand, as set forth in Breaking the Plastic Wave System Change Scenario to reduce ocean plastic pollution, would affect the Company's financial position and assumptions underlying its financial statements." The Pew Charitable Trusts, which produced the referenced report, launched a new tool in September 2022 to guide reduction strategies and solutions. Scientists have modeled various responses to cut plastics and the System Change Scenario the proposal mentions is an "all of the above" option, the most aggressive.

At **Westlake**, the resolution asks how it "could shift its plastics resin business model from virgin to recycled polymer production as a means of reducing plastic pollution of the oceans." The company, which dropped "Chemical" from its name in 2021, makes and markets chemicals but also now makes consumer products from post-industrial recycled polyethylene and PVC. *As You Sow* withdrew a proposal at the company in 2020 on plastics after it provided more information.

SEC action—Chevron is arguing the proponent failed to prove stock ownership, which generally is successful, while ExxonMobil argues *As You Sow* impermissibly submitted three resolution and argues it therefore can exclude this one. (The other proposals are on GHG emissions calculations and asset retirement obligations—see p. 21 and 27.)

Retailers: Four retail companies that have faced the same issue before are being asked how they can reduce "plastics use in alignment with the one-third reduction findings of the Pew Report, or other authoritative sources, to reduce its contribution to ocean plastics pollution." The proposal is pending at **Amazon.com** (where it received 48.9 percent in 2022 and 35.5 percent in 2021), **Kroger** (38.3 percent in 2022 and 45.6 percent in 2021), **McDonald's** (41.9 percent in 2022) and **Yum Brands** (where a sustainable packaging proposal in 2019 earned 33.6 percent).

advocacyposition

PETROCHEMICAL COMPANIES' UNSUSTAINABLE PRODUCTION POLICIES DRIVE PLASTIC POLLUTION CRISIS

CONRAD MACKERRON
Sr. Vice President, As You Sow

Following strong votes last year, *As You Sow* is expanding engagement on plastics and petrochemicals for 2023. The plastic pollution crisis continues unabated, with 139 million tons of single-use plastic waste created in 2021, six million more tons than in 2019, according to a recent report by Minderoo Foundation. Optimism is rising for a global treaty on plastics within the next two years that could include potential curbs on plastic production after initial treaty negotiations in December 2022 in Uruguay.

We are pressing petrochemical companies on the risks of production overcapacity for polymers used for single-use plastic, the need to plan for cuts in demand for these materials and disclosure on responsibly switching operations from fossil-fuel based virgin polymer to recycled polymer production. We had impressive first year votes in 2022 at **Phillips 66** (50.4 percent) and **ExxonMobil** (37 percent).

Nearly all plastics are derived from fossil-fuel based petrochemicals. Responsibility for the global plastic pollution crisis has focused to date largely on consumer goods companies' use of non-recyclable and mismanaged single-use plastics. Yet, brands' use of plastic has been enabled by artificially cheap resin prices driven by enormous subsidies to oil and gas companies. Unilever has stated that the "artificially low price of virgin plastics inhibits" the company's ability to increase use of recycled content, "disrupting the business model to collect and process plastic and reducing our ability to innovate."

Global community leaders agree that continued expansion of petrochemical plastic production is unsustainable, recycling improvements alone are inadequate and absolute demand reductions are critical. These conclusions are reflected in recent reports by the United Nations Environment Program, the Organization for Economic Co-operation and Development and the U.S. National Academy of Sciences. More important is that consumer brands themselves are asking petrochemical companies to reduce plastic production. The top priority should be "reduction of plastic production and use…focusing on virgin fossil fuel-based plastic," stated the Business Coalition for a Global Plastics Treaty, which includes some of the world's largest plastic users: **Coca-Cola**, **Nestle**, **PepsiCo**, **Unilever**, **Walmart** and even petrochemical company **Borealis**.

In general, petrochemical companies reject the idea that plastic demand will wane. They maintain that improved recycling will solve the waste problem. For 2023, we are again challenging **ExxonMobil** and **Phillips 66** to study the impact of expected reduction of plastic demand on their business operations and added new filings with **Chevron**, **Dow** and **Westlake** (Westlake was filed in alliance with United Church Funds).

The Pew Charitable Trusts' widely respected *Breaking the Plastic Wave* report found that ocean plastic pollution can be reduced 80 percent by 2040 and that the most significant action required is a one-third absolute demand reduction for single-use plastic. Our proposal asks companies to assess the impact of this scenario on their business. Companies also must transition away from fossil fuels and toward using post-consumer plastic waste as feedstock. However, there are numerous concerns with chemical recycling technologies being considered for this transition. Our proposal also asks for transparency around the safety and efficacy of these processes.

advocacyposition

CLOSING THE LOOP ON PLASTIC POLLUTION

KELLY MCBEE

Circular Economy Sr. Coordinator, As You Sow

Many corporations are attempting to mitigate the plastic pollution crisis by reducing their use of plastics, yet few have committed to tackling the crisis in its entirety by taking accountability for what actually happens to their packaging at its end of life.

To solve the plastic pollution crisis, corporations need to adopt a circular economy mindset for packaging. With this framework, natural resource use is limited; products and packaging are designed to be reusable, compostable or recyclable and are collected for reuse or recycling when their useful life is complete.

To ensure their packaging is circulated, producers would benefit by advocating for extended producer responsibility (EPR) legislation in the United States to level the corporate playing field on funding packaging waste at the end of its life. Without a national EPR policy, companies can make voluntary financial contributions to expand and modernize U.S. recycling infrastructure.

As You Sow has filed a resolution with **Constellation Brands** requesting it to investigate opportunities to improve its packaging circularity. Constellation Brands does not endorse EPR, nor make any known voluntary contributions to support recycling infrastructure. *As You Sow* plans to file similar resolutions this year with additional companies that have not taken responsibility for their packaging waste.

Four U.S. states recently passed EPR packaging laws: California, Colorado, Maine and Oregon. The new requirements mean producers will pay a per-unit fee for each piece of packaging distributed in these markets. The fees will be commensurate with a package's recyclability and overall sustainability, which financially incentivizes companies to design packaging with minimal material and optimal recyclability. Under EPR for packaging, reusable packaging is encouraged and often exempted from fees placed on single-use disposable packaging.

If more jurisdictions pass EPR legislation, corporations could face an annual financial risk of approximately $100 billion to cover the waste management costs of the packaging they produce, the Pew report found. Already, the European Union has already enacted a $1 per kilogram tax on all non-recycled plastic packaging waste.

The Recycling Partnership, the leading NGO working to improve recycling, finds that $17 billion is needed to modernize and expand recycling infrastructure and that doing so will save the equivalent of 710 million metric tons of CO2 over ten years.

To improve plastic recycling infrastructure alone, The Recycling Partnership recommends that companies contribute at least $88 for every metric ton of plastic used. Research by *As You Sow* finds that no company is voluntarily contributing even a fraction of this amount to support recycling infrastructure.

Yet, more than 100 leading companies have committed to promoting a circular economy for packaging by taking financial responsibility for the collection, sorting and recycling of packaging at end of life and supporting EPR legislation. More companies must join these leaders to supporting passage of EPR legislation.

Before national EPR becomes a reality, all companies must voluntarily contribute to recycling infrastructure and ensure their packaging never becomes plastic pollution.

Packaged food: The resolution pending at **Colgate-Palmolive** and **General Mills** seeks more sustainable packaging, asking for a report on "if and how the Company can increase its sustainable packaging efforts by reducing its absolute plastic packaging use." It earned 56.5 percent at General Mills last year but Colgate-Palmolive last saw a similar proposal 10 years ago. *As You Sow* withdrew a plastics proposal at **Keurig Dr Pepper** in 2021 after the company agreed to cut virgin plastic use by 20 percent but this year Green Century called for "absolute reduction goals, annual reporting and new ways to use less plastic," then withdrew after an agreement.

Circular economy: New is a proposal at **Constellation Brands**, filed by *As You Sow* on behalf of Warren Wilson College. It seeks a report on "opportunities for the Company to support a circular economy for packaging." The proposal asserts that the company may face crippling costs for waste management if it does not take more aggressive action on reusable or recyclable packaging for its drinks; it claims the company "has taken virtually no action to ensure the circularity of its product packaging." This contrasts unfavorably with peers such as Molson Coors, Heineken, Diageo and others, the proposal claims.

Chemicals

Chemical footprint: Trillium Asset Management has withdrawn a proposal that asked **Costco Wholesale** and **Walt Disney** to report "on the outcomes of… chemical reduction efforts by publishing quantitative and qualitative data on progress to eliminate the use of chemicals of concern." Disney agreed to enhance its reporting and cut key chemicals, disclosing its baseline for measuring improvements, which it will track; it also will explain safer alternatives. Costco disclosed its Restricted Substance Lists which suppliers must avoid and information on packing materials, began to report on supplier compliance and updated its guide to help suppliers choose safter alternatives.

Water pollution: The Sisters of St. Francis of Philadelphia withdrew at **Essential Utilities** a request that it report "on PFA levels at all Essential water sources along with the potential public health and/or environmental impacts of toxic materials in the water it provides to the public." The company will make public test results for its wells and water systems and report the results to its one million customers.

Agricultural Practices

The Humane Society of the United States (HSUS) has been the most prolific recent proponent of shareholder resolutions seeking changes to how animal raised for human consumption are treated. It raises familiar concerns in 2023 about cage-free eggs and the treatment of meat-producing chickens. A new proposal asks about vegan meal options at health care companies. People for the Ethical Treatment of Animals (PETA) raises questions about plant-based milk and farm animal welfare. Most proposals are still pending; just one is a resubmission.

Eggs: HSUS is joined by Green Century in a proposal at five companies about cage-free eggs. The proposals note past commitments to only use eggs from chickens not confined to cages, and seeks information on how these pledges are being implemented:

- **Casey's General Store**: "disclose what percentage of its eggs come from cage-free hens and what further steps it will take toward accomplishing 100% cage-free egg compliance, including any annual benchmarks the company may have."
- **Dine Brands**: "disclose any updated cage-free egg targets it may have with the goal of accelerating its progress. If the company has no such updated targets, then shareholders ask it to develop and disclose them."
- **Dollar General** and **Dollar Tree**: "disclose what percentage of its eggs come from cage-free hens, the specific steps the company has taken toward implementing its cage-free egg commitment, and what next steps the company will take to reach its goal of sourcing only cage-free eggs by 2025." . "
- **Mondelēz International**: "disclose any annual glidepath benchmarks the company may have for achieving its global cage-free egg goal. If the company does not have any such glidepath, shareholders ask it to develop and disclose one."

Animal product sourcing: HSUS takes up different aspects of supply chain animal welfare at three more companies but again references past company commitments, while PETA wants a report:

- At **General Mills**, which has not faced an animal welfare proposal before, HSUS wants to know: "A) what percentage of the broiler chicken meat in its supply chain meets the standards for its 2024 goals, B) what specific steps the company has taken toward meeting these goals since 2017, and C) what specific next steps it will take."
- **McDonald's** has long been under fire about animal welfare in its supply chain and this year the focus is meat-producing chickens, asking it to "disclose what exactly the "15 key welfare indicators" (KWI)" being used for the company's animal welfare program are. The disclosure should include specific details about the KWIs and how the company is using each one to measure and improve the welfare of animals in its poultry supply." Last year, HSUS withdrew a proposal about pig welfare once the company acknowledged some pregnant sows were confined—and animal welfare concerns inspired billionaire Carl Icahn to run two dissident candidates for the board (though none was elected).
- The lens at **Royal Caribbean Cruises** is broader, seeking a report on progress on "2022 animal welfare benchmarks for egg, pork, and poultry procurement." It says, "if the company has failed to fully meet any of these benchmarks, shareholders further ask RCG to disclose an action plan showing what its next steps for moving forward on the commitment will be."
- People for the Ethical Treatment of Animals (PETA) also is concerned about farm animals, but in the Whole Foods supply chain. It found "horrifying" conditions at one supplier in an investigation in 2021 and says Whole Foods is not living up to its stated animal welfare policy, so it wants parent company **Amazon.com** to report before the end of the year "evaluating the efficacy and shortcomings of Whole Foods' animal welfare standards and auditing procedures."

Gestation crates: Green Century has withdrawn at **Jack in the Box**, where it asked for a report on "the percentage of its pork produced without gestation crates, its timeline for reaching 100%, and what steps it will take to get there.

Vegan meals: A new shareholder proponent, the vegan investment firm Beyond Investing, wants four health care companies to "require their hospitals to provide plant-based food options to patients at every meal, within vending machines and in the cafeterias used by outpatients, staff and visitors." The resolution has been omitted on procedural grounds at **Molina Healthcare** but is still pending at **Elevance Health**, **HCA Healthcare** and **UnitedHealth**. Each has lodged a challenge at the SEC. The companies variously argue that they cannot implement it or that it is ordinary business.

Non-dairy milk: **Starbucks** investors will vote on a resolution from PETA, which the group mentioned in a September press release. The proposal asks for a report by the end of September:

> *In light of heightened public concern about the dairy industry's environmental impact, the growing prevalence of allergies to cow's milk, and the increasing demand for alternatives to dairy milk, the board is strongly urged to commission a report examining any costs to Starbucks' reputation and any impact on its projected sales incurred as a result of its ongoing upcharge on plant-based milk. The report should address the risks and opportunities presented by the shift in public opinion regarding dairy vs. nondairy options, including, but not limited to, the aforementioned issues.*

Antibotics & Pesticides

Antibiotics: Only three resolutions address the dangers of antibiotic resistant bacteria this year. The Shareholder Commons (TSC) is reprising past concerns that food companies are not sufficiently attending to risks that the World Health Organization and others see as significant threats to human health. In a new proposal, TSC has asked **Hormel Foods**, **McDonald's** and **Tyson Foods** to comply with WHO's *Guidelines on Use of Medically Important Antimicrobials in Food-Producing Animals* throughout their supply chains. It earned 5.9 percent support at Hormel, where a proposal last year asking for a report on the externalized costs of antibiotic resistance earned 6.9 percent. The vote was 4.6 percent at Tyson Foods, not enough for resubmission.

The TSC resolution is still pending at McDonald's, which has received many antibiotics proposals in the past, including one last year from TSC on systemic risks that received 13.4 percent. A second proposal from the Benedictine Sisters of Bourne, Texas, asks the company to "adopt an enterprise-wide policy to phase out the use of medically important antibiotics for disease prevention purposes in its beef and pork supply chains. The policy should include, in the discretion of board and management, global sourcing targets with timelines, metrics for measuring implementation, and third-party verification."

Pesticides: *As You Sow* had one resolution this year on pesticides but withdrew at **Post Holdings** when the company agreed to engage its suppliers about pesticide use and provide more information on its use of pesticides. *As You Sow* withdrew four similar proposals at food companies in 2022 and one went to a vote at Archer-Daniels-Midland, earning 33.7 percent.

Social Issues

Laboratory Animal Welfare			
Company	**Proposal**	**Lead Filer**	**Status**
Charles River Laboratories International	Report on non-human primate use/welfare	PETA	May
Ford Motor	Report on use of animal testing	PETA	May
Laboratory Corporation of America	Report on non-human primate use/welfare	PETA	May

LABORATORY ANIMAL WELFARE

Few resolutions have appeared in recent years about animal welfare concerns outside the industrial food system, but People for the Ethical Treatment of Animals (PETA) in 2023 is again raising concerns about laboratory animals. Two are about nonhuman primates and another about animals used in car crash tests.

advocacyposition

ILLEGALLY CAPTURED PRIMATES USED IN ANIMAL TESTING POSE HEALTH AND INVESTOR RISKS

ALKA CHANDNA, PHD

Vice President of Laboratory Investigations Cases at PETA

Animal testing behemoth **Charles River Laboratories** is one of the largest importers of monkeys into the U.S., each year bringing in thousands of monkeys – mostly long-tailed macaques – from Southeast Asia and Mauritius. The International Union for Conservation of Nature has classified long-tailed macaques as "endangered," identifying the U.S. experimentation industry as a major driver pushing these monkeys toward extinction.

In November 2022, PETA filed a shareholder resolution with Charles River to request more transparency – calling on the company to report on the species, country of origin and number of monkeys it imports into the U.S. and to report any measures it takes to mitigate its impact on monkeys' dwindling wild populations. (A similar resolution at **Laboratory Corporation of America** asks about mitigating public health risks.)

As PETA was submitting its resolution, the U.S. Department of Justice (DoJ) indicted Cambodian officials and nationals for allegedly falsely labeling and selling wild-caught long-tailed macaques as captive-bred – felony violations of both the Lacey Act and the Endangered Species Act. In February 2023, the DoJ subpoenaed Charles River for possible violations of the law involving the importation of monkeys.

Charles River is a major player, supporting a violent and secretive industry that's fueling the illicit trade in endangered monkeys. The billion-dollar industry – composed of trappers, international breeders, commercial importers, airlines and U.S. domestic trucking companies – is increasingly turning a blind eye to monkey laundering as the price "per tail" for end users reaches thousands of dollars.

The monkey pipeline begins in forested areas of Cambodia, Indonesia, Lao PDR, Mauritius and Vietnam, where hunters trap mother monkeys, pry their babies away and stuff them into bags and cram the mothers – along with any of the other troop members who have survived being captured – into crates. Some will be sold directly to U.S. laboratories, while others will end up on commercial monkey factory farms first, where the mothers will be forced to live and breed in squalid conditions.

The monkeys are then crammed into small wooden crates and loaded onto planes for a dark and terrifying flight, festering in their own urine and feces. Once on U.S. soil, the monkeys are loaded into unmarked trucks and transported sometimes hundreds of miles on public roads to quarantine sites.

Such confinement and transportation wreak havoc on monkeys' immune systems. Documents obtained by PETA show that the Centers for Disease Control and Prevention (CDC) knew that imported monkeys, stressed and traumatized during a grueling international journey, were arriving infected with tuberculosis and other "unknown/indetermined" viruses that cause diarrhea so violent that it sheds the lining of the gut. The documents revealed that between 2019 and 2021, hundreds of monkeys that were imported into the United States and underwent quarantine exhibited gastrointestinal diseases and "[i]llness that may be of public health concern such as clinical signs consistent with filovirus [Ebola-like viruses] infection, confirmed Shigella and Campylobacter infection and malaria."

Charles River's role in the international primate trade threatens wild populations of monkeys, causes immeasurable pain and misery to monkeys and threatens public health – all of which pose reputational and legal risk to the company. The situation demands transparency and accountability.

Primates: At **Charles River Laboratories**, the proposal asks for annual report

> *on the species, country of origin (including wild-caught or captive-bred, omitting proprietary information), and numbers of nonhuman primates imported by the company into the U.S.; the species and numbers of nonhuman primates transported within the country; and measures the company is taking to mitigate its impact on dwindling populations in nature.*

The core concern at **Laboratory Corp. of America** is similar, seeking a report annually "on the species and number of nonhuman primates transported by the Company within the U.S. and measures the company is taking to mitigate public health risks." PETA argues that nonhuman primates destined for laboratory research are imported and transported with inadequate veterinary care and it says they also can harbor infectious diseases that may harm human health. In addition to the domestic health concerns, PETA points to endangered species concerns and cruelty in the animal procurement trade.

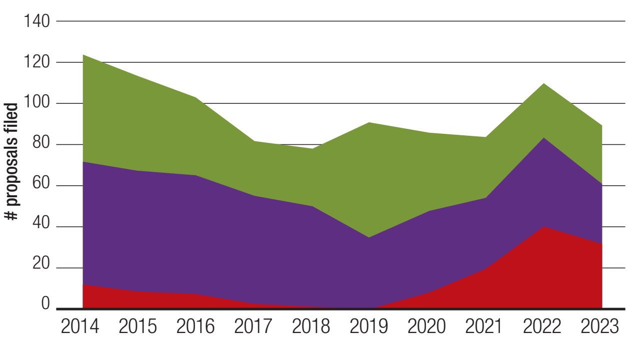
SEC action—Laboratory Corp. of America is arguing at the SEC this is an ordinary business concern since it would micromanage and does not raise a significant social issue; it and Charles River also say their current reports make the proposals moot. The SEC has yet to respond.

Car crash tests: At **Ford Motor**, PETA points to a 2017 study funded by the company that used about two dozen dead pigs to simulate the impacts of car crashes on humans. PETA says the experiment is contrary to the company's current policies, while noting it makes an exception if there is no alternative to animals. It also mentions a publicity campaign against Ford on the subject. The resolution calls for an annual report "to protect our Company's reputation, promote transparency, and minimize the use of animals in experiments," and says it should report on "the number and species of animals used and/or euthanized in testing conducted, funded, and/or commissioned by our Company, when such tests are not explicitly required by law."

CORPORATE POLITICAL INFLUENCE

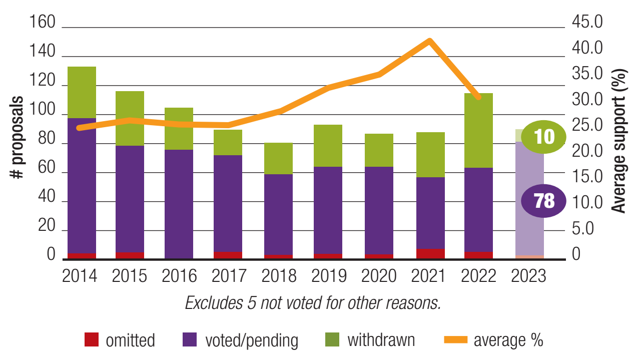
Proponents filing resolutions about corporate political influence started asking companies to be more accountable for their spending in the political arena twenty years ago, with the launch of the Center for Political Accountability (CPA). The initial focus was on board oversight and spending disclosure, but this started to shift significantly three years ago when proponents began to look harder at where company-connected money goes and whether the viewpoints of recipients clash with stated corporate environmental and social policies. Oversight and at least some disclosure of direct spending is now routine for almost all large companies—even though they remain reluctant to explain how much cash flows into the political system indirectly via "dark money" channels. This support often comes from politically active intermediaries such as trade associations and so-called "social welfare" nonprofit groups. But the "values congruency" proposals present a new frontier and companies this year continue to grapple with a growing number of proposals on reproductive rights, as well as many on climate change policy influence.

Types of Political Influence Proposals



Excludes anti-ESG proposals.

Political Influence Outcomes



Excludes 5 not voted for other reasons.

Research by Si2 and others has established that companies spend in a deeply partisan fashion in statehouse elections; they disproportionately support Republicans in red states, where more corporate money flows than to any other U.S. region. It is these states which reflect the increasingly radicalized agenda of the American right wing, clashing with the priorities of many investors and companies about the bottom-line importance of diversity, equity and inclusion, but also measures to mitigate climate change. Also at issue are company contributions to politicians who deny the 2020 election results and seek to restrict voting rights, thus undermining our democracy. While some companies announced they would pause spending to election deniers, they largely have shelved that idea now.

Corporate Political Influence

Company	Proposal	Proponent	Status
Lobbying Oversight/Disclosure			
Abbott Laboratories	Report on lobbying	Midwest Capuchins	April
AbbVie	Report on lobbying	Zevin Asset Management	May
Alphabet	Report on lobbying	United Church Funds	June
Amazon.com	Report on lobbying	Zevin Asset Management	May
Apple	Report on lobbying	Boston Common Asset Management	withdrawn
Boeing	Report on lobbying	Midwest Capuchins	April
Caterpillar	Report on lobbying	James McRitchie	June
Charter Communications	Report on lobbying	SEIU Master Trust	April
Chipotle Mexican Grill	Report on lobbying	SOC Investment Group	May
Douglas Emmett	Report on lobbying	SEIU Master Trust	May
DTE Energy	Report on lobbying	SEIU Master Trust	May
Eli Lilly	Report on lobbying	SEIU Master Trust	May
Goldman Sachs	Report on lobbying	John Chevedden	April
Hewlett Packard Enterprise	Report on lobbying	John Chevedden	April
Huntington Ingalls Industries	Report on lobbying	John Chevedden	May
International Business Machines	Report on lobbying	John Chevedden	April
L3 Harris Technologies	Report on lobbying	John Chevedden	April
Mastercard	Report on lobbying	John Chevedden	June
McDonald’s	Report on lobbying	SOC Investment Group	May
Meta Platforms	Report on lobbying	United Church Funds	May
NextEra Energy	Report on lobbying	SEIU Master Trust	May
NiSource	Report on lobbying	SEIU Master Trust	May
Travelers	Report on lobbying	First Affirmative Financial Network	withdrawn
Uber Technologies	Report on lobbying	Teamsters	May
United Airlines Holdings	Report on lobbying	John Chevedden	May
Ventas	Report on lobbying	SEIU Master Trust	April
Visa	Report on lobbying	Boston Common Asset Management	withdrawn
Walt Disney	Report on lobbying	Mercy Investment Services	withdrawn
Wendy’s	Report on lobbying	SOC Investment Group	May
Yum Brands	Report on lobbying	SOC Investment Group	May
Election Oversight/Disclosure			
Amazon.com	Require indirect political spending reporting	Investor Voice	May
Amphenol	Review/report on election spending	John Chevedden	May
Bio-Rad Laboratories	Review/report on election spending	James McRitchie	April
Caesars Entertainment	Review/report on election spending	New York State Common Retirement Fund	June
CDW	Review/report on election spending	John Chevedden	May
Charles River Laboratories International	Review/report on election spending	James McRitchie	May
Coca-Cola	Require indirect political spending reporting	New York State Common Retirement Fund	April
Colgate-Palmolive	Review/report on election spending	Boston Common Asset Management	withdrawn
Elevance Health (formerly Anthem)	Require indirect political spending reporting	Nathan Cummings Foundation	May
Eli Lilly	Require indirect political spending reporting	Change Finance	May
HCA Healthcare	Review/report on election spending	John Chevedden	April
Match Group	Review/report on election spending	New York State Common Retirement Fund	June
Merck	Require indirect political spending reporting	Boston Common Asset Management	May
PayPal	Require indirect political spending reporting	Change Finance	June
PENN Entertainment	Review/report on election spending	New York State Common Retirement Fund	June
ServiceNow	Review/report on election spending	James McRitchie	withdrawn
SoFi Technologies	Review/report on election spending	New York State Common Retirement Fund	July
Stericycle	Review/report on election spending	John Chevedden	May

table continued on next page

Corporate Political Influence

Company	Proposal	Proponent	Status
Stryker	Review/report on election spending	Myra K. Young	May
Tesla	Review/report on election spending	John Chevedden	May
Travelers	Require indirect political spending reporting	New York State Common Retirement Fund	April
Walgreens Boots Alliance	Require indirect political spending reporting	Myra K. Young	omitted
Warner Bros. Discovery	Review/report on election spending	New York State Common Retirement Fund	April
Zillow Group	Review/report on election spending	New York State Common Retirement Fund	June
Zoom Video Communications	Review/report on election spending	New York State Common Retirement Fund	June
Verizon Communications	End political spending	Trillium Asset Management	May
Values Congruency			
AbbVie	Report on all political influence spending values congruency	*As You Sow*	May
Alphabet	Report on Paris-aligned public policy influence efforts	Zevin Asset Management	June
Altria	Report on all political influence spending values congruency	Trinity Health	May
Amazon.com	Report on lobbying alignment with net-zero GHG goals	Newground Social Investment	May
AT&T	Report on political spending values congruency	*As You Sow*	April
Boeing	Report on Paris-aligned public policy influence efforts	John Chevedden	April
Chubb Limited	Report on lobbying alignment with net-zero GHG goals	Zevin Asset Management	withdrawn
CIGNA	Report on all political influence spending values congruency	Clean Yield Asset Mgt.	April
CNX Resources	Report on Paris-aligned public policy influence efforts	Proxy Impact	omitted
Coca-Cola	Report on all global influence spending	Harrington Investments	April
Coca-Cola	Report on political spending values congruency	Clean Yield Asset Mgt.	May
Comcast	Report on political spending values congruency	Arjuna Capital	June
Coterra	Report on Paris-aligned public policy influence efforts	Proxy Impact	April
Devon Energy	Report on lobbying alignment with net-zero GHG goals	Vermont State Treasurer	June
Eli Lilly	Report on lobbying values congruency	CommonSpirit Health	May
EOG Resources	Report on lobbying alignment with net-zero GHG goals	Trillium Asset Management	withdrawn
Home Depot	Report on political spending values congruency	Tara Health Foundation	May
JPMorgan Chase	Report on political spending values congruency	James McRitchie	May
Kinder Morgan	Report on Paris-aligned public policy influence efforts	Vermont State Treasurer	withdrawn
Mastercard	Report on political spending values congruency	*As You Sow*	June
McDonald's	Report on all global influence spending	Harrington Investments	May
Meta Platforms	Report on lobbying alignment with net-zero GHG goals	Presbyterian Church (USA)	May
Northrop Grumman	Report on all political influence spending values congruency	School Srs. of N. Dame Coop Investment Fund	May
PACCAR	Report on Paris-aligned public policy influence efforts	Calvert Investment Management	April
PepsiCo	Report on all global influence spending	Harrington Investments	May
Pfizer	Report on all political influence spending values congruency	Tara Health Foundation	April
Phillips 66	Report on Paris-aligned public policy influence efforts	United Church Funds	May
United Parcel Service	Report on all political influence spending values congruency	Boston Trust Walden	May
United Parcel Service	Report on Paris-aligned public policy influence efforts	Mercy Investment Services	withdrawn
UnitedHealth Group	Report on all political influence spending values congruency	Education Foundation of America	June
Walt Disney	Report on political spending values congruency	Education Foundation of America	April
Wells Fargo	Report on lobbying alignment with net-zero GHG goals	7th Generation Interfaith CRI	April
Wells Fargo	Report on political spending values congruency	Harrington Investments	April

As of mid-February, there are 30 proposals on lobbying, 28 on elections and 35 on other issues, all but one concerning mismatches between corporate policies and recipients' viewpoints. Only 10 have been withdrawn so far.

(Anti-ESG proponents have filed at least 10 additional political spending proposals and more are likely to appear; last year there were 16. See Anti-ESG, p. 76.)

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 and intensified following the 2010 *Citizens United* U.S. Supreme Court decision—which allows unlimited contributions from companies although not directly to federal candidate campaigns. The CPA's model oversight and disclosure approach is the standard template 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 concerned about preserving American democracy and supporting accountability.

Resources: In March 2022, an international consortium of investors released *Responsible Climate Lobbying: The Global Standard*, to help companies and investors assess and ensure that all lobbying efforts support the Paris Climate Treaty goals. ICCR is coordinating some climate change lobbying proposals, too, and issued its own guidance on evaluating corporate behavior last fall. Rhia Ventures is coordinating investor engagement about corporate policies and spending about reproductive and maternal health.

The most recent version of the CPA-Zicklin Index expanded its coverage in fall 2022 to the Russell 1000 index and tracks company performance about spending on elections; it sits beside a Model Code the Center released in 2020 to more fully address partisan risks. A key provision is for companies to require disclosure from third-party groups they support about where company contributions ultimately end up; this features in an expanded number of proposals in 2023 but none of this new variant has seen a vote so far. No similar index exists on lobbying, although an Si2 survey tracks that issue. The Conference Board's Committee on Corporate Political Spending offers a more corporate but generally supportive perspective on accountability.

Lobbying

The resolved clause for the main lobbying campaign resolution this year has not changed and roughly half of the 30 proposals filed are resubmissions *(table, p. 37)*. It asks for an annual report that includes:

1. *Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.*

WAR ON ESG HIGHLIGHTS THE NEED FOR LOBBYING DISCLOSURE

JOHN KEENAN
Corporate Governance Analyst, AFSCME Capital Strategies

For 2023, proponents have filed at least 30 proposals asking for lobbying disclosure reports that include federal and state lobbying amounts, payments to trade associations and 501(c)(4) social welfare groups used for lobbying, and payments to tax-exempt organizations that write and endorse model legislation.

Dark Money Attack on ESG

The ongoing attack on ESG demonstrates why investors need disclosure of corporate lobbying, especially payments to third parties, including nonprofit groups writing model legislation. The American Legislative Exchange Council (ALEC) has drafted two anti-ESG model bills. ALEC was already controversial for promoting bills that undermine regulations on climate change, raising the minimum wage and workplace safety, and more than 100 companies have cut ties. Yet, hundreds of companies essentially remain represented by their trade associations as the U.S. Chamber of Commerce, PhRMA and NetChoice each sit on ALEC's Private Enterprise Advisory Council.

Risky Spending

Undisclosed, unlimited third-party spending remains an unknown risk area for investors. Risks include reputational damage for lobbying that contradicts company positions or payments to controversial groups, as well as financial fines and regulatory sanctions for illegal payments. Company payments to trade associations and social welfare groups have no restrictions, allowing companies to give unlimited amounts secretly to third party groups that spend millions on lobbying.

Utilities Using Dark Money Groups

FirstEnergy's trial about $60 million of dark-money payments led a prosecutor to conclude a social welfare group is "a perfect entity to receive a secret bribe." S&P notes the bribery scandal has increased scrutiny of how utilities use 'dark money' groups. For example, **NextEra Energy** faces a complaint about secret spending in a Florida ghost candidate scandal, while **DTE Energy** is under scrutiny for undisclosed payments to a social welfare group that supported repeal of COVID emergency powers in Michigan. Given the number of utility dark money scandals, it is a clear risk for shareholders when utilities fail to disclose their payments to social welfare groups.

Demand for Tech Companies to Disclose

In 2022, shareholder proposals at Alphabet, **Amazon**, **Meta** and **Netflix** all received majority support from independently-owned shares. Proponents have refiled at Alphabet, Amazon and Meta, which together list more than 1,000 trade associations, social welfare groups and non-profit groups that get company support but do not disclose how much of these payments are used for lobbying. Support goes to controversial groups like the Federalist Society, which is linked to the war on ESG, and the Independent Women's Forum, which reportedly has promoted "anti-trans fear mongering" and assailed masking and vaccine requirements. Meta is the sole funder of American Edge, a social welfare group that has received millions to fight antitrust regulation.

2023 Lobbying Disclosure Campaign – Misalignments Abound

In addition to dark money risks, shareholders have ongoing concerns about cases where company lobbying contradicts publicly stated corporate positions, for both direct and indirect activity via trade associations. The 2023 proposals highlight lobbying misalignments on issues including climate change, product safety, drug pricing, workers' rights, corporate taxation, net neutrality and voting rights. Pharmaceutical, fast food, tech, telecom and utility sector companies are among the recipients of proposals.

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.*

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.

Withdrawals—Proponents have reached deals at **Apple**, **Travelers**, **Visa** and **Walt Disney**, where investors have voted annually since 2016 and the 2022 vote was 34.2 percent; the company recently expanded its reporting on trade group spending used for political purposes.

SEC action—Only **Amazon.com** and **Eli Lilly** are mounting fights at the SEC. The former says the proponent failed to prove stock ownership, which may succeed. Lilly is arguing that its disclosures make the proposal moot; it tried this line of reasoning in 2022 to no avail.

Election Spending

The Center for Political Accountability and its investor allies continue to seek board oversight and transparency about election spending from corporate treasuries. Support from investors for these resolutions dropped 10 points in 2022, however, to 33.4 percent and down from 43.8 percent in 2021, but there were 14 agreements that illustrate companies are willing to act.

CPA proposal: The main CPA resolution remains the same, with the 17 proposals mostly noting it excludes lobbying activity. The resolved clause asks companies to produce reports twice a year 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—So far proponents have withdrawn after agreements at two companies but one omission is likely:

- The **Colgate-Palmolive** resolution highlighted a low 2022 CPA Index score but when the company confirmed its spending ban extends to indirect channels the proponent withdrew.
- James McRitchie withdrew at **ServiceNow** after it implemented the proposal; it will publish its first report this year. The company also had argued at the SEC that the resolution was moot.
- **CDW** claims procedural errors, which are likely to mean it will be omitted.

New indirect spending proposal: Seven companies have a proposal first introduced last year (which has yet to go to a vote) and at least one more is planned; the resolution is pending at seven (see table). It invokes the CPA Model Code by asking each to

…adopt a policy requiring that any trade association, social welfare organization, or other organization that engages in political activities seeking financial support from Company agree to report to [the company], at least annually, the organization's expenditures for political activities, including the amount spent and the recipient, and that each such report be posted on [the company's] website. For purposes of this proposal, "political activities" are:

i. *influencing or attempting to influence the selection, nomination, election, or appointment of any individual to a public office; or*
ii. *supporting a party, committee, association, fund, or other organization organized and operated primarily for the purpose of directly or indirectly accepting contributions or making expenditures to engage in the activities described in (i).*

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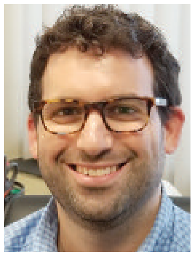

A FRAMEWORK FOR EVALUATING GOALS AND RISKS OF CORPORATE POLITICAL SPENDING

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Companies today face a high-risk landscape for their political spending and its impact. The crisis that confronts U.S. democracy and the gridlock blocking action on a broad range of issues from climate change to voting, women's reproductive rights, guns and even democracy itself has put front and center the role of company political spending in contributing to the breakdown.

It's not just investors who are closely scrutinizing a company's use of its political money but also the media, employees and consumers. How a company spends can affect its bottom line. This makes it incumbent upon management and directors to take a hard look at the consequences of their company's election-related spending, the immediate and broad risks that it poses and whether or how it should engage in political spending.

To address this, the Center for Political Accountability (CPA) has a new "Model Code" proposal that requests companies to report on their websites any election-related spending by third party groups, such as trade associations, 501(c)(4)s, super PACs or 527 groups, to which they make payments out of corporate treasury funds. The proposal has been filed at eight companies so far this proxy season with more to come.

The proposal is based on a provision in the Model Code of Conduct for Corporate Political Spending that calls on companies to fully report third-party giving. The Model Code provides a framework for companies to evaluate the goals and risks of their election-related spending, and in doing so, to align spending with both core company values and a needed commitment to democratic institutions.

The purpose of the resolution is to get companies to connect the dots to the ultimate destination of their money. If they don't, someone else will, heightening the risk they face. In the language of business, this requires that companies conduct due diligence with regard to political spending. It's a necessary implementation step to build on the disclosure that CPA has called for and to mitigate escalating risk.

Regarding the Model Code, CPA is actively speaking with companies to adopt it. The goal is to get a beachhead group to take that step and open the way for broader company adoption of the Code. This is the trajectory that has made political disclosure and accountability the norm through "private ordering."

CPA is focusing on companies that are top scoring Trendsetters or in the upper first tier in the CPA-Zicklin Index. They have the robust policies that provide a strong foundation for taking the next step of adopting a framework for approaching and governing their election-related spending.

Why is this crucial today? It's incumbent that companies create an internal culture that resists the pressures and reinforces a commitment to ethical and accountable participation in our politics. It is not just a question of abiding by the law, but of acting to protect and strengthen a well-functioning democracy. The Model Code and the resolution were developed to guide that effort, to give companies greater control over their spending and serve as a heat shield to protect them.

SEC action—A procedural problem knocked out the resolution at **Walgreens Boots Alliance**, but four more challenges were pending as of mid-February. **Amazon.com**, **Elevance Health**, **Eli Lilly** and **Merck** variously argue that it concerns ordinary business decisions about how they engage with third parties or cannot be implemented because it would require action from third parties. Amazon also says the proposal can be omitted because it is from functionally the same proponent as another on climate lobbying that it received first *(see p. 43 below)*, which it says makes both inadmissible.

Spending ban: Trillium Asset Management points out that **Verizon Communications** has faced repeated controversy about clashes between stated company values and its election spending, exemplified by contributions to politicians opposed to LGBTQ rights and abortion, and to election deniers. It therefore asks the company to "adopt a policy prohibiting political and electioneering expenditures." Prohibitions are not popular with investors and a similar proposal from Trillium last year at **Elevance Health** earned only 4 percent. Verizon in the past has seen high votes on lobbying oversight and disclosure—47 percent in 2020 and 36.2 percent 2018.

Values Congruency

Increasingly, the focus in shareholder proposals about political money has been on apparent contradictions between what companies assert in public policy statements, who they support in elections and what they lobbying about after those elections are finished. Proponents mainly have raised questions about climate change and (increasingly) reproductive health, with a handful of broader concerns. There are 35 such proposals in 2023 and most are still pending as of mid-February. Thirteen are resubmissions.

Climate Change

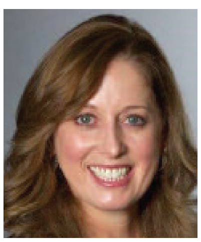
Proponents have filed 15 proposals about climate change policy influence, with a few new variations. Ten are pending, four have been withdrawn and one omitted as of mid-February.

- **Paris-alignment:** Echoing earlier resolutions, a proposal about Paris-aligned public policy influence is a resubmission at **Phillips 66** (62.5 percent in 2021) and **United Parcel Service** (33.2 percent last year), but new submissions were filed by Proxy Impact at **CNX Resources** and **Coterra**. It asks for an annual report on "if and how"

  > *lobbying and policy influence activities (both direct and indirect through trade associations, coalitions, alliances, and other organizations) align with the goal of the Paris Agreement to limit average global warming to "well below" 2 degree C above pre-industrial levels, and to pursue efforts to limit temperature increase to 1.5 degrees C, and how [the company] plans to mitigate the risks presented by any misalignment.*

  The proposal adds a question at **Boeing**, **Kinder Morgan** and **PACCAR** about how each "plans to mitigate the risks presented by any misalignment. In evaluating the degree of alignment, [the company] should consider not only its policy positions and those of organizations of which [the company] is a member, but also the actual lobbying and policy influence activities."

advocacyposition



CORPORATE EFFORTS ON CLIMATE MUST INCLUDE LOBBYING

TRACEY C. REMBERT

Associate Director, Climate Change and Environmental Justice, Interfaith Center on Corporate Responsibility

While climate change always seems to bring troubling news, few reports in the past year are more compelling than those from scientists saying our ability to reach the Paris Agreement's goal of 1.5°C above pre-industrial levels is pretty much out of reach. Those alarm bells have enormous implications for investors and, combined with new data on rising emissions in hotspots like the United States, mean that a hodge-podge of voluntary efforts no longer suffices. We have fewer than seven years to turn things around, and we must deploy multiple strategies to get us there.

One place to start is ending corporate lobbying and misinformation campaigns largely funded by the fossil fuel industry and its trade groups, which aim to thwart climate-forward legislation and regulation. As EDF President Fred Krupp has noted, companies should "unleash the most powerful tool they have to fight climate change: their political influence."

Members of the Interfaith Center on Corporate Responsibility (ICCR) and other investors began engaging companies on their climate lobbying and funding of the Global Climate Coalition (GCC), whose mission was to kill the 1992 Kyoto Protocol. While the GCC ultimately succeeded in scuttling Kyoto, ICCR members succeeded in convincing GCC members like **Ford Motor** to quit the association, presaging its ultimate demise.

In recent years, ICCR members began meeting with and filing proposals on climate lobbying, asking companies to align their political activity with their stated net-zero emission goals. Shareholder concern about climate lobbying continues to increase and engagements have gone far beyond high-emitting companies to include banks, insurers, tech, logistics, advertising and other sectors.

In 2021, the shot over the bow of CEOs' desks was several first-year resolutions that earned majority support, including at **ExxonMobil** and **Norfolk Southern**. As a result, in 2022, over three-fourths of the proposals filed were withdrawn after company commitments. In 2023, of the 20 proposals filed and tracked by both Ceres and ICCR members, fewer than half are going to a vote, and companies are still negotiating withdrawals.

The Global Standard on Responsible Climate Lobbying, backed by investors and networks representing $130 trillion in assets, provides reporting guidelines, particularly about evaluating and mitigating misalignment on climate policies.

Beyond engaging companies, investors are outlining their expectations to trade groups and helping companies to hold these groups accountable for any misalignments that would delay needed global climate policy. ICCR recently issued guidance that illustrates best practices in corporate climate lobbying to help us get to the 1.5°C goal. We hope companies understand that scrutiny of their political activity will only keep growing and those that continue to be work against productive climate policy will likely see legal action to hold them accountable for the damage they are causing.

The window to address the climate crisis may be closing; companies that choose to listen to their shareholders and unleash their power and influence to support true net-zero goals can make one of the most important contributions possible to address the climate crisis that negatively affects all their stakeholders.

- **Net-zero goals:** There is a somewhat new approach at five companies (one not public). At **Chubb**, **Devon Energy**, **EOG Resources** and **Wells Fargo**, the resolution seeks an annual analysis and report

  on whether and how" the company "is aligning its lobbying and policy influence activities and positions, both direct and indirect (through trade associations, coalitions, alliances, and other organizations), with its public commitment to achieve net zero emissions, including the activities and positions analyzed, the criteria used to assess alignment, and involvement of stakeholders, if any, in the analytical process. (At EOG it references a 2040 goal and at Wells Fargo 2050.)

- **Framework clarification**: At **Alphabet**, **Meta Platforms** and **Amazon.com**, a new proposal seeks a report on the "framework for identifying and addressing misalignments between [the company's] lobbying (directly and indirectly through trade associations and social welfare and nonprofit organizations)" and company commitments to mitigate climate impact, referencing 2030 goals for either a 1.5-degree Celsius temperature increase or net-zero emissions. Each proposal asks about the "criteria used to assess alignment; the escalation strategies used to address misalignments; and the circumstances under which escalation strategies are used (e.g., timeline, sequencing, degree of influence over an Association)."

  Political influence proposals are not new to these companies but this resolution is more specific than one that earned 19 percent at Alphabet last year and general lobbying proposals earlier at Amazon.com and Meta.

SEC action: **Amazon** is arguing that Newground Social Investments (the proponent of a resolution on indirect spending discussed above), and Investor Voice (the proponent of this climate lobbying proposal) are functionally the same and impermissibly filed two proposals that both can be omitted. The commission has yet to respond. **PACCAR** is arguing the resolution is moot given its reports using frameworks from the Task Force on Climate-related Financial Disclosure and CDP. **CNX Resources** challenged the proposal on procedural grounds, such as stating that Charles Schwab's use of a digital signature was insufficient to prove proof of ownership. Proxy Impact responded that SEC Staff Legal Bulletin No. 14L cautioned companies against the application of "an overly technical reading of proof of ownership letters as a means to exclude a proposal," The SEC has yet to render an opinion.

Withdrawals: Trillium withdrew after **EOG Resources** agreed to provide more information about its trade associations. Mercy Investments withdrew at **UPS** after another agreement; UPS has received 16 proposals since 2010 about political influence, mostly on lobbying, and a somewhat more general climate lobbying proposal there received 33.2 percent in 2022. The proponent also withdrew at **Kinder Morgan** after an agreement, according to Ceres.

Reproductive Health

In addition to proposals that directly address reproductive health *(see Health, p. 54)*, Rhia Ventures is asking for the fourth year in a row about inconsistencies between company policies on women and election contributions to politicians who oppose reproductive rights, as well as lobbying. Six of its proposals last year went to votes and earned average support of nearly 40 percent, putting it in a strong position for 2023. There are nine companies and two proposal types, with at least one more planned for the fall. All were pending as of mid-February.

- **Elections:** At five companies, the proposal seeks a report

  analyzing the congruence of the Company's political and electioneering expenditures during the preceding year against publicly stated company values and policies, listing and explaining any instances of incongruent expenditures, and stating whether the Company has made, or plans to make, changes in contributions or communications to candidates as a result of identified incongruencies.

  It is a resubmission at **AT&T** (41.1 percent in 2022) and in its fourth year at **Home Depot** (42.6 percent in 2022, its highest vote yet and up from 32.9 percent in 2020).

  A vote will occur for the first time at **Walt Disney**. First-time votes on this proposal also are slated for **Coca-Cola** and **Comcast** although political influence resolutions are not new there, either. Investors gave 12.6 percent support to a global influence proposal last year at Coke and there were seven years of lobbying proposals at Comcast before it agreed in 2022 to provide more information about nonprofits it supports.

- **Elections and lobbying:** The resubmission at four more companies is more expansive. Each iteration raises questions about reproductive health but they also mention diversity, voting rights and climate change. The resolved clause asks **AbbVie** (39.5 percent in 2022), **CIGNA** (46.3 percent in 2022) and **UnitedHealth** (38.2 percent in 2022)—for annual reports just as in the proposal above but adds lobbying expenditures, which will

  analyze and report…the congruence of [the company's] political, lobbying, and electioneering expenditures during the preceding year against its publicly stated company values and policies, listing and explaining instances of incongruent expenditures, and stating whether the identified incongruencies have or will lead to a change in future expenditures or contributions.

  The resolved clause further asks Pfizer to consider its "stated goal to 'end discrimination against women, ensure equal opportunities for leadership and access to reproductive health.'"

SEC action: Pfizer is arguing at the SEC that the proposal is moot given reports it already makes about its policies and contributions to politicians and trade associations. Up for a test is whether the SEC agrees the proposal is substantially the same as one last year from the National Center for Public Policy Research that earned 10.4 percent, less than the 15 percent requirement for a second-year proposal. The resolved clause of last year's proposal was the same as one from Tara Health in 2021 about values congruency, but Tara's had earned 47.2 percent. (Tara resubmitted in 2022 but was pre-empted by NCPPR, which filed first.) The NCPPR version outside the resolved clause criticized the company's diversity programs and *support* for abortion rights politicians. The SEC has yet to decide on the challenge.

Other Issues

Multiple concerns: At **Altria**, Trinity Health raises concerns about tobacco harms, voting rights, climate change and related political influence efforts by Altria and the trade associations it supports, using the same resolved clause as the Rhia resolution noted above about election and lobbying spending.

Proposals at **JPMorgan Chase** and **United Parcel Service** also use the "all-in" resolved clause noted above about election and lobbying expenditures, with specific concerns:

- While the proposal earned 30 percent at JPMorgan in 2021 and was withdrawn last year, James McRitchie now points to "hundreds of thousands of dollars to state and federal lawmakers with extreme anti-LGBTQ+ voting records," as well as giving to abortion opponents, and its sponsorship of the State Financial Officers Foundation (SFOF). That group consists of elected Republican officials who actively oppose ESG considerations; it is behind a raft of new laws.
- Boston Trust Walden says that despite a high CPA-Zicklin Index for UPS, it does not explain how it decides to spend in the political arena nor how it evaluates the "congruence of these expenditures with UPS's public commitments and policies, nor company actions to address instances of misalignment."

At **Mastercard**, *As You Sow* uses the election spending values congruency resolved clause and elsewhere in the proposal takes issue with a mismatch between the company's 2040 net-zero GHG reduction goal and its support for industry groups working to stop climate change legislation. As with the JPMorgan proposal, it points to Mastercard's sponsorship of an anti-ESG trade association called the State Finance Officers Foundation (SFOF). (Last year, a proposal at Mastercard asking for board oversight of political spending noted its contributions to Members of Congress who denied the 2020 election results; it earned 10 percent.)

Human rights: At **Northrop Grumman**, a new proposal asks about political influence alignment with human rights. It calls for an annual report "describing the alignment of its political activities (including direct and indirect lobbying and political and electioneering expenditures) with its Human Rights Policy," and says it should "list and explain instances of misalignment, and state whether and how the identified incongruencies have or will be addressed." Proponents have raised human rights concerns for years at the company and a proposal seeking a report on its human rights impacts earned 22.4 percent in 2021, down from 31.1 percent in 2016.

Access to medicine: Last year, several ICCR members filed proposals asking drug companies to explain inconsistencies between their lobbying activities and policies to make medicines affordable. Results were strong, with 50.2 percent at **Gilead Sciences**, 43.3 percent at **Johnson & Johnson** and 34 percent at **Eli Lilly**. There are just two proposals this year (one not public). CommonSpirit Health has returned to Lilly and wants a third-party review and report within the year on how it

> *reconciles the strong commitments to both innovation and patient access, reflected in Lilly's statement that it "strike[s] a balance between access and patient affordability, while sustaining investments to research innovative life-changing treatments for some of today's most serious diseases"—when lobbying and engaging in other policy advocacy activities (both direct and through trade associations).*

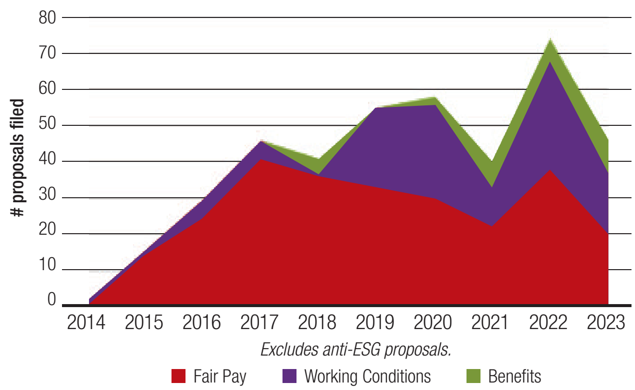
Global influence: Harrington Investments is again asking three food companies--Coca-Cola, McDonald's and PepsiCo—about their efforts to influence public policy outside the United States. They earned votes in the teens in 2022.

DECENT WORK

Although support for proposals about fair pay and working conditions has risen annually for ten years, filings in 2023 have fallen after a bump-up last year. Twenty resolutions ask about fair pay (mostly gender and minority pay disparities), another 17 concern working conditions and nine address benefits (mostly paid sick leave). Only two had been withdrawn as of mid-February. Just six of the proposals are resubmissions, although many of the companies have considered diversity issues before.

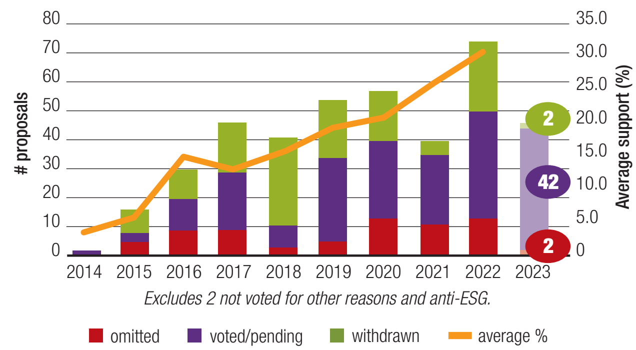
(Diversity at Work below, p. 50, includes 39 more proposals about fair representation, while a new push with about a dozen proposals invoking international standards and the right to organize is discussed on p. 59 under Human Rights.)

Types of Decent Work Proposals



Excludes anti-ESG proposals.

Decent Work Outcomes



Excludes 2 not voted for other reasons and anti-ESG.

Context: A new SEC disclosure rule about human capital went into effect in November 2020, recommending that companies report on how they manage and set goals, if the measures are materially important—making the rule applicable to some but not all industries. A push continues for a more prescriptive approach, though, which would yield information shareholder proposals have been requesting for years. Academics, former SEC officials and others outlined in June 2022 what this might look like. A key player in the debate is the Human Capital Management Coalition, which includes 37 institutional investors who together manage more than $8 trillion in assets. Experts from Deloitte discussed the shifting corporate board perspective about workforce management risks and pressures for disclosure and shifting corporate practices this January.

Fair Pay

While last year saw several variations on fair pay proposals, in 2023 they are mostly the same and about gender and race-based pay differentials; notably, most are at companies that have never received this request in the past.

Gender/Race Median Pay Gap

Arjuna Capital and Proxy Impact have filed dozens of resolutions trying to persuade companies to report on differential pay rates for women and people of color, compared to white men. At first, they asked only about policies and goals "to reduce" the gap and companies started agreeing to do so. Later proposals sought data on the median pay gap that shows the extent to which higher-level employees are disproportionately white and male (and have higher pay). Support initially dropped but then rebounded and produced an average of more than 40 percent in 2022.

- **Global and country reporting**—James McRitchie and Myra K. Young seek annual reports at 11 companies:

  on unadjusted median and adjusted pay gaps across race and gender globally and/or by country, where appropriate, including associated policy, reputational, competitive, and operational risks, and risks related to recruiting and retaining diverse talent. The report should be prepared at reasonable cost, omitting proprietary information, litigation strategy, and legal compliance information.

  Racial/gender pay gaps are the difference between non-minority and minority/male and female median earnings expressed as a percentage of non-minority/male earnings.

  At **Kellogg**, the resolution adds, "Pay includes base, bonus, and equity compensation either aggregated or, preferably, disaggregated."

- **Arjuna Capital**—The proposal omits reference to "unadjusted and adjusted" pay gaps and is a resubmission at **Apple**, where last year it received 34.5 percent support; it is the first vote on this issue in 2023. This is the fifth year in a row at **Amazon.com**, where votes reached their highest level yet last year at almost 29 percent.

  At four other companies—**Amalgamated Financial**, **Kroger**, **Thermo Fisher Scientific** and **Visa**—the proposal is similar but asks for "both quantitative median and adjusted pay gaps across race and gender." It is pending at the first three companies.

Withdrawals—Arjuna withdrew at **Visa** when the company agreed to report annually on the median and statistically adjusted pay gaps, "assessed on base, bonus, and equity compensation" for its entire workforce. Most of the other companies have engaged with investors previously on various diversity and inclusion, producing several agreements that have yielded more reporting, so additional withdrawals seem likely.

Decent Work

Company	Proposal	Proponent	Status
Fair Pay			
Amalgamated Financial	Report on gender/racial pay disparity	Arjuna Capital	April
Amazon.com	Reduce executive pay disparity	AFL-CIO	May
Amazon.com	Report on gender/racial pay disparity	Arjuna Capital	May
Apple	Report on gender/racial pay disparity	Arjuna Capital	03/10/2023
Applied Materials	Consider pay disparity in CEO compensation	Jing Zhao	03/09/2023
BlackRock	Report on gender/racial pay disparity	James McRitchie	May
Boeing	Report on gender/racial pay disparity	James McRitchie	April
Charles Schwab	Report on gender/racial pay disparity	James McRitchie	May
DexCom	Report on gender/racial pay disparity	Myra K. Young	May
Goldman Sachs	Report on gender/racial pay disparity	James McRitchie	April
Intuitive Surgical	Report on gender/racial pay disparity	Myra K. Young	April
Kellogg	Report on gender/racial pay disparity	James McRitchie	April
Kroger	Report on inequality and financial priorities	Srs. of the Presentation BVM	June
Kroger	Report on gender/racial pay disparity	Arjuna Capital	June
Marriott International	Report on gender/racial pay disparity	Myra K. Young	May
Netflix	Report on gender/racial pay disparity	Myra K. Young	June
NextEra Energy	Report on gender/racial pay disparity	Myra K. Young	May
Thermo Fisher Scientific	Report on gender/racial pay disparity	Arjuna Capital	May
Visa	Report on gender/racial pay disparity	Arjuna Capital	withdrawn
Walmart	Consider pay disparity in CEO compensation	Franciscan Srs. of Perpetual Adoration	June
Working Conditions			
Activision Blizzard	Review/report on workplace bias policy	New York State Common Retirement Fund	June
Amazon.com	Commission worker health and safety audit	Tulipshare Ltd.	May
Apple	Report on impact of RTO policy	Dave Rahardja	omitted
Apple	Allow flexible working locations	Megan Mohr	omitted
Autodesk	Report on concealment clause risks	Nia Impact Capital	June
CVS Health	Report on concealment clause risks	*As You Sow*	May
Digital Realty Trust	Report on concealment clause risks	Nia Impact Capital	June
Dollar General	Commission worker health and safety audit	Domini Impact Investments LLC	May
Dollar Tree	Commission worker health and safety audit	CommonSpirit Health	June
Etsy	Review/report on sexual harassment policy	Nia Impact Capital	June
International Business Machines	Review/report on workplace bias policy	Clean Yield Asset Mgt.	April
McDonald's	Review/report on sexual harassment policy	SHARE	May
Nordstrom	Report on concealment clause risks	*As You Sow*	May
Pinterest	Review/report on workplace bias policy	New York State Common Retirement Fund	May
Uber Technologies	Commission worker health and safety audit	Achmea Investment Management	May
Walmart	Commission worker health and safety audit	Cynthia Murray	June
Wells Fargo	Review/report on workplace bias policy	New York State Common Retirement Fund	April
Benefits			
CVS Health	Adopt paid sick leave policy	Trillium Asset Management	May
Denny's	Report on paid sick leave policy	Benedictine Srs - Mt. St. Scholastica	May
FedEx	Report on paid sick leave policy	Srs. of St. Francis of Phila.	September
Hilton Worldwide Holdings	Report on paid sick leave policy	Unitarian Universalists	May
LKQ	Provide transgender healthcare benefits	Trillium Asset Management	May
Macy's	Adopt paid sick leave policy	School Srs. of Notre Dame, Central Pacific	withdrawn
Norfolk Southern	Adopt paid sick leave policy	Impact Shares	May
TJX	Adopt paid sick leave policy	Figure 8 Investment	June
Union Pacific	Adopt paid sick leave policy	Trillium Asset Management	May

Executive Compensation

CEOs and senior executives: Two proposals are about CEO pay but they are not very specific:

- Jing Zhao has resubmitted a proposal to **Applied Materials** that earned 8.3 percent last year. He wants the company to "improve the executive compensation program and policy, such as to include the CEO pay ratio factor and voices from employees."
- The Franciscan Sisters of Perpetual Adoration have filed the first proposal to ask **Walmart** specifically about disparity between pay for the CEO and workers, although many resolutions before have concerned fair pay and treatment. Most recently, a request to report on pay and racial justice earned 13.4 percent in 2022 and 12.7 percent in 2021. The AFL-CIO also has filed the proposal at **Amazon.com**, although there the proposal refers to "senior executive officer compensation" instead of the CEO. It asks the board

  > *to take into consideration the pay grades and/or salary ranges of all classifications of Walmart employees when setting target amounts for [CEO/senior executive officer] compensation. Compliance with this policy is excused if it violates any existing contractual obligation or the terms of any existing compensation plan.*

Inequality and financial priorities: Continuing concerns about the societal costs of company action voiced by The Shareholder Commons, the Sisters of the Presentation of the Blessed Virgin Mary asks **Kroger** to report on

> *(1) whether the Company participates in compensation and workforce practices that prioritize Company financial performance over the economic and social costs and risks created by inequality and racial and gender disparities and (2) the manner in which any such costs and risks threaten returns of diversified shareholders who rely on a stable and productive economy.*

Elsewhere, last year this proposal earned 9.7 percent at **Marriott International** and 14.7 percent at **Tractor Supply**, while a Kroger proposal seeking a report on competitive employee compensation given the tight post-pandemic labor market received 29.5 percent.

Working Conditions

Seventeen proposals raise questions about fair treatment and working condition this year, down from more than two dozen last year at this time, but an expanded slate seeks audited reports on worker health and safety; most of the others relate to sexual harassment and discrimination in the workplace.

advocacyposition

INDEPENDENT AUDITS CAN FURTHER WORKER HEALTH AND SAFETY

MARY BETH GALLAGHER
Director of Engagement, Domini Impact Investments

Safety at work is a bare minimum for workers' dignity. Yet, far too often, it is at risk. In June 2022, the International Labor Organization (ILO) recognized a safe and healthy work environment as a universal labor right, adding it to the core ILO fundamental principles of rights at work.

In practice, a safe and healthy work environment involves physical and mental safety, keeping a workplace free of hazards, providing training and equipment and offering reasonable expectations for workers' hours and capacity. That way, people can go to work each day and come home safely. This proxy season, there are several proposals – at **Dollar General**, **Dollar Tree** and **Amazon** – asking for independent audits around workplace health and safety. It's a critical time to encourage progress on this issue. Fines and scrutiny from regulators are mounting. Workers are becoming more vocal as well, calling for changes. This also has widespread economic implications, with an estimated $176 to $352 billion lost each year due to job injuries and illnesses.

Dollar General has 19,000 stores throughout the United States, providing access to affordable products in rural and remote communities. Yet there are concerns that this low-cost model operates at the expense of its workforce.

The U.S. Occupational Safety and Health Administration (OSHA) recently identified Dollar General as a severe violator. OSHA found repeat offenses of fire hazards and blocked aisles and exits – often a result of stacked boxes from a shipment arriving without enough staff or space. Understaffing and cash transactions also create a dangerous environment for workers and customers, with frequent incidents of gun violence and robberies. Not to mention the low wages: 92 percent of Dollar General employees earn less than $15 per hour.

Dollar General has hotlines and surveys to gather feedback from workers, but these don't seem to be capturing the safety risks or enabling the right solutions. Workers know the day-to-day hazards and what changes are needed – this is why the latest shareholder proposals aim to have workers and community members participate in the independent audit. Some workers have taken to social media and the press about the risks at work. Another group of dollar store workers has a clear set of demands that they've shared with the companies and investors, including safety managers; store infrastructure improvements in layout or lighting; adequate staffing so workers aren't alone, vulnerable, or over-stretched; support to heal after a violent work incident; and training and a safety code.

Meeting the needs of workers and providing a safe space will be good for these companies, reducing staff turnover and helping to attract and retain talent. It also will reduce fines from regulators. Further, it is important that communities feel like dollar stores and distribution centers will make positive contributions to their community, so they won't organize against new stores being built and undercut the company's growth potential. Findings from the requested audits will help address critical issues and maintain workforces that are respected, stable and safe.

Health and safety audits: During the height of the COVID-19 pandemic, workers in frontline jobs faced unprecedented hazards when they showed up to work and the fallout from these challenges and a tight labor market continues to affect the economy and proxy season. The five pending proposals are similar, each asking for independent or third-party audits:

- **Warehouses**—Tulipshare has resubmitted a proposal at **Amazon.com** that earned 44 percent last year. It seeks "an independent audit and report of the working conditions and treatment that Amazon warehouse workers face, including the impact of its policies, management, performance metrics, and targets." The request for an audited report was new in 2022, but a 2021 report proposal on worker health and safety was omitted on ordinary business grounds, as was a 2020 proposal about accident prevention.
- **Dollar stores**—The proposal at **Dollar General** and **Dollar Tree** asks for "an independent third-party audit on the impact of the company's policies and practices on the safety and well-being of workers."

  SEC action: Both companies are arguing at the SEC that the proposal concerns ordinary business. Dollar General notes it faces ongoing litigation, while Dollar Tree says it is about workforce management.
- **Rideshare drivers**—Achmea Investment Management, a Dutch asset manager for pension funds, wants a third-party audit at **Uber Technologies** "on driver health and safety, evaluating the effects of Uber's performance metrics and ratings and its policies and procedures on driver health and safety." The audit "should be conducted with input from drivers, workplace safety experts, and other relevant stakeholders and consider legislative and regulatory developments and adverse media coverage."
- **Guns and violence**—A new angle comes from Cynthia Murray at **Walmart**. Last year she asked for a workers' council to address pandemic safety and earned 12.7 percent support. Now, she wants an audited report from the company after an

  independent review of the impact of Company policies and practices on workplace safety and violence, including gun violence… .At company discretion, the proponents recommend the audit and report include: (1) Evaluation of management and business practices that contribute to an unsafe or violent work environment, including staffing capacity and the introduction of new technologies; and (2) Recommendations that will help Walmart create safer work environments and prevent workplace violence.

Concealment clauses: Concealment clauses in employment contracts are widely known to suppress information about sexual harassment and other employment problems such as wage theft or discrimination. Nia Impact Capital and *As You Sow*, with the help of Whistle Stop Capital, are continuing a recent campaign that asks for reports from six companies—**Autodesk** (where proponents withdrew a mandatory arbitration proposal in 2021 after an agreement), **CVS Health**, **Digital Realty Trust** (where it earned 45.6 percent last year) and **Nordstrom** (which agreed to review mandatory arbitration in 2020). The resolution asks for a report "assessing the potential risks to the company associated with its use of concealment clauses in the context of harassment, discrimination and other unlawful acts."

Sexual harassment: Nia Impact and SHARE want two companies to report on their policies:

- The proposal at **Etsy** is pithier, asking only for "an independent review of the effectiveness and outcomes of the company's efforts to prevent harassment and discrimination against its protected classes of employees." Nia withdrew a proposal about concealment clauses last year after an SEC challenge that argued it was moot; Esty reported on the subject in January 2022.
- At **McDonald's**, the resolved clause from SHARE is much longer. Proponents have withdrawn six proposals in the last five years on fair treatment and diversity issues at the company, but a 2022 request to conduct a racial justice audit earned 55.7 percent. This is the first resolution specifically on sexual harassment and it calls for an independent assessment by the end of the year about the company's "efforts to eradicate sexual harassment and gender discrimination in its corporate owned and franchised restaurants." It says the review should cover:
  - *McDonald's commitment, policies, and measures to prevent and address sexual harassment and gender discrimination including those outlined in the Company's Global Brand Standards, its Global Statement of Principles on Workplace Violence Prevention and its Global Statement of Principles Against Discrimination, Harassment and Retaliation;*
  - *The measures taken to support franchised owners to adopt best practices and the McDonald's policies mentioned above;*
  - *The grievance mechanisms implemented, including the process for handling complaints and access to effective remediation.*

  The company was in the news recently when one of its franchise operators with 18 locations in Nevada, Arizona and California agree to pay nearly $2 million to settle a lawsuit from the Equal Employment Opportunity Commission that alleged the franchisee knew of harassment by supervisors, manager and coworkers directed at young employees since 2017. The franchisee will hire an outside monitor to conduct audits of its practices and track problems.

Workplace bias: Clean Yield and NYSCRF want four companies to review and report on their workplace bias policies. The Clean Yield resolution asks **International Business Machines** to report about findings from "an independent review of the effectiveness and outcomes of the Company's efforts to prevent harassment and discrimination against its protected classes of employees." A proposal on concealment clauses earned 62.7 percent last year and a request for more data on IBM's diversity programs earned 94.3 percent in 2021 after the company supported it.

NYSCRF filed its detailed proposal at three companies. One is a resubmission at **Activision Blizzard** that earned a whopping 67 percent last year, but it is new to **Pinterest** and **Wells Fargo**. It asks for an annual report

> *describing and quantifying the effectiveness and outcomes of Company efforts to prevent abuse, harassment and discrimination against protected classes of employees. The report should also disclose the Company's progress on relevant metrics and targets such as the:*
>
> - *total number and aggregate dollar amount of disputes settled by the Company related to abuse, harassment or discrimination based on race, religion, sex, national origin, age, disability, genetic information, service member status, gender identity, or sexual orientation for the last three years; and*
> - *Company's progress toward reducing the average length of time it takes to resolve abuse, harassment or discrimination complaints either through internal processes or litigation, and*
> - *total number of pending abuse, harassment or discrimination complaints the Company is seeking to resolve through internal processes or litigation.*
>
> *This report should not include the names of accusers or details of their settlements without their consent and should be prepared at a reasonable cost and omit any information that is proprietary, privileged, or violative of contractual obligations.*

Flexible work: **Apple** employees filed proposals asking it to allow flexible working locations and report on the company's return to the office policy, but both were omitted on ordinary business grounds.

Benefits

In the teeth of the pandemic three years ago, shareholder proponents started asking companies to extend pandemic paid sick leave benefits, but six were omitted on ordinary business grounds. After the SEC decided to allow more proposals to appear last year, two resolutions went to votes, while proponents withdrew five more after the companies provided more information. In 2023, there are eight proposals, plus another new one on transgender health benefits.

Adopt paid sick leave: A proposal to adopt a policy is the same this year, asking five companies to

> *to adopt and publicly disclose a policy that all employees, part- and full-time, accrue some amount of PSL that can be used after working at Amazon for a reasonable probationary period. This policy should not expire after a set time or depend upon the existence of a global pandemic.*

advocacyposition

RAILROAD WORKERS' LACK OF PAID SICK LEAVE PUTS EMPLOYEES, PUBLIC AND INVESTORS AT RISK

MARVIN J. OWENS
Chief Engagement Officer, Impact Shares

Impact Shares considers **paid sick leave** (PSL) to represent an important human capital investment critical to investors, as well as a racial and gender equity concern. Filing a shareholder proposal at **Norfolk Southern** railways requesting that the company adopt a PSL policy as a standard benefit was the first step in leveraging our position as an ETF issuer representing leading social and environmental advocacy organizations. It carries the expectation that, in so doing, we create changes in company policy toward workers. Much like our general investment strategies, the Impact Shares approach to the PSL issue with Norfolk Southern has been informed by our advocacy partners, specifically the YWCA and the NAACP.

America's freight railroads, which slashed 30 percent of their workforce over the past six years and now face significant worker retention issues, brought our country to the brink of a national rail strike by refusing to provide PSL and address other working conditions during three years of contract negotiations. The White House and Congress intervened in an effort to avoid a rail strike, which, given current weaknesses in the U.S. economy, could have cost the country as much as $2 billion per day.

But the recent derailment in East Palestine, Ohio, has shed new light on Norfolk Southern's policies and practices. Connecting the dots on this disaster and PSL policies is inevitable but at this point irresponsible without proof. What we have seen, however, is incremental progress being made as Norfolk Southern and many of the rail companies reach some agreement on a PSL policy with its member unions.

This is important. Railway workers help move nearly 40 percent of the country's freight, including critical commodities. Yet under the Railroad Unemployment Insurance Act, railroad employees are only entitled to sickness benefits after seven days of illness. Many of these workers face an impossible choice when they are sick: to stay home and risk their jobs or go to work and risk their health and the public's health. Meanwhile, railway companies have reportedly paid out $196 billion in stock buybacks and dividends to shareholders since 2010. Focusing on the short term at the expense of workers poses potential risks to the company and the economy. As shareholders, we are asking management to take the longer-term view that safeguarding the health and safety of their workers will better position them for the future.

In its response to our proposal, Norfolk Southern cited collective bargaining and the Railway Labor Act as reasons not to include our proposal in the proxy statement. During the filing process our filing partners in civil and human rights organizations provided insights into challenges at railroad companies and labor agreements. The good news is that Norfolk Southern has recently reported reaching agreement with two of the 12 unions representing railroad workers on a new PSL policy. The engagement continues as there is still no PSL policy for the vast majority of railroad workers.

It is new at two railroad companies—**Norfolk Southern** and **Union Pacific**. Investors will recall paid sick leave was a key sticking point in a threated national rail strike in fall 2022, which was averted by negotiations and then outlawed by Congress on December 2. While Congress considered providing paid sick days, it ultimately did not pass the measure, which the railroads have opposed given the expense. The proposal last year earned 26.2 percent **CVS Health** and 33.7 percent at **TJX**.

Withdrawal—**Macy's** faced its first proposal on the subject but the proponent withdrew after the company agreed to report more in its next Human Capital Report about its paid leave policy and to continue engagement with investors.

SEC action—Norfolk Southern is arguing at the SEC that the proposal can be omitted because it would violate federal law but the commission has yet to respond.

Report on paid sick leave: ICCR members want three companies to report on their sick leave policies. At **Denny's** it asks for a report "analyzing the provision of paid sick leave among franchise employees and assessing the feasibility of inducing or incentivizing franchisees to provide some amount of paid sick leave to all employees." The other proposals ask **FedEx** and **Hilton Worldwide Holdings** to report on their "permanent paid sick leave policies, above and beyond legal requirements. For purposes of this proposal, 'permanent' means a sick leave policy that is not conditioned on the existence of a pandemic or other external event."

Transgender benefits: A new proposal from Trillium Asset Management asks vehicle parts firm **LKQ** to

> *adopt and publicly disclose a policy, with details and timing at the discretion of the company, offering all employees affirmative transgender-inclusive healthcare coverage.*
>
> *Transgender-inclusive healthcare benefits may include hormone replacement therapies, mental health services, surgical reconstruction, and other medically-necessary procedures. While the Affordable Care Act has removed categorical exclusions of gender-related care, insurers can still restrict some forms of care for being "cosmetic" or "not medically necessary."*

Trillium withdrew a 2020 proposal asking for gender identity to be added to the company's non-discrimination policy after LKQ agree to do so.

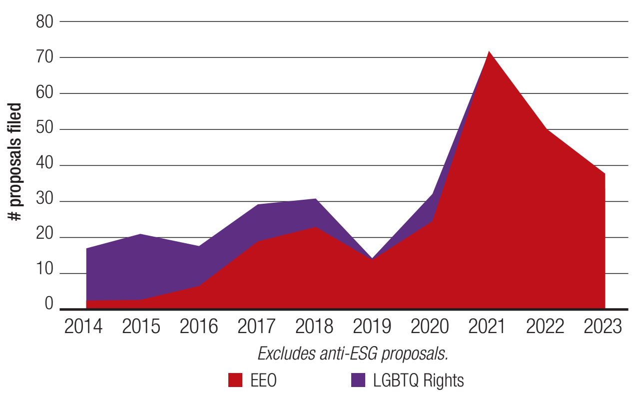
DIVERSITY IN THE WORKPLACE

Shareholder proponents have asked companies to make sure they do not discriminate again specific groups of employees for many years and from 2021 onward have pushed the envelope to ask for more information about diversity management, backed up by more data. This year, 38 ask about more information on diversity programs, or simple EEO-1 disclosure and six are about racism in the workplace. All but three are at new recipients. The number of proposals has dropped back from a high of 70 in 2021 and most of the 2022 proposals were withdrawn after companies agreed to report.

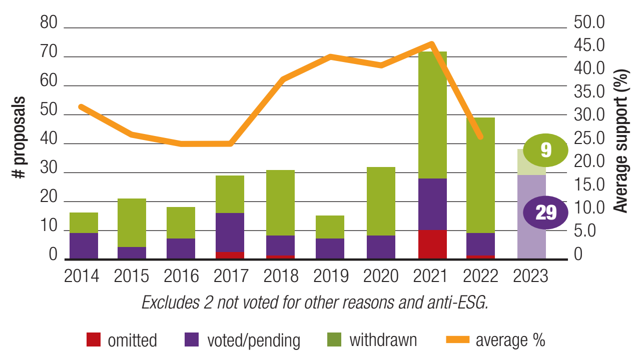
Proponents have included most prominently *As You Sow*, the New York City and State retirement systems and various social investment firms.

(Proposals on gender/minority pay equity are above under Decent Work, p. 44)

Types of Diversity at Work Proposals



Diversity at Work Outcomes



Diversity at Work

Company	Proposal	Proponent	Status
A.O. Smith	Report on racism at company	NorthStar Asset Management	April
Adobe	Report on hiring practices impact on diversity	NorthStar Asset Management	April
Badger Meter	Report on hiring practices impact on diversity	NorthStar Asset Management	April
Bank of America	Report on diversity programs	Myra K. Young	April
Bank of New York Mellon	Report on diversity programs	*As You Sow*	withdrawn
Baxter International	Report on diversity programs	*As You Sow*	May
Berkshire Hathaway	Report on diversity programs	Myra K. Young	May
Biogen	Report on diversity programs	*As You Sow*	June
Block	Report on diversity programs	Nia Impact Capital	June
Brinker International	Report on diversity programs	New York State Common Retirement Fund	November
Charter Communications	Report on diversity programs	*As You Sow*	April
Danaher	Report on diversity programs	*As You Sow*	May
Digital Realty Trust	Report on racism at company	NorthStar Asset Management	June
eBay	Report on diversity programs	*As You Sow*	June
Eli Lilly	Report on diversity programs	*As You Sow*	May
Expeditors International of Washington	Report on diversity programs	Clean Yield Asset Mgt.	May
Ford Motor	Report on diversity programs	*As You Sow*	May
Halliburton	Report on diversity programs	*As You Sow*	withdrawn
Honeywell International	Report on diversity programs	*As You Sow*	April
IDEX	Report on hiring practices impact on diversity	NorthStar Asset Management	May
IPG Photonics	Adopt policy on executive diversity	Trillium Asset Management	May
Lockheed Martin	Report on diversity programs	*As You Sow*	May
Maximus	Disclose EEO-1 data	SEIU Master Trust	withdrawn
Philip Morris International	Report on diversity programs	*As You Sow*	May
Raytheon	Report on diversity programs	*As You Sow*	withdrawn
Simon Property Group	Report on diversity programs	*As You Sow*	May
Southern	Report on diversity programs	*As You Sow*	withdrawn
Target	Report on diversity programs	*As You Sow*	June
Texas Instruments	Report on diversity programs	*As You Sow*	withdrawn
Thermo Fisher Scientific	Report on diversity programs	*As You Sow*	May
T-Mobile US	Report on diversity programs	*As You Sow*	June
United Parcel Service	Report on diversity programs	*As You Sow*	May
Universal Health Services	Report on diversity programs	*As You Sow*	withdrawn
Universal Health Services	Report on diversity programs	New York State Common Retirement Fund	May
Victoria's Secret	Report on diversity programs	*As You Sow*	May
Walt Disney	Report on diversity programs	Nathan Cummings Foundation	withdrawn
Xylem	Report on hiring practices impact on diversity	NorthStar Asset Management	May

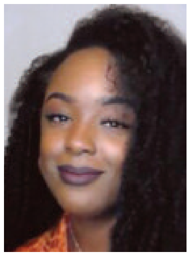
Analysis of diversity programs: *As You Sow*, NYSCRF and others are continuing an effort to obtain more information about how companies are managing their diversity programs, as they have before—and mostly at companies that have not received this request before (see table above). The proposal at 21 companies asks for a report

> *on the effectiveness of the Company's diversity, equity, and inclusion efforts. The report should be done at reasonable expense, exclude proprietary information, and provide transparency on outcomes, using quantitative metrics, for hiring, retention, and promotion of employees, including data by gender, race, and ethnicity.*

Three are resubmissions. At **Berkshire Hathaway**, a similar proposal received 25.9 percent in 2022 and 27.1 percent in 2021, at **Charter Communications** the votes were 44.7 percent in 2022 and 41.4 percent in 2021, while at **UPS** they were 36.8 percent in 2022 and 33.7 percent in 2021.

Withdrawals—Proponents have withdrawn after agreements at **Bank of NY Mellon**, **Halliburton**, **Raytheon**, **Southern** and **Texas Instruments**. Additional withdrawals seem likely since while it is new to **Block**, **Phillip Morris International** and **Victoria's Secret**, all the other companies have received pay disparity or diversity resolutions before and often reached agreements.

advocacyposition



INCREASE IN EEO-1 DATA REPORTING SHOWS POSITIVE LINK BETWEEN DIVERSITY AND FINANCIAL PERFORMANCE

MEREDITH BENTON
Principal and Founder, Whistle Stop Capital

JAYLEN SPANN
Lead Research Associate, Whistle Stop Capital

The U.S. Equal Employment Opportunity Commission (EEOC) requires that all companies with 100 or more employees confidentially submit a report, known as the EEO-1, which shows a company's demographic workforce data by sex, race and ethnicity. For years, shareholder advocates including the NYC Comptroller's office, Boston Trust Walden and others asked companies to release this data. In the summer of 2020, as investors and corporate leaders began to understand the extent to which discrimination pervades our economy, corporate disclosure of EEO-1 forms increased. From August 2020 to October 2022, the number of S&P 100 companies releasing EEO-1 data quadrupled.

As the release of these forms became more standard in companies' diversity reporting, the conversation shifted from asking to have the data released to seeing what the data could show.

A report released by *As You Sow* and Whistle Stop Capital in November 2022 assessed the data from 277 EEO-1 reports, looking at the link between workforce diversity and corporate financial performance. In line with our hypothesis and others' previous research, the analysis found that financial metrics, like return on equity and net profit, were associated with higher levels of diversity in management. Positive financial performance was also associated with a smaller gap between diverse representation in management and overall workforce diversity, indicating a benefit exists for those companies with strong internal promotion pipelines.

A significant and surprising finding relates to brokers' projections of companies' expected future growth. Brokers are expected to be objective and data driven. However, it appears brokers are more likely to have lower future growth expectations for companies with higher percentages of BIPOC managers. These lowered future expectations are misaligned with the positive past financial performance of companies with diverse management.

As You Sow also hosts a public database that tracks Russell 1000 companies on their disclosure of their hiring, promotion and retention rates of employees by gender, race and ethnicity. These rates, known as inclusion factors, along with the EEO-1 report, allow investors to have a clear view of how the company manages its workforce and can highlight underlying management issues.

Disclosure of inclusion factors is quickly increasing. Whistle Stop supports its clients in engaging companies on the release of this dataset. Within our conversations alone, over 30 companies have agreed to release at least two of the three inclusion factors within the next two years. It's very concerning when a company will not commit to future disclosure as it may indicate that the company does not track its hiring, retention or promotion rates or that it believes that sharing the data might negatively impact investors' perceptions of its stock.

Access to inclusion data will have significant benefits. As more data are available, human resources managers and diversity officers also will be able to identify those programs that work and to differentiate best intentions from best practices.

While much has improved, we are still at the beginning of this work. Investors must continue to encourage and support companies in their release of these essential data sets.

SEC action—Only one company has lodged an SEC challenge. Eli Lilly is arguing the proposal is moot and ordinary business since it relates to workforce management, does not raise a significant social policy issue and would micromanage.

EEO-1 and human capital: NYSCRF filed a slightly different iteration new to both **Brinker International** and **Universal Health Services**, as discussed in a February press release from Comptroller Thomas DiNapoli, asking for a report:

> *on the outcomes of the Company's diversity, equity, and inclusion efforts in its human capital management strategy, by providing comprehensive quantitative metrics and data on progress toward its goals. This includes disclosure of its EEO-1 Report no later than 60 days after the date of its submission to the EEOC as well as recruitment, retention, and promotion rates and pay data of employees by gender, race, ethnicity, sexual orientation, age, disability and veteran status.*

EEO-1 data reporting: The Service Employees International Union (SEIU) has withdrawn a request seeking release of EEO-1 data at **Maximus**, which has agreed to provide the information but also had lodged an SEC challenge saying it was moot. SEIU in 2022 earned 64.1 percent for a proposal asking the company to report on its racial justice programs. (One more *EEO-1* proposal is at an *undisclosed* company.)

Racism: NorthStar Asset Management for several years has asked companies to examine their workplaces for racism. It is asking the same thing this year, with a proposal at **A.O. Smith** and **Digital Realty Trust** to report "analyzing whether written policies or unwritten norms…reinforce racism in company culture and including any planned remedies." A proposal last year at Digital Reality about harassment and discrimination earned 45.6 percent. The proposal quotes the definition of structural racism used by the National Museum of African American History and Culture and argues that ending racism would yield substantial economic benefits.

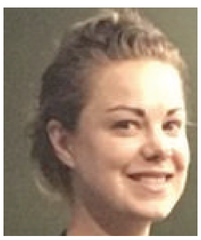
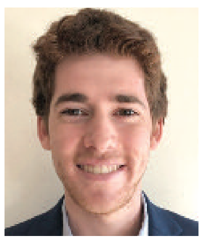
A second proposal new to proxy season from NorthStar addresses racism in hiring practices at **Adobe**, **Badger Meter**, **IDEX** and **Xylem**, with regard to the criminal justice system. It seeks a report within a year of the annual meeting that will analyze whether each company's

> *hiring practices related to people with arrest or incarceration records are aligned with publicly stated DEI (diversity, equity, and inclusion) statements and goals, and whether those practices may pose reputational or legal risk due to potential discrimination (including racial discrimination) claims.*

While IDEX and Xylem have not received any diversity proposals before, a gender/racial pay disparity proposal earned 12.5 percent at Adobe in 2020 and 33.3 percent in 2019. At Badger Meter, a NorthStar board diversity proposal narrowly focused on race earned 25.1 percent last year and a more broadly framed proposal got 85.3 percent the year before. The company did add one person of color to the board after the 2021 shareholder meeting, but last year NorthStar pointed out the board is still 89 percent self-identified "non-diverse" in terms of race or ethnicity.

Executive diversity: Trillium Asset Management has been working to persuade companies to make their upper echelon jobs more diverse for several years. It asks IPG Photonics this year to "set public company-wide, quantitative, and time-bound targets to increase the representation of women and minorities, particularly at the managerial and senior levels of the company."

advocacyposition

BIG OIL TAX DODGING, TRANSPARENCY AND STANDARDS

DIANE KEARNEY
Senior Legal and Shareholder Advocacy Advisor, Oxfam America

TIM HIRSCHEL-BURNS
Legal Fellow, Oxfam America

This year, Oxfam America and co-filers have filed a series of new tax transparency proposals at extractive industry giants **ExxonMobil**, **Chevron** and **ConocoPhillips**, requesting that the companies disclose country-by-country financial information in line with Global Reporting Initiative (GRI) standards. This disclosure would reveal key insights for investors seeking to evaluate a company's risk profile, including information surrounding revenues, profits, losses and tax payments. The dangers that tax secrecy pose to shareholders are beginning to emerge: Scathing media critiques, expensive legal battles and a rapidly changing regulatory landscape render continued tax avoidance a serious risk for long-term investors.

Shareholders' inability to assess the risks associated with tax dodging is growing into a particularly pernicious issue. Recent repercussions of the companies' questionable tax dealings include:

- *Chevron*
  - Faces a $654 million tax bill following a successful lawsuit filed by the Australian Tax Authority;
  - An OECD Guidelines for Multinational Enterprises complaint accuses Chevron of "massive" tax avoidance via Netherlands corporate shell games;
- *ExxonMobil*
  - Was dubbed the "poster boy for tax dodging" after years of zero corporate tax paid to Australia;
  - A U.S. Court rejected Exxon's attempts to claim a $1.3 billion tax refund related to its operations in Malaysia and Qatar;
  - Public protests over Exxon's paltry fiscal contribution to Papua New Guinea led to a significantly higher government take of revenues from Exxon's operations;
- *ConocoPhillips*
  - Settled an estimated $179 million tax bill with Vietnam in 2020; and
  - Faced increases in tax liabilities after Norwegian courts ruled industry peer Exxon engaged in illicit tax practices.

These public relations and legal fiascos are coming to the fore as ExxonMobil, Chevron and ConocoPhillips lag their industry peers. Extractive competitors increasingly recognize the value of tax disclosures. **Shell**, **BP**, **Total**, **Repsol**, **Newmont**, **Hess** and others have committed to country-by-country reporting in line with GRI standards, acknowledging a growing demand from investors for this information. An assessment from the Extractive Industry Transparency Initiative (EITI) also made clear that Exxon, Chevron and ConocoPhillips are outliers in failing to meet the industry expectations of disclosure of payments to governments, a critical anticorruption measure. Keeping pace with peer companies would help head off public critiques and lawsuits alike.

Finally, Chevron, ConocoPhillips and ExxonMobil's continued concealment of disaggregated financial information from investors becomes even less defensible in light of the uptick in global regulatory efforts to clamp down on tax avoidance. Last December, European Union member states agreed to an effective 15 percent minimum corporate tax rate that would apply on a country-by-country basis, regardless of a corporation's headquarters. This follows on the heels of 2021's OECD tax framework, agreed upon by 137 countries, which aims to ensure that companies pay their fair share of taxes in every jurisdiction where they operate. Without tax transparency, investors risk being caught by surprise by the major impact these tax reforms have on the profitability of companies that avoid taxes.

ETHICAL FINANCE

Last year, proponents started asking companies to provide reports about their compliance with a new standard on tax compliance issued by the Global Reporting Initiative. The resolution earned 17.5 percent at **Amazon.com** and 23 percent at **Microsoft**. It has been resubmitted at these companies and also filed at **Chevron**, **ConocoPhillips** and **ExxonMobil**. Earlier proposals of this ilk did not survive challenges at the SEC because companies successfully argued taxes are an ordinary business issue, but the SEC disagreed with a challenge from Amazon using that argument last year.

The proposal asks, as it did last year, for "a tax transparency report to shareholders…prepared in consideration of the indicators and guidelines set forth in the Global Reporting Initiative's (GRI) Tax Standard." The resolution notes that when companies shift their profits offshore, it costs the U.S. government up to $100 billion a year, and that the Organization for Economic Cooperation and Development (OECD) estimates global costs may be $240 billion. The Global Reporting Initiative seeks to address the problem.

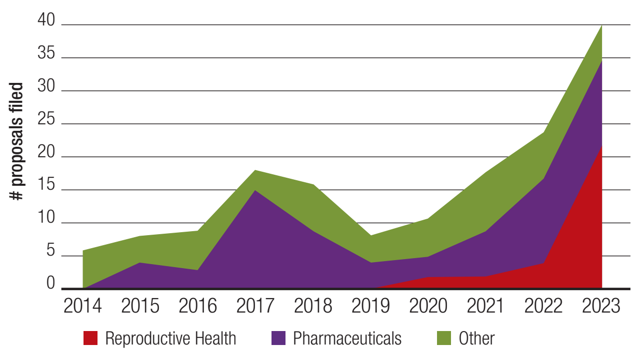
Ethical Finance

Company	Proposal	Lead Filer	Status
Amazon.com	Report on tax compliance metrics	Missionary Oblates - Mary Immaculate	May
Chevron	Report on tax compliance metrics	Oxfam America	May
ConocoPhillips	Report on tax compliance metrics	Oxfam America	May
ExxonMobil	Report on tax compliance metrics	Oxfam America	May
Microsoft	Report on tax compliance metrics	AkademikerPension	December

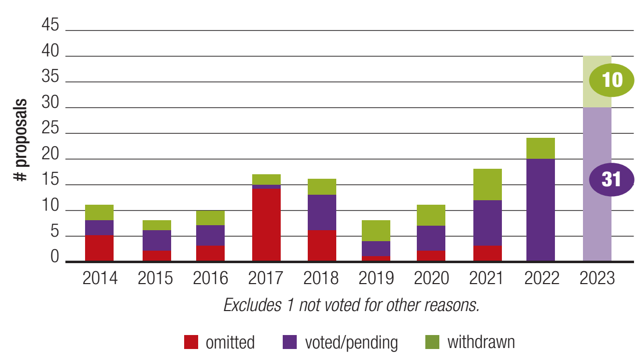
HEALTH

Reproductive health options are fast eroding in much of the United States following the June 2022 U.S. Supreme Court decision that struck down the nearly 50-year-old *Roe v. Wade* decision. Rhia Ventures and its investor allies have substantially expanded their effort to support abortion and other reproductive health options, with about two dozen proposals and several new angles. These proposals join more longstanding concerns about the high prescription drug prices; a dozen resolutions include a new question about "patent thickets" that protect profits and four resubmissions about Covid-19 drugs. Three more proposals are about the harms of tobacco. In all, there are 41 proposals and so far proponents have withdrawn 10.

Types of Health Proposals



Health Outcomes



Reproductive Rights

Proposals reprise a handful of resolutions that have gone to votes in the last couple of years asking about how companies will respond to restrictions on reproductive health rights, but this year add more pointed proposals about cooperation with law enforcement agencies in states that ban abortion, suggest new digital privacy policies, ask about health insurance product offerings, point to widely divergent maternal health outcomes and seek to clarify when emergency abortion care is available. One has gone to a vote, 10 have been withdrawn and 11 are pending.

(Rhia Ventures also has filed 10 proposals continuing to question inconsistencies between company policies and the political aims of politicians they support, with regard to reproductive health and other issues. See Corporate Political Influence above, p. 36).

Risks of reproductive health restriction: Proponents are asking seven companies to report by the end of the year on "any known and potential risks or costs to the company caused by enacted or proposed state policies severely restricting reproductive rights, and detailing any strategies beyond litigation and legal compliance that the company may deploy to minimize or mitigate these risks."

The resolution earned 13.3 percent at **Costco** in January and it is still pending for first-time votes at **Coca-Cola**, **PepsiCo** and **United Parcel Service**. It is a resubmission at **Lowe's** (32.2 percent in 2022).

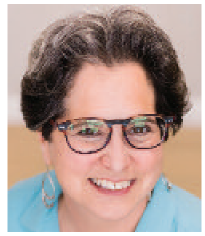
Withdrawals—**TJX** reported it has adopted travel benefits for accessing reproductive care and engaged its insurance providers about contraceptives, prompting Trillium Asset Management to withdraw the proposal. A similar proposal at the company last year received 30.2 percent. Proponents also withdrew at **McDonald's** after a procedural error.

Sharing abortion-related data: Seven more financial services and health companies face proposals seeking reports describing "any known and potential risks and costs to the Company of fulfilling information requests" about company customers "for the enforcement of state laws criminalizing abortion access, and setting forth any strategies beyond legal compliance that the Company may deploy to minimize or mitigate these risks." The resolution is new to all the companies, although the more general proposal about reproductive health risks noted above earned 12.9 percent at **Walmart** last year. Votes may occur at **American Express**, **CVS Health**, **Laboratory Corp. of America** and **PayPal**.

Withdrawals—Proponents have withdrawn at **Bank of NY Mellon** and **Verisk Analytics**.

SEC action—An ownership challenge may sink the resolution at **American Express**, although it also asserts the proposal is an ordinary business matter, as does **Lab Corp**. The companies argue the resolution concerns routine oversight and evaluation of government

advocacyposition



RECORD NUMBER OF PROPOSALS ADDRESS THREATS TO REPRODUCTIVE HEALTH CARE

SHELLEY ALPERN
Director of Corporate Engagement, Rhia Ventures

Investors working with Rhia Ventures filed a record 30 proposals this proxy season to advance comprehensive and reproductive health care, double the number from the 2022 proxy season. The subject matter of the proposals expanded from last year's focus on risk mitigation and political spending misalignment to include a number of new areas of concern that have intensified since the U.S. Supreme Court overturned the constitutional right to abortion in June 2022. Since that ruling, 12 states have enacted total or near-total abortion bans, and 13 are expected to. Furthermore, a lawsuit is working its way through the courts that could shut down the distribution of a key pharmaceutical used in medication abortions.

Proposals were filed at five companies (**UPS**, **Coca-Cola**, **Lowes**, **TJX** and **Pepsi**) calling for a report to shareholders on the risks to the company associated with enacted and proposed state policies severely restricting reproductive rights and any strategies they are undertaking to minimize or mitigate these risks. To date, a withdrawal agreement has been reached with TJX. In the 2022 proxy season, proposals of this type averaged 31 percent in support.

With bounty hunters and law enforcement agencies seeking to turn in and prosecute those seeking abortions, the privacy of online health data, search histories and geolocation data is more in need of protection than ever. Investors have filed proposals at 10 companies with access to such data, pressing them to enact or strengthen existing guardrails around the collection, storage, sharing or selling of such information to law enforcement agencies and data brokers. The companies receiving this proposal were Alphabet, **CVS**, **Meta**, **Walmart**, **Verisk**, **American Express**, **Bank of NY Mellon**, **Mastercard**, **LabCorp** and **PayPal**. Withdrawal agreements have been reached with Verisk and Bank of NY Mellon.

Proposals were filed at health insurers **UnitedHealth**, **Elevance Health** and **Humana** to encourage them to make certain plan offerings – coverage of elective abortions, enhanced contraceptive coverage and the extension of travel benefits to obtain reproductive health coverage out of state – standard for every insurance tier where permissible by law. Each of these proposals was withdrawn after discussion with shareholders.

Two hospital chains, **Tenet** and **HCA Healthcare**, received proposals calling on them to provide clearer medical guidance on the legality of providing abortions in emergency situations in states where abortion is severely restricted. It has been widely reported that doctors have been struggling with the legality of providing terminations in circumstances where pregnancy loss is inevitable and endangers the health or life of the pregnant person. Some patients have been denied care by health care providers. The proposal was withdrawn at HCA after the company clarified publicly that its physicians are expected to provide emergency abortion services.

Eight companies have received proposals calling attention to companies' support for anti-abortion politicians and political committees (**AbbVie**, **Comcast**, **Cigna**, **Coca-Cola**, **Home Depot**, **Pfizer** and **UnitedHealth**), and an agreement with **AT&T** has been reached including a pioneering political spending disclosure plan.

On a related topic area, Tara Health Foundation filed a proposal at **Ulta Beauty** focusing on how the company might expand its maternal health care benefits. Ninety-four percent of Ulta's employees are women. The proposal was withdrawn after constructive dialogue with the company.

regulation, would micromanage and does not raise a transcendent policy issue but this seems unlikely to persuade commission staff given its more permissive stance begun last year.

Digital privacy: Arjuna Capital, a persistent critic of social media companies, has turned to **Alphabet** and **Meta Platforms** to ask for expanded digital privacy protections, with a slightly different spin on the request about data sharing noted above. The proposal suggests privacy protection similar to that sought by human rights advocates for authoritarian regimes outside U.S. borders. It wants a report "assessing the feasibility of reducing the risks of abortion-related law enforcement requests by expanding consumer privacy protections and controls over sensitive personal data." Law enforcement agencies "frequently relies on digital consumer data" such as "geolocation data, browsing history and financial activity," the proposal says, noting the two companies complied with about 80 percent of such requests in 2021. One solution Arjuna references is a California law that forbids disclosure of such data if it "does not involve any crime related to an abortion that is lawful" in the state.

Benefits: None of three insurers—**Elevance Health**, **Humana** and **UnitedHealth Group**—will see a vote on yet another new proposal that seeks disclosure about their products—"current corporate policies regarding its offering of reproductive health care coverage in both self-funded and fully funded plan options." The proponents were satisfied with information the companies provided and withdrew.

The resolution points out that three-quarters of college-education adults want their employers to cover all reproductive health care—products and services for menstruation, fertility, pregnancy, contraception, menopause and abortion. Most medium and large companies have private, self-funded health plans regulated by the federal government, while smaller employers usually offer insurance plans regulated by states that "vary greatly" on contraception and abortion. The proposal asks whether company insurance covers all FDA-approved contraception options and travel policies to obtain services if they are banned in a particular state, as well as emergency abortion care to protect a mother's health.

Maternal health: The Tara Health Foundation wants companies to address maternal health problems and the disproportionately poor outcomes for Black women. Three times more pregnant Black women die than non-Hispanic white and Hispanic women. The proposal says, "In order to limit the impact of the maternal mortality crisis on its workforce, shareholders request [the company] report on any specialized current health services and support provided for pregnant and postpartum employees and assess the feasibility of establishing and expanding additional maternal support for employees." Tara Health withdrew at **Ulta Beauty** after it provided information.

Abortion access: Proponents have continued the theme of maternal health with a new proposal at three hospital companies (one unnamed), asking each for a report "on its current policy regarding availability of abortions in its operations, including but not limited to whether such policy includes an exception for the life and health of the pregnant person, and how the Company defines an emergency medical condition."

At **HCA Healthcare**, United Church Funds notes the company operates 182 hospitals and 2,300 clinics and other "sites of care" and that while most abortions do not occur in a hospital, those that do often pose threats to women's life or health. Further, it notes that miscarriages can threaten a women's health and that ectopic pregnancies are never viable. The withdrawal came after HCA clarified its hospitals will perform emergency abortions as determined by its doctors. HCA also had argued at the SEC that it was moot.

Health Equity

Parallel to the Rhia campaign are proposals from NYSCRF about maternal and general health disparities based on race. Comptroller DiNapoli discussed all three resolutions in a February 15 press release. At **Centene**, the focus is on maternal health and it says,

> *In order to limit the impact of the maternal mortality crisis on its workforce, shareholders request that Centene report on any specialized current health services and support provided for pregnant and postpartum employees, and assess the feasibility of establishing and expanding additional maternal support for employees. The report should be prepared at reasonable cost, omitting proprietary information and shall be completed by September 1, 2024.*

The other new proposal raises more general health equity concerns at **Elevance Health** and **Humana**. It asks for a report and says each should

> *commission an audit analyzing the impacts of racial and ethnic disparities in healthcare outcomes on [the company's] business. The report should include data on the extent of such racial and ethnic disparities, information about impediments to collecting such data, and efforts taken by [the company] to eliminate such disparities by improving healthcare outcomes.*

Withdrawal: Humana will produce the requested report and NYSCRF has withdrawn.

Health

Company	Proposal	Proponent	Status
Reproductive Health			
Alphabet	Report on expanding abortion-related privacy protections	Arjuna Capital	May
American Express	Report on risks of sharing abortion-related data	Change Finance	May
Bank of New York Mellon	Report on risks of sharing abortion-related data	Change Finance	withdrawn
Centene	Report on maternal health benefits	New York State Common Retirement Fund	April
Coca-Cola	Report on reproductive health rights risks	*As You Sow*	April
Costco Wholesale	Report on reproductive health rights risks	Arjuna Capital	13.30%
CVS Health	Report on risks of sharing abortion-related data	Arjuna Capital	May
Elevance Health (formerly Anthem)	Report on reproductive health benefits	Tara Health Foundation	withdrawn
HCA Healthcare	Report on abortion access policy	United Church Funds	withdrawn
Humana	Report on reproductive health benefits	Presbyterian Church (USA)	withdrawn
Laboratory Corporation of America	Report on risks of sharing abortion-related data	Tara Health Foundation	May
Lowe's	Report on reproductive health rights risks	Education Foundation of America	May
McDonald's	Report on reproductive health rights risks	Amalgamated Bank	withdrawn
Meta Platforms	Report on expanding abortion-related privacy protections	Arjuna Capital	May
PayPal	Report on risks of sharing abortion-related data	Tara Health Foundation	May
PepsiCo	Report on reproductive health rights risks	*As You Sow*	May
Tenet Healthcare	Report on abortion access policy	Marguerite Casey Foundation	May
TJX	Report on reproductive health rights risks	Trillium Asset Management	withdrawn
Ulta Beauty	Report on maternal health benefits	Tara Health Foundation	withdrawn
United Parcel Service	Report on reproductive health rights risks	Arjuna Capital	May
UnitedHealth Group	Report on reproductive health benefits	Arjuna Capital	withdrawn
Verisk Analytics	Report on risks of sharing abortion-related data	*As You Sow*	withdrawn
Walmart	Report on risks of sharing abortion-related data	Clean Yield Asset Mgt.	June
Health Equity			
Elevance Health (formerly Anthem)	Report on racial/ethnic health disparities	New York State Common Retirement Fund	May
Humana	Report on racial/ethnic health disparities	New York State Common Retirement Fund	withdrawn
Pharmaceuticals			
AbbVie	Report on impact of patent process on product access	Friends Fiduciary	May
Amgen	Report on impact of patent process on product access	Mercy Investment Services	May
Bristol-Myers Squibb	Report on impact of patent process on product access	CommonSpirit Health	May
Eli Lilly	Report on impact of patent process on product access	Trinity Health	May
Gilead Sciences	Report on impact of patent process on product access	Adrian Dominican Sisters	May
Johnson & Johnson	Report on impact of patent process on product access	Mercy Investment Services	April
Johnson & Johnson	Report on Covid drug pricing and subsidies	Oxfam America	April
Merck	Report on impact of patent process on product access	Midwest Capuchins	May
Merck	Report on Covid drug pricing and subsidies	Oxfam America	May
Moderna	Report on Covid vaccine technology transfer	Oxfam America	April
Pfizer	Report on Covid vaccine technology transfer	Oxfam America	April
Pfizer	Report on impact of patent process on product access	Trinity Health	April
Regeneron Pharmaceuticals	Report on impact of patent process on product access	Boston Common Asset Management	June
Tobacco			
Kroger	Report on tobacco health risks	Srs. of St. Francis of Phila.	June
Philip Morris International	Report on nicotine content in products	Trinity Health	May
Walgreens Boots Alliance	Report on tobacco health risks	Srs. of St. Francis of Phila.	10.3%

Pharmaceuticals

Patents: ICCR members and their allies have filed dozens of shareholder proposals over the years about the prices pharmaceutical companies charge for their products. In 2023, they have a new and very specific proposal about the drug patenting process, which eight of nine recipients (see table) have challenged at the SEC. The resolution asks for an evaluation of how companies assess the impact of their policies on patenting, calling for a report

> *on a process by which the impact of extended patent exclusivities on product access would be considered in deciding whether to apply for secondary and tertiary patents. Secondary and tertiary patents are patents applied for after the main active ingredient/molecule patent(s) and which relate to the product.*

The proposal points out that U.S. drug prices are 3.5 times higher than in other advanced industrial economies and the enduring controversy over the ese prices. A key new development is the federal government's capacity to negotiate some prices because of the Inflation Reduction Act of 2022. The proponents point to particular cases where each of the recipient companies have applied for additional patents to stave off competition and asks "not only whether" a company can apply to do so "but also whether it should do so," which they say tempts "regulatory blowback" and reputation risks.

A similar proposal in 2022 at **Gilead Sciences**, one of this year's companies, earned 39.6 percent.

SEC action—All but **Bristol-Myers Squibb** have lodged SEC challenges, arguing variously that it is ordinary business since it is too specific, too vague or moot given current disclosures. The SEC has yet to respond. In addition to the two others mentioned, the proposal also is pending at **AbbVie**, **Amgen**, **Eli Lilly**, **Johnson & Johnson**, **Merck**, **Pfizer** and **Regeneron Pharmaceuticals**.

COVID-19: Since the onset of the COVID-19 pandemic, Oxfam America has been a key critic of how drug companies have used public money to fund treatments to combat the coronavirus and warning of a crisis when subsidies for vaccines and treatment end. The group's proposals in 2023, both resubmissions, have new relevance in the United States now that the Biden administration plans to end the public health emergency in May. Support from investors for more disclosure has been significant.

Government subsidies—The first proposal is in its third year and asks for a report "on whether and how [the company's] 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." The proposal earned 33.8 percent at **Johnson & Johnson** in 2022 and 31.8 percent in 2021; it also earned 36 percent at **Merck** last year and 35.6 percent in 2021. It is pending again at both companies.

Technology transfer—Pending for the second year in a row is a request to report "analyzing the feasibility of promptly transferring intellectual property…and technical knowledge…to facilitate the production of COVID-19 vaccine doses by additional qualified manufacturers located in low- and middle-income countries (LMICs), as defined by the World Bank." It earned 23.8 percent last year at **Moderna** and 27. 4 percent at **Pfizer** and Oxfam has filed both proposals again.

Tobacco

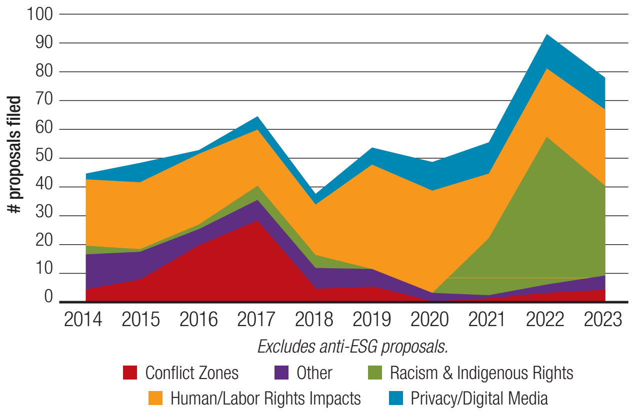
Phillip Morris International has a new proposal from Trinity Health asking for a report "on the nicotine levels for each of our brands, including heated tobacco products, how those levels are determined," plus when it will "begin reducing nicotine levels in our brands to a less addictive level." Last year, Trinity earned 1.5 percent for a proposal that it start phasing out all hazardous and addictive products within three years, not enough to qualify for resubmission.

One of three tobacco proposals has already gone to a vote. The Sisters of St. Francis of Philadelphia earned 10.3 percent support for a resubmitted proposal that asked **Walgreens Boots Alliance** for a report "on the external public health costs created by the sale of tobacco products…and the manner in which such costs affect the vast majority of its shareholders who rely on overall market returns." The vote was down slightly from 11.4 percent last year and missed the 15 percent resubmission threshold. The same proposal is pending at **Kroger**, where it will go to a vote for the first time.

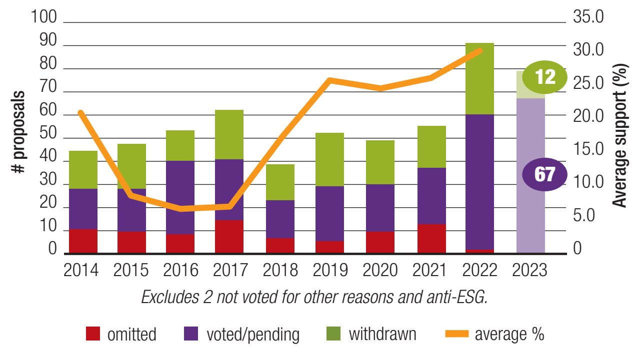
HUMAN RIGHTS

How corporate behavior affects human and labor rights are a central theme of proxy season but since 2021 proposals have focused on U.S. racial justice, taking inspiration from the Black Lives Matter movement. A push to support domestic U.S. labor organizing is a notable new angle in 2023, joining longstanding questions about complying with standards abroad. Vexing concerns about privacy and digital media content persists, as well, alongside specific issues about operating in conflict zones. The through-line is setting standards and reporting. *(Left graph, below.)*

Types of Human Rights Proposals



Human Rights Outcomes



Seventy-nine proposals have been filed to date for 2023, down from more than 90 last year—not counting those supporting anti-ESG ideas. A total of 6760 were pending as of mid-February, 12 have been withdrawn and nine still face substantive SEC challenges although there have been no omissions to date.

Two-thirds of resolutions filed last year went to votes, again illustrating how difficult it is for proponents and companies to agree on human rights. Nonetheless, rare common ground is visible aboutregarding business in China, where political repression is under fire from both sides of the political spectrum. *(See Anti-ESG, p. 77, for proposals on Communist China.) Support for human rights proposals has increased and been above 25 percent on average since 2019. (Right graph, above.)*

Members of ICCR file most of the human rights resolutions, but trade unions have been a major driver of the racial justice proposals which have received substantial support.

Racism & Indigenous Rights

Audits: Half of the 24 pending proposals seeking civil rights or racial justice audits are resubmissions that earned high votes in 2022. Proposals use similar formulations at a wide variety of companies. For the third year in a row, they point to public company commitments that clash with persistent inequalities that include deep underrepresentation for people of color and negative, differential impacts of company business in and on communities of color, how and to whom companies provide goods and services, or underrepresentation in upper-level jobs. The proponents argue that addressing systemic racism will make companies run better and be more equitable. Some cite findings from *As You Sow's* Racial Justice Scorecard. Proposals also name specific stakeholder groups to consult and all seek external expertise and advice.

"Improving"—One proposal asks the boards of seven companies—**Abbott Laboratories**, **American Water Works**, **Elevance Health**, **Johnson & Johnson**, **SVB Financial Group**, **Travelers** and **UnitedHealth Group**—to "oversee a third-party audit" to assess and recommendations for "improving the racial impacts [or civil rights] of its policies, practices, products and services."

Adverse impacts—At **Alphabet** and **AT&T**, the proposal asks about "adverse impacts on Black, Indigenous and People of Color" communities and says input on what to do should come from temporary vendors and contractors, or from labor or civil rights groups.

The proposal is similar at four financial firms (**Bank of America**, **Goldman Sach**, **KeyCorp** and **TransUnion**) and eight more (**Altria**, **Chipotle**, **Coca-Cola**, **Comcast**, **GEO Group**, **Mohawk Industries**, **United Natural Foods** and **Walmart**), asking about "adverse impact on nonwhite stakeholders and communities of color." Variations outside the resolved clause raise issues tailored to each company, such as the disparate rates of tobacco use (Altria), the treatment of prisoners and detained immigrants

advocacyposition

SHAREHOLDERS AND LOCAL COMMUNITIES JOIN TO DEMAND RACIAL AND ENVIRONMENTAL JUSTICE

OLIVIA KNIGHT

Racial Justice Initiative Manager, As You Sow

As You Sow created the Racial Justice Initiative (RJI) in June 2020 following George Floyd's murder. We then developed the Racial Justice Scorecard applying 27 key performance indicators (KPI) to the top 1000 companies to track and monitor corporate progress on racial equity. Environmental justice was addressed in four of the KPIs on Environmental fines and violations 2016-present and the adverse effects to BIPOC communities though a sector analysis of litigation from 2010-present. The incorporation of these KPIs and an Environmental Justice Framework for our research began a new focus at *As You Sow* and led directly to shareholder work on this issue.

The programmatic goal for our Racial and Environmental Justice work is to elevate community voices to C-suite management and boards of directors at public companies throughout the United States and inspire companies to change their unjust environmental practices and policies, thereby reducing systemic harm. We exert inside pressure on corporate management through shareholder advocacy framed by compelling community stories and, where possible, informed by health data.

Often, companies have no "business-case rationale" to listen to the communities negatively affected by their operations and no incentives to act. As shareholders, we have legal standing to engage the executives and boards of these public companies. We can carry the community message to management, reframe company inaction as a material business risk and drive rapid change through direct engagement, escalating to formal shareholder resolutions if necessary.

In the 2022 proxy season, *As You Sow* combined our climate and racial justice work to promote climate justice working directly with communities affected by companies. We overlaid the Racial Justice and Diversity, Equity, and Inclusion Scorecards with our climate work to find fossil fuel companies that scored poorly on environmental justice and had direct negative impacts on BIPOC communities.

Our research led us to engage with **Kinder Morgan**, the largest U.S. pipeline company, working with the Dutchtown South Community Corporation (DSCC) and Great Rivers Environmental Law. Dutchtown residents have long been plagued by adverse health effects from a nearby Kinder Morgan facility and had been unable to get a meeting with Kinder Morgan representatives.

We filed our first Climate Justice resolution in November 2021, and the company responded, conducting multiple dialogues with our team. Kinder Morgan acknowledged the importance of direct community engagement in relation to environmental injustice. We negotiated a withdrawal agreement in February 2022. The withdrawal terms stated that Kinder Morgan would conduct ongoing meetings with Dutchtown South and community representatives to discuss environmental injustice and would create an updated webpage on its corporate website to provide accessible and direct resources to communities in similar situations. Kinder Morgan representatives have also brought the local mayor, congressperson and senator into the talks and provided a $10,000 donation to the St. Louis Public Schools and their "Green Schoolyard" initiative.

The resolution demonstrated that environmental injustice issues are a material risk to corporate brand reputation that comes from increased public awareness. By leveraging *As You Sow's* power as shareholder advocates, we are motivating companies to transition toward an environmentally just business model.

(GEO Group), low rates of loans to Black borrowers (KeyCorp) or differential credit ratings (TransUnion).

At **Wells Fargo**, the proposal specifically asks that the company's philanthropic and DEI efforts be excluded from the audit, saying that it wants to "broaden the scope" of the company's planned racial justice audit.

There is a carve-out for any matters in litigation at **Lumen Technologies** and **Salesforce**. At Lumen, the proposal notes that upper-level management is notably not diverse and points to a 2021 controversy over celebrating Martin Luther King holiday. At Salesforce, the proponents cite instances of departures over "rampant microaggressions and gaslighting" and leadership that remains 70 percent white and male despite some recent improvements.

For two energy companies—**Chevron** (47.5 percent last year) and **Valero Energy**, the resolution asks about discriminatory impacts on communities of color. It says at Chevron the report "should clearly identify, and recommend steps to eliminate, business activities that further systemic racism, environmental injustice, threaten civil rights, or present barriers to diversity, equity, and inclusion (DEI), both internally in its workforce and externally in impacted communities" and exclude any matters in litigation. *(A similar but more detailed proposal at Southern is described below.)*

SEC action— **AT&T** says a similar proposal from National Center for Public Policy Research (NCPPR)—which sees racial justice efforts as misplaced—did not earn enough for resubmission and was the same as this one—which supports the efforts. The NCPPR proposal earned 4 percent in 2022. **Altria** is arguing that the proposal is moot because the board already has agreed to conduct the requested independent assessment following a majority vote last year. The SEC has yet to respond to either contention. **Travelers** is reiterating a challenge at the SEC that was unsuccessful last year with regard to a proposal about underwriting police associations. It says the proposal would be illegal, cannot be implemented, is ordinary business and is too vague.

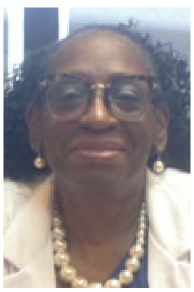
Withdrawals—At **Global Payments**, *As You Sow* withdrew after an agreement. The proposal asked only for disclosure of its "racial equity actions and targets" and how the company measures success. The company has promised to release data on its rates for recruitment, retention and diversity, report on its external actions on racial justice and release its EEO-1 Report by December 15, 2023. The Teamsters withdrew at **United Natural Foods** after it agreed to conduct the audit, as well. Proponents withdrew at **Abbott Laboratories**, but after a procedural challenge.

Environmental justice: Proposals about environmental justice last year earned 35.6 percent at **Republic Services** and were withdrawn at **3M** and **Chemours**, but a similar proposal is before Southern this year. SEIU withdrew last year when the company agreed to publish a racial justice audit, but the Sisters of St. Joseph of Peace, New Jersey, have returned with a more precise request about environmental justice that reiterates concerns similar to those from 2022, with a detailed resolved clause. It asks for:

> *a report on environmental justice, updated annually, describing its efforts, above and beyond legal and regulatory matters, to identify and reduce heightened environmental and health impacts from its operations on communities of color and low-income communities….[and] should consider:*

- *Past, present, and potential future disparate environmental and health impacts from its operations;*
- *How responsibilities are allocated within the company regarding governance and management of environmental justice issues;*
- *Types and extent of stakeholder consultation with impacted communities;*
- *Quantitative and qualitative metrics on how environmental justice impacts inform business decisions; and*
- *Whether and how Southern intends to improve its policies and practices in the future.*

advocacyposition



COMPANIES TAKING A CLOSER LOOK AT HOW RACIAL INEQUITY AFFECTS THEIR WORKERS, CUSTOMERS AND SHAREHOLDERS

EDGAR HERNÁNDEZ
Assistant Director, Strategic Initiatives Department, Service Employees International Union

RENAYE MANLEY
Deputy Director, Service Employees International Union

The third anniversary of the murder of George Floyd at the hands of the Minneapolis police officers is fast approaching. We are reminded of the work we began nearly three years ago by filing Racial Equity Audit (REA) shareholder proposals and how much work remains. The police killings of Black people across the U.S. continue to galvanize the movement for racial justice, and corporations continue to be held accountable socially and legally for their role in furthering the economic and political repression of nonwhite communities. About two dozen Racial Equity Audits resolutions appear headed to a vote as yet once again we mourn the death of a young Black man, Tyre Nichols, who died at the hands of Memphis police officers in January.

These resolutions ask companies for an independent third-party audit analyzing adverse impacts on nonwhite stakeholders and communities of color and how companies plan to mitigate these impacts. We withdrew our proposals at **Key Corp** and **TransUnion** because they agreed to conduct audits. But we did not reach agreements with several companies and investors will vote at four companies:

- At **Coca-Cola**, Coke has not allowed customers to use "Black Lives Matter" in its make-your-own label promotion but allows "White Lives Matter" labels.
- **Comcast** recently settled a pay discrimination case involving Black and Latino employees yet sponsors an annual police foundation gala in Philadelphia.
- At **GEO Group**, immigrant rights groups filed a complaint last April alleging that guards at a GEO immigration detention facility made racially derogatory remarks and used excessive force.
- **Valero Energy** is under fire for polluting communities of color in Texas.

Companies that undertake Racial Equity Audits should retain the services of qualified law firms with extensive civil rights experience and engage external stakeholders that have no financial ties to the companies. This ensure that audits are credible once they are made public.

A wide range of investors, from religious groups, private endowments, public pension funds and labor organizations, have been calling on companies to engage in more comprehensive and credible assessments of their impacts on nonwhite stakeholders and their workforces. The Service Employees International Union Master Trust, the SOC Investment Group, Trillium Asset Management, SHARE, Parnassus Investments and several public officials on behalf of government workers' pension funds, have been at the forefront. They have secured dozens of agreements and majority votes to conduct third-party assessments on companies' products, policies and practices, and their impact on racial equity, civil rights and workers' rights to freedom of association and collective bargaining. This year, investors will finally begin to see the fruits of this labor, as we expect the first reports will be public at the end of Q1.

We hope to continue to build on last year's success and invite all shareholders to vote to hold boards accountable for perpetuating and exacerbating systemic racism and the associated risks to investors.

Indigenous rights: ICCR members have resubmitted last year's proposals that did fairly well at **Citigroup** (34 percent) and **Wells Fargo** (25.9 percent, seeking a report on how effective their policies are "in respecting internationally-recognized human rights standards for Indigenous Peoples' rights in its existing and proposed general corporate and project financing." Both companies do have policies about respecting indigenous rights, but the proponents believe they could be more expansive.

Withdrawal—A procedural issue prompted a withdrawal at Wells Fargo but there was no agreement.

Policing: In addition to the audit proposal noted above, Arjuna Capital has resubmitted its proposal to **Travelers** about underwriting police associations. It received 9.9 percent last year and must earn at least 15 percent this year to qualify for resubmission. The proposal seeks a report:

> *on current company policies and practices, 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.*

Human Rights

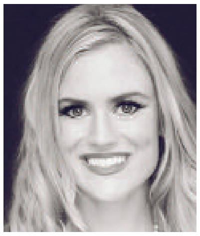
Company	Proposal	Proponent	Status
Racism & Indigenous People			
Citigroup	Report on indigenous people policy	Srs. of St. Joseph of Peace, NJ	April
Wells Fargo	Report on indigenous people policy	American Baptist Church	withdrawn
Abbott Laboratories	Report on racial justice impacts/plan	Nia Impact Capital	withdrawn
Alphabet	Report on racial justice impacts/plan	Nathan Cummings Foundation	June
Altria	Report on racial justice impacts/plan	Srs. of St. Francis of Phila.	May
American Water Works	Report on racial justice impacts/plan	Trillium Asset Management	May
AT&T	Report on racial justice impacts/plan	Nathan Cummings Foundation	May
Bank of America	Report on racial justice impacts/plan	SOC Investment Grp (Change to Win)	April
Chevron	Report on racial justice impacts/plan	American Baptist Church	May
Chipotle Mexican Grill	Report on racial justice impacts/plan	New York State Common Retirement Fund	May
Coca-Cola	Report on racial justice impacts/plan	SEIU Master Trust	April
Comcast	Report on racial justice impacts/plan	SEIU Master Trust	June
Elevance Health (formerly Anthem)	Report on racial justice impacts/plan	Trillium Asset Management	May
GEO Group	Report on racial justice impacts/plan	SEIU Master Trust	May
Global Payments	Report on racial justice impacts/plan	*As You Sow*	withdrawn
Goldman Sachs	Report on racial justice impacts/plan	SEIU Master Trust	April
Johnson & Johnson	Report on racial justice impacts/plan	Adrian Dominican Sisters	April
KeyCorp	Report on racial justice impacts/plan	SEIU Master Trust	May
Lumen Technologies (formerly CenturyLink)	Report on racial justice impacts/plan	AFL-CIO	May
Mohawk Industries	Report on racial justice impacts/plan	*As You Sow*	May
Salesforce.com	Report on racial justice impacts/plan	Tulipshare Ltd.	June
Southern	Report on environmental justice approach	Srs. of St. Joseph of Peace, NJ	May
SVB Financial Group	Report on racial justice impacts/plan	Trillium Asset Management	April
TransUnion	Report on racial justice impacts/plan	SEIU Master Trust	May
Travelers	Report on underwriting racist policing	Arjuna Capital	May
Travelers	Report on racial justice impacts/plan	Trillium Asset Management	May
United Natural Foods	Report on racial justice impacts/plan	Teamsters	withdrawn
UnitedHealth Group	Report on racial justice impacts/plan	Mercy Investment Services	June
Valero Energy	Report on racial justice impacts/plan	SEIU Master Trust	April
Walmart	Report on racial justice impacts/plan	Daughters of Charity	June
Wells Fargo	Report on racial justice impacts/plan	SEIU Master Trust	April
Policy & Risk Assessments			
Alphabet	Report on human rights impact assessment	SHARE	June
Caterpillar	Report on human rights policy implementation	Wespath Investment Management	June
Chubb Limited	Report on human rights risk assessment	Domini Impact Investments LLC	May
General Dynamics	Report on human rights risk assessment	Franciscan Sisters of Allegany, NY	May

table continued on next page

Human Rights

Company	Proposal	Proponent	Status
Hartford Financial Services Group	Report on human rights risk assessment	Domini Impact Investments LLC	withdrawn
Kroger	Join the Fair Food Program	Domini Impact Investments LLC	June
Lockheed Martin	Report on human rights impact assessment	School Srs. of N. Dame Coop Investment Fund	April
Meta Platforms	Report on human rights impact assessment	Mercy Investment Services	May
Walmart	Report on human rights impact assessment	Adrian Dominican Sisters	June
Hershey	Adopt policy/report on supply chain child labor	American Baptist Church	May
Mondelez International	Adopt policy/report on supply chain child labor	Tulipshare Ltd.	May
TJX	Report on supply chain human rights risks	NorthStar Asset Management	June
Conflict Zones & Problematic Locations			
Alphabet	Report on country selection/assessment	SumOfUs	June
Apple	Report on phasing out Uyghur labor	SumOfUs	withdrawn
Chevron	Report on anti-genocide policy	Unitarian Universalists	May
Meta Platforms	Report on ties to Communist China	Minderoo Foundation	withdrawn
PayPal	Ensure access to financial services in conflict zones	SumOfUs	May
Texas Instruments	Report on ties to international law violations	Friends Fiduciary	April
Weapons			
American Express	Report on weapons sales identification oversight	NYC pension funds	withdrawn
BlackRock	Report on societal impacts of defense industry ETF	CODEPINK	May
Mastercard	Report on weapons sales identification oversight	NYC pension funds	June
PNC Financial Services Group	Report on financing controversial weapons sales	Investor Advocates for Social Justice	April
Sturm, Ruger	Report on gun marketing risks	CommonSpirit Health	June
Trade Union Rights			
Amazon.com	Assess/report on adherence to ILO/UN trade union standards	SHARE	May
Apple	Assess/report on adherence to ILO/UN trade union standards	Steven McGrath	withdrawn
Apple	Assess/report on adherence to ILO/UN trade union standards	Trillium Asset Management	withdrawn
Chipotle Mexican Grill	Adopt ILO trade union standards and report	*As You Sow*	May
CVS Health	Assess/report on adherence to ILO/UN trade union standards	New York State Common Retirement Fund	May
Delta Air Lines	Adopt ILO trade union standards and report	*As You Sow*	June
DoorDash	Adopt ILO trade union standards and report	New York State Common Retirement Fund	June
Gannett	Adopt ILO trade union standards and report	New York State Common Retirement Fund	June
Netflix	Adopt ILO trade union standards and report	New York State Common Retirement Fund	June
Rivian Automotive	Adopt ILO trade union standards and report	*As You Sow*	June
Starbucks	Assess/report on adherence to ILO/UN trade union standards	SHARE	03/23/2023
Tesla	Assess/report on adherence to ILO/UN trade union standards	Domini Impact Investments LLC	May
Walmart	Assess/report on adherence to ILO/UN trade union standards	New York State Common Retirement Fund	June
Media & Technology			
Alphabet	Report on online safety standards compliance	Boston Common Asset Management	June
Alphabet	Report on algorithm system impact on user speech	Trillium Asset Management	June
Amazon.com	Report on government censorship	Adrian Dominican Sisters	May
Amazon.com	Report on surveillance technology	American Baptist Church	May
Amazon.com	Report on surveillance technology	Harrington Investments	May
Apple	Report on government censorship	Azzad Asset Management	withdrawn
Keysight Technologies	Report on surveillance technology	Presbyterian Church (USA)	withdrawn
Meta Platforms	Report on problematic media content management	*As You Sow*	May
Meta Platforms	Report on online child safety and harm reduction	Proxy Impact	May
Meta Platforms	Report on biased platform use in India	SumOfUs	May
PayPal	Report on government censorship	Tulipshare Ltd.	May

advocacyposition



ENDING CHILD LABOR IN COCOA PRODUCTION

CONSTANCE RICKETTS
Head of Shareholder Activism, Tulipshare

In 2023, the chocolate industry is still not free from child labor. Millions of children are being robbed of their childhood and right to education while working on farms to meet corporate demand for cheaply sourced cocoa. Since this is an industry-wide issue, corporations tend to place the onus on the industry at large rather than assume liability individually.

Children working on cocoa farms use machetes and are exposed to harmful pesticides. This type of work is classified as hazardous child labor, the largest category of the worst forms of child labor, with an estimated 79 million children aged 5 to 17 working in dangerous or unhealthy conditions that could result in death, injury or permanent disability, psychological damage or illness. Because children's minds and bodies are still developing while being subjected to this form of labor, they are more vulnerable than adults to workplace hazards and the consequences are more devastating and lasting.

Despite numerous efforts, international agreements have repeatedly failed to eradicate hazardous child labor from cocoa supply chains. In 2022, 95 percent of cocoa farming children in West Africa were involved in hazardous child labor.

In 2001, **Mondelēz** signed the Harkin-Engel Protocol, voluntarily committing to end the worst forms of child labor in West African cocoa production by 2005. Yet to date, the cocoa industry remains plagued by child labor with an estimated 1.56 million children work on cocoa farms in Ghana and Côte d'Ivoire, where 60 percent of cocoa production occurs.

Tulipshare, an activist investment platform, launched a campaign demanding that Mondelēz – the parent company of brands including Oreo, Cadbury and Chips Ahoy! – end child labor in its cocoa production. Tulipshare's shareholder proposal requests that Mondelēz's board, within one year, adopt targets and publicly report quantitative metrics appropriate to assessing whether Mondelēz is on course to eradicate child labor in all forms from its cocoa supply chain by 2025.

Despite Mondelēz's Cocoa Life program and its monetary commitments, the number of children exposed to child labor on cocoa farms in Ghana has risen by 10 percent since 2009. While Mondelēz states it's "on track" to achieve its goal of Child Labor Monitoring Remediation Systems covering 100 percent of Cocoa Life communities in West Africa by 2025, it currently reports only 61 percent coverage. Even if Mondelēz reaches this goal by 2025, that does not guarantee that its cocoa will be child labor-free.

Tulipshare, alongside Advance ESG, a shareholder advocacy organization, and all the sustainability-conscious retail investors backing this proposal, believes it is essential that Mondelēz adheres to the United Nations Sustainable Development Goal 8.7 to eliminate child labor by 2025. Failure to do so exposes Mondelēz and its investors to significant financial, legal and reputational risk. We agree with Mondelēz's statement that "no amount of child labor in the cocoa supply chain should be acceptable," which is why the company must publish the requested report to provide assurance that the company's board is fulfilling its fiduciary duty to protect Mondelēz and its shareholders from adverse risks associated with child labor.

Risky Business Locations

Proponents have filed 23 resolutions about corporate human rights policies and how they are implemented, with more general framing at 12 companies, sixfive specific to conflict zones and five more about military and personal weapons.

(See Anti-ESG section, p. 76, for proposals that take a different approaches to how companies should approach human rights issues covered in this section.)

Policy and Risk Assessments

High risk products: **General Dynamics** and **Lockheed Martin** again face requests for reporting on their assessments of human rights impacts "associated with high-risk products and services, including those in conflict-affected areas or violating international law." A similar proposal earned 25 percent at General Dynamics last year and is in its third year at Lockheed Martin (20 percent last year and 32.2 percent in 2021).

Targeted ads: The two big social media firms face resubmitted proposals asking them to report on how their targeted ads work. The resolution wants **Alphabet** and **Meta Platforms** each to provide an independent assessment of "the actual and potential human rights impacts of… targeted advertising policies and practices throughout its business operations, exempting any matters in litigation or regulatory enforcement." The proposal remains pending at Meta, where it earned 23.8 percent last year, but SHARE withdrew after the company agreed to meet with human rights experts from the group Ranking Digital Rights to discuss advertising technology.

Insurers: Domini Impact Investments LLC still has pending a new proposal at **Chubb** that it withdrew after an agreement at **Hartford Financial Services**. While the resolved clause discusses general human rights issues, the body of the proposal concentrates on indigenous peoples, asking for a report "describing how human rights risks and impacts are evaluated and incorporated in the underwriting process."

Walmart: The Adrian Dominican Sisters want a report on Walmart's human rights due diligence process and this particular proposal is new to the company, asking it to explain how it identifies, assesses, prevents and mitigate "actual and potential adverse human rights impacts in its domestic and foreign operations and supply chains." The 2023 proposal notes difficult working conditions for domestic employees but also those in the company's long global supply chain. (Five various domestic decent work proposals have gone to votes at Walmart since 2020, earning about 12 percent.)

Child labor: The American Baptist Church and Tulipshare address child labor in the West African cocoa supply chain at two companies. It is more specific at **Hershey**, where a similar proposal earned 7.8 percent last year. It calls for a report *describing if, and how, Hershey's Living Wage & Income Position Statement and planned implementation steps will put the company on course to eradicate child labor in all forms from the company's West African cocoa supply chain by 2025. The report should include:*

- *How Hershey plans to achieve 100% sourcing visibility at the farm level of its cocoa by 2025, including through increased transparency, given that 32% of its cocoa volume cannot be traced to the farm level;*
- *Whether and/or how Hershey plans to raise farm gate prices;*
- *How Hershey plans to partner with the Ghanian and Ivorian governments and cocoa industry peers to promote living income for cocoa farmers.*

Investors have not considered this issue specifically at **Mondelēz International** recently and Tulipshare and Proxy Impact want it to "adopt targets and publicly report quantitative metrics appropriate to assessing whether Mondelēz is on course to eradicate child labor in all forms from the Company's cocoa supply chain by 2025." It says metrics to include could be "current estimates of the total numbers of children in its supply chain on a regional basis, working in hazardous jobs, working during school hours, and employed after school hours."

SEC action—Mondelēz is arguing it can be omitted because it is being sued on the subject. Other proponents have dodged this argument by noting reports can exclude matters in litigation, but Tulipshare did not so an omission seems possible.

Product use and supply chain: Investors will again vote on a proposal at **Caterpillar** questioning how its products are ultimately used and if they violate the company's policies; investors have voted on similar proposals eight times since 2010, usually earning support in the low 20-percent range. A resolution about sales of CAT products (such as heavily armored construction equipment used in conflict zones) earned 10.6 percent in 2022 and 2.8 percent in 2019.

At **TJX**, the focus is on potential forced, child and prison labor in the supply chain, and seeks a report on how effective the company's process is for eliminating these problems. A similar version of this proposal earned 24.6 percent in 2022. Investors have long raised concerns about labor and human rights in the TJX supply chain, with recent votes of 29 percent (2020) and 38 percent (2019).

Fair Food: **Kroger** has been under fire for years from social investors about how workers are treated in its food supply chain, with a detailed proposal last year about workers' treatment during the pandemic earning 20.9 percent, down from a vote of 44.7 percent in 2020 for a more general proposal. This year's version is quite specific, asking it to "take the necessary steps to pilot participation in the Fair Food Program for the Company's tomato purchases in the Southeast United States, in order to mitigate severe risks of forced labor and other human rights violations in Kroger's produce supply chain." The referenced program is a partnership between workers, growers, retailers and consumers and includes fellow retailers such as **Trader Joe's**, **Walmart**, **Whole Foods Market** (owned by **Amazon.com**) and **Yum Brands**, among other.

Conflict Zones & Problematic Locations

Data centers: SumOfUs has returned to **Alphabet** with questions about its data center locations, asking whether it can ensure human rights violations do not occur when it offshores data warehouses to countries with well-known track records of abuse. The proposal was new in 2022 and earned 17.1 percent. This year mentions a data center in Saudi Arabia, while last year it mentioned other countries of concern including Indonesia, Qatar and India. The proposal asks for a report "assessing the siting of Google Cloud Data Centers in countries of significant human rights concern, and the Company's strategies for mitigating the related impacts."

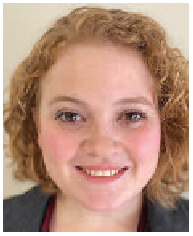
Uyghur labor: SumOfUs withdrew after an agreement a new proposal at **Apple** that said:

in light of human rights abuses in the region and the reputational and operational impacts posed to Apple, the Company publish within one year a phaseout transition plan, at reasonable expense and excluding proprietary information, to cease supply chain activities involving labor from the Uyghur region, including labor transfers of workers from the Uyghur region to other areas of China.

Apple will provide new details in upcoming reports about its supplier responsibility program, and the parties will continue engagement.

Genocide: The Unitarian Universalists want a report from **Chevron** within six month of the annual meeting "evaluating the feasibility of adopting a policy of not doing business with governments that are complicit in genocide and/or crimes against humanity as defined in international law." **Chevron** says it can be omitted because a similar proposal in 2022 did not earn enough to qualify for resubmission (a proposal on genocide earned 12.4 percent in 2022 and 7.2 percent in 2018, which would mean that if they are considered the same it would have needed 15 percent last year). The proposal raises specific concerns about operations in Burma (Myanmar), the Democratic Republic of Congo and Nigeria. Chevron said it would withdraw from Myanmar in January 2022 but still operates in the Democratic Republic of Congo and Nigeria.

advocacyposition



RUSSIAN MILITARY'S RELIANCE ON DUAL-USE COMPONENTS EXPOSES COMPANIES TO HUMAN RIGHTS RISKS

AMY CARR
Senior Shareholder Advocate, Friends Fiduciary Corporation

The Russian war of aggression against Ukraine has already resulted in more than [69,000 Russian war crimes and crimes of aggression](#) registered by the Office of Prosecutor General of Ukraine. In addition, [18,900 Ukrainians have been killed or injured](#), and millions more have been forced to flee their homes. With this humanitarian crisis, investor concerns have grown about the human rights risks faced by companies with operations and/or value chain activities in conflict-affected and high-risk areas (CAHRA), which are characterized by widespread human rights abuses and violations of national or international law. Recognizing these risks, the [United Nations Guiding Principles on Business and Human Rights](#) and [OECD Guidelines for Multinational Enterprises](#) call on businesses to conduct heightened human rights due diligence in such areas.

In response to these concerns, 56 investors representing over $1.7 trillion assets under management signed the [Investor Statement on the Crisis in Ukraine](#) in May 2022, expressing support for the people of Ukraine and opposition to Russian aggression. A coalition of investors sent letters to companies asking that they identify, assess and address human rights risks in their operations in Russia and their value chain activities. Following President Vladimir Putin's "partial mobilization" order in September mandating all organizations, public and private, to facilitate conscription of eligible staff and provide material support to the Russian military upon request, we escalated our approach out of increased concerns about potential company complicity in human rights violations. ¬

In partnership with [Heartland Initiative](#), which works on human rights, an investor initiative engaged several technology companies about heightened risk caused by Russian military dependence on "[dual-use](#)" products (goods, software and technology that can be used for both civilian and military applications) found in Russian and Iranian weapons systems used to violate international law in Ukraine. We sent letters to **Analog Devices**, **Texas Instruments** and **Keysight Technologies** and Friends Fiduciary and the Presbyterian Church U.S.A. filed shareholder proposals at the latter two. [The Royal United Services Institute (RUSI)](#) reported that Texas Instruments and Analog Devices were the original manufacturers of approximately 25 percent of the dual-use items found in 27 Russian offensive weapons systems, including cruise and ballistic missiles, precision munitions and electronic warfare.

Some companies have argued the complexity and volume of the multi-tiered global electronics supply chain makes traceability of standard semiconductor products unachievable, but others have agreed to take the necessary steps to address the asks of our proposals. They can commission a third-party report on company due diligence processes to determine whether customers' use of products or services contribute to or are linked to violations of international law.

As investors, we have insisted in company dialogues that simple regulatory compliance isn't sufficient considering the severe and foreseeable human rights harms in Ukraine. Since nonprofit organizations can track the use of company products from their manufacture to prohibited end-use, companies should be able to devote necessary resources to do the same.

Companies need to assess legal, regulatory and reputational risks through more robust human rights due diligence which also ensures they are operating with integrity, transparency and accountability.

China: At **Meta Platforms**, the Minderoo Foundation has withdrawn a proposal asking about the company's operations in China, but after a procedural challenge. It is almost the same as a proposal from the right-wing National Legal and Policy Center, seeking a report "describing Meta's engagement with the Chinese Communist Party over the last decade including board oversight, and discussing if, and how, Meta might mitigate geopolitical risk related to its operations in China and the extent of Board oversight of such risk in the future." *(See p. 78 for the NLPC version.)*

Mindaroo notes the Chinese government's efforts to "oversee technology companies' algorithms, antitrust rules for internet platform companies, regulations on data protection, and reductions of the amount of time children can play online games." With executive action by the Biden administration to protect data on privacy and national security grounds, the proposal sees looming risks to Meta given its ties: China is the company's second largest source of revenue and contributing $5 billion each year. In addition, the proposal also cites supply chain disruptions for manufacturing for the company's new Metaverse project. It concludes more transparency is needed for investors.

Financial services: A new proposal at **PayPal** asks for

> *a policy that ensures that people in conflict zones, such as in Palestine, do not suffer discriminatory exclusion from the company's financial services, or alternatively, if the company chooses not to establish this policy, provide an evaluation of the economic impact the policy of exclusion has on the affected populations as well as the company's finances, operations and reputation.*

The proponent points to the company's statement that "affordable and convenient financial services should be a right for all rather than a privilege for the few" and notes it operates in "high-conflict countries such as Yemen and Somalia and heavily-sanctioned countries such as Russia." But it says Palestinians cannot use PayPal even though companies including **Visa**, **Mastercard** and **Western Union** serve these customers, who also gained access to Apple Pay in 2021.

Ukraine: Friends Fiduciary wants a report from **Texas Instruments** about exposure to risks connected to the war in Ukraine, raising a new issue. The resolution cites a [report](#) from an eminent U.K. military think that found weapons deployed by Russia contain components from Western technology firms, including Texas

Instruments. The proposal calls for an independent report on the company's "due diligence process to determine whether… customers' use of its products or services contribute or are linked to violations of international law." Proponents previously filed nine shareholder proposals at Texas Instruments on environmental and social issues since 2010 and withdrawn all after engagements, so an agreement seems possible with the company.

Weapons

All but one of five resolutions about personal and military weapons are new and four are pending.

Gun sales: The New York City pension funds have withdrawn a proposal at **American Express** which remains pending at **Mastercard**, asking for a report about how the company makes decisions about

> *any application to the International Standards Organization (ISO) to establish a merchant category code (MCC) for standalone gun and ammunition stores. This report should cover American Express' governance of MCC standards, as well as disclose and explain the justification for its position on any applications to create an MCC for gun and ammunition stores.*

The withdrawal came after AmEx confirmed it would use new merchant codes for firearms sales; the company also had lodged a challenge saying the proposal was moot because of this action, but also said it would micromanage. Mastercard is making the same argument and also says it does not raise a significant social policy issue. (A proposal in 2022 from the Rhode Island Treasurer asking Mastercard for a report on the use of its payment network for weapons sales earned 10.3 percent support.)

Defense industry impacts: The peace group CODEPINK is echoing recent ideas about avoiding systemic risk and has a new proposal at **BlackRock**, asking for a report "on the potential material risks to all stakeholders" of its U.S. Defense and Aerospace exchange-traded fund. It asserts that defense and aerospace companies in the fund pose unacceptable global human costs from their GHG emissions and by enabling war and conflict.

Military weapons: Military weapons also are on the mind of Investor Advocates for Social Justice (IASJ), which has a different version of earlier proposals to **PNC Financial Services**, where proponents previously asked for an end to financing nuclear weapons. That proposal received 7.7 in 2022 and 7.9 percent in 2021. This year, the proposal swaps out "controversial weapons" for "nuclear weapons" but is very similar in its request to report on environmental and social impacts of such financing. The company says it did not earn the 15 percent needed last year to qualify for a vote this year.

Gun marketing: CommonSpirit Health is following up with gunmaker **Sturm**, **Ruger** about gun risks. It asks for a report "assessing whether Ruger's advertising and marketing practices may pose financial and/or reputational risks sufficient to have material impacts on the company's finances and operations due to levels of gun violence." Earlier votes at the company have been quite high—a human rights risk assessment last year received 68.5 percent vote and a 2018 proposal about gun safety and harm mitigation earned 68.7 percent.

Trade Union Rights

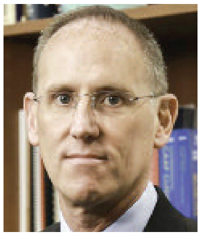
The New York City and State Comptrollers, alongside social investment firms, have 12 new proposals about respecting labor organizing rights, with two variants:

Adopt non-interference policy: The first is more detailed and asks six companies—**Delta Air Lines**, **Chipotle Mexican Grill**, **DoorDash**, **Netflix** and **Tesla**—to "adopt and disclose" a policy not to interfere with "the rights to freedom of association and collective bargaining in its operations, as reflected in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work ("Fundamental Principles"). It specifies in the resolved clause that the policy should include:

- *Non-interference when employees seek to form or join a trade union, and a prohibition against acting to undermine this right or pressure employees not to form or join a trade union;*
- *Good faith and timely collective bargaining if employees form or join a trade union;*
- *Uphold the highest standard where national or local law differs from international human rights standards;*
- *Define processes to identify, prevent, account for, and remedy practices that violate or are inconsistent with the Policy.*

At **Rivian Automotive**, the electric truck company, *As You Sow* uses a request to adopt a human rights policy to focus on organizing rights as well, asking it to describe "steps to identify, assess, prevent, mitigate, and, where appropriate, remedy adverse human rights impacts connected to the business." It notes Rivian currently does not commit to implementation of the ILO's labor rights standards. The proposal also cites alleged efforts against unions which the National Labor Relations Board (NLRB) is investigating.

advocacyposition



SUPPORTING WORKERS' RIGHT TO FREEDOM OF ASSOCIATION

MICHAEL GARLAND

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

The New York City Retirement Systems (NYCRS) submitted shareholder proposals at seven companies to safeguard workers' freedom of association and collective bargaining rights, which are defined as fundamental human rights under internationally recognized human rights standards.

The proposals submitted to **Chipotle**, **DoorDash** and **Netflix** ask their boards to adopt and disclose a policy on their commitment to freedom of association, particularly with respect to noninterference, and collective bargaining, as reflected in the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work. At Chipotle, the proposal also asks that the policy include a commitment that "where national or local law is silent or differs from international human rights standards, Chipotle will follow the higher standards."

In contrast, to address risks created by the apparent misalignment of each company's practices with its human rights commitments, the proposals at **Apple**, **CVS Health**, **Starbucks** and **Walmart** ask each company's board to commission and oversee an independent, third-party assessment of the company's adherence to its stated commitment to workers' freedom of association and collective bargaining rights. NYCRS withdrew the proposal at Apple after the company committed to conduct a third-party worker rights assessment.

Freedom of association is not only the right to form or join a union – as some companies and investors may believe – it is the right to do so without management interference, according to the ILO Core Conventions. In "A Guide for Business," issued jointly with the United Nations Global Compact, the ILO states that "employers should not interfere in workers' decision to associate, try to influence their decision in any way, or discriminate against either those workers who choose to associate or those who act as their representatives."

In the United States, freedom of association and collective bargaining rights are protected by federal laws and by internationally recognized human rights standards that many companies voluntarily commit to respect. For many companies, simply complying with the law is necessary but insufficient.

As the United States Council for International Business has conceded, U.S. law falls short of international standards:

> "U.S. law and practice conflict with many of the requirements of the ILO standards, preventing U.S. ratification of some of the core labor standards…. U.S. ratification of Conventions 87 and 98 would require particularly extensive revisions of longstanding principles of U.S. labor law to conform to their standards…. U.S. ratification **of the convention would prohibit all acts of employer and union interference in organizing…**"

Importantly, while implicit in a company's commitment to respect international standards, some companies expressly commit to respect international standards where they exceed national law, consistent with the expectations of the UN Guiding Principles on Business and Human Rights. In 2022, **Microsoft** affirmed its longstanding commitment to freedom of association by adopting a company-wide noninterference policy. In 2023, workers at a Microsoft-owned gaming studio voted to unionize, establishing the company's first union in the U.S. Microsoft responded by recognizing the union and expressing its commitment to engage in good faith negotiations, steps that Starbucks has been reluctant to take.

Assess adherence: The second proposal is at six companies—**Amazon.com**, **Apple**, **CVS Health**, **Gannett**, **Starbucks** and **Walmart**. It also references core ILO standards and principles, notes each company has a human rights policy, and asks for a third-party assessment of "management non-interference when employees exercise their right to form or join a trade union as well as steps to remedy any practices inconsistent with [the company's] stated commitments." (At Apple it added "those in the supply chain.")

Withdrawal—Proponents withdrew at **Apple** after an agreement they describe as significant. New York City Comptroller Brad Lander said in a January press release that the proponent coalition held $7 billion worth of the company's stock and announced that the company has agreed to assess its compliance with collective bargaining and freedom of association rights, following questions about this commitment when Apple allegedly interfered with unionization drives by some of its retail store workers. The NLRB was investigating 14 unfair labor practices complaints last August, just before the proposal was filed. (A second proposal similar to the first was challenged on the grounds it was duplicative, but that proponent withdrew.)

Media & Technology

Just over a dozen resolutions this year ask about issues that have vexed investors and the public since the dawn of the Internet, noting risks associated with how repressive governments control media platforms, misuse technology and threaten privacy, and how social media can spread hate speech and foment and publicize violence. There is a new resolution about India this year but the proponent concerns are similar to ones raised in the past.

Content

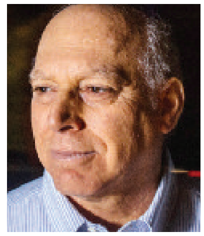
Algorithms: Trillium Asset Management has returned to **Alphabet** with a proposal that received 19.6 percent last year, seeking transparency and asking again for a report that would

> *provide more quantitative and qualitative information on its algorithmic systems. Exact disclosures are within management's discretion, but suggestions include, how Alphabet uses algorithmic systems to target and deliver ads, error rates, and the impact these systems had on user speech and experiences. Management also has the discretion to consider using the recommendations and technical standards for algorithm and ad transparency put forward by the Mozilla Foundation and researchers at New York University.*

Online safety: Boston Common Asset Management has a new proposal at **Alphabet**, focused on how harmful content on YouTube faces tightening regulations around the world. It asks for a report "disclosing whether and how the Company intends to minimize legislative risk by aligning YouTube policies and procedures worldwide with the most comprehensive and rigorous online safety regulations, such as the European Union's Digital Service Act and the UK Online Safety Bill." The resolution points out that despite efforts by management, YouTube "remains an important part of the Child Sexual Abuse Exploitation Ecosystem" all around the world, often resulting in trafficking. The proposal also notes that some YouTube channels "have rapidly become amplification chambers for disinformation, hateful content and incendiary and violent material." A new U.S. State Department Roadmap for the Global Partnership for Action on Gender-based Online Harassment and Abuse is trying to combat the problem, but legislation also has been proposed in California and the United Kingdom, as well as in the U.S. Congress. The proposal suggest the company can do more to get ahead of coming legislation.

At **Meta Platforms**, another reservoir of harmful child sexual content, Proxy Impact last year did not earn the 25 percent now needed to qualify for resubmission in a proposal's third year, with its proposal about child sexual exploitation online. (At dual class stock companies such as Meta, votes above 25 percent rarely occur. The 2022 proposal earned 17.3 percent or about 57 percent of the non-management controlled vote). This year, Proxy Impact expanded its ask to cover other online risks to children including child mental health, data privacy violations, age verification failures, cyberbullying, self-harm, and sextortion. It asks for targets and an annual report with "quantitative metrics appropriate to assessing whether Meta has improved its performance globally regarding child safety impacts and actual harm reduction to children on its platforms."

advocacyposition



META FAILS TO ADDRESS ONLINE CHILD SAFETY RISKS

MICHAEL PASSOFF
CEO, Proxy Impact

The internet was not developed with children in mind.

Meta is the world's largest social media company, used by billons of children and teenagers. Its platforms—including Facebook, Instagram, Messenger and WhatsApp—have been linked to numerous child safety problems including a mental health crisis for young people, data privacy violations, age verification failures, cyberbullying, self-harm and child sexual exploitation, grooming and trafficking.

Recently redacted court documents show Meta knew its platforms have harmful effects but disregarded the issue and chose "aggressive tactics" to addict kids to social media just to promote growth. Court documents further state that CEO Mark Zuckerberg was personally warned that

> "We are not on track to succeed for our core well-being topics (problematic use, bullying & harassment, connections, and SSI), and are at increased regulatory risk and external criticism. These affect everyone, especially Youth and Creators; if not addressed, these will follow us into the Metaverse."

Facebook whistleblower Francis Haugen similarly claimed that Meta knew of Instagram's negative impacts on teen self-image, increased rates of depression and anxiety and links to suicidal thoughts. This led to a 2021 Congressional hearing about the company's impact on children and mental health.

Instagram also encourages widespread cyberbullying, with one study finding "nearly 80% of teens are on Instagram and more than half of those users have been bullied on the platform."

Meta's platforms also hold the dubious distinction of hosting 92 percent of the nearly 29 million reported cases of online child sexual abuse materials. Its plan to provide end-to-end encryption on its platforms has caused a storm of criticism because this will effectively make many of these cases invisible and allow predators to operate with impunity, preventing law enforcement help for victims.

Even the most basic child safety precaution–age verification–has largely failed since kids and adults both regularly show up on sites where they are not allowed. Critics already have roundly criticized Meta's foray into the metaverse because minors have easy access.

Meta faces increasing regulatory, reputational and legal risks it has yet to abate. The United States, European Union, United Kingdom, Australia and California, among others—have new laws or pending legislation about social media and child safety. U.S. lawsuits are challenging Section 230 - social media's 'immunity' shield. Meta also faces mounting litigation about child safety from a wide range of litigants who include state governments, schools, individuals and governments around the world.

Meta says it does not tolerate child exploitation or bullying and is developing new child safety features for selected products and age groups. Yet it still has not set any publicly available, company-wide child safety or harm reduction performance targets. Investors and stakeholders cannot assess the impact of the company's efforts. Shareholders therefore want Meta to provide quantitative metrics that will help them examine company performance globally regarding child safety, and whether it is actually reducing well-known harms to children on its platforms.

India: SumOfUs has filed another new proposal at Meta about its platforms' use in India by political extremists. It calls for the company to commission:

> *a nonpartisan assessment of allegations of political entanglement and content management biases in its operations in India, focusing on how the platform has been utilized to foment ethnic and religious conflict and hatred, and disclose results in a report to investors…Among other things, the assessment can evaluate:*
>
> - *Evidence of political biases in Company activities, and any steps to ensure it is non-partisan;*
> - *Whether content management algorithms and personnel in India are at scale and multilingual capacity necessary to curtail mass dissemination of hate speech and disinformation;*
> - *The report should also integrate or append the full India [human rights risk assessment analysis] previously commissioned, so that investors can read the full recommendations and any evidence germane to biases, exposures and impacts.*

The proposal points out that Meta has more than half a billion users in India and appears to be "a critical catalyst of religious violence" by distributing anti-Muslim hate speech, with posts supporting the razing of mosques and killing Muslims. It says a top Facebook employee appears to have shown partisan bias in the 2014 election, and that moderators are not equipped to work on content because they do not recognize many of the country's 22 official languages. It concludes, "Meta's lack of transparency concerning India presents a clear and present danger to the Company's reputation, operations and investors."

Community standards: *As You Sow* has resubmitted a proposal that earned about 19 percent last year and in 2021, also about **Meta** content. It asks the board to analyze and report on:

> *why the enforcement of ""Community Standards"" as described in the ""Transparency Center"" has proven ineffective at controlling the dissemination of user content that contains or promotes hate speech, disinformation, or content that incites violence and/or causes harm to public health or personal safety.*

Privacy

Government censorship: One of three proposals about government censorship has been withdrawn and two remain pending:

- The Adrian Dominicans want **Amazon.com** to report more fully about the company's cooperation with repressive governments. The proposal seeks, within a year, a report with "more detailed quantitative disclosures on removal or restriction of content and products on the Amazon.com platform due to government requests or the company's voluntary removal or restrictions in anticipation or interpretation of domestic or foreign government requirements." The proponents note restrictions on "search results for LGBTQ+- related products in the United Arab Emirates after being threatened with penalties by that government," and longstanding cooperation with repression of free speech in China.
- Tulipshare this year asks **PayPal** for the first time for changes to its policy, and to provide more information and "clear explanations of the number and categories of account suspensions and closures that may reasonably be expected to limit freedom of expression or access to information or financial services."

SEC action—**PayPal** is arguing at the SEC that the proposal is ordinary business since it relates to account management and legal compliance, and because it would micromanage, but this reasoning has not convinced the SEC in the past.

Withdrawal—In response to a proposal like the one at PayPal, Apple has agreed to provide more information on why it removed or rejected apps, within the year. The proposal there was a resubmission that earned 33.9 percent in 2022. *(A proposal from the National Center for Legal and Policy Center makes a similar request in 2023 at Meta, arguing there is a problem with U.S. government censorship and abrogation of free speech rights; see p. 78.)*

Surveillance: **Amazon.com** has repeat proposals from two proponents about surveillance:

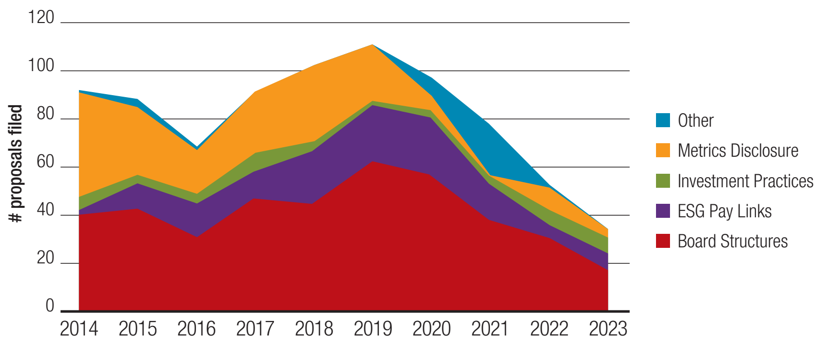
- The American Baptist Church again wants an independent report "assessing Amazon's customer due diligence process to determine whether customers' use of its products and services with surveillance, computer vision, or cloud storage capabilities contributes to human rights violations." Its concern is how technology can help governments violate human or civil rights and suggests problems with the biometric recognition software Rekognition, the Ring doorbell system, and the company's "vague standards regarding information sharing with law enforcement." Other concerns are a plan to host the U.S. Department of Homeland Security's biometric database for use in border security operations, products used to surveil Palestinians and data centers in repressive Middle Eastern countries. This proposal or a similar one has earned growing investor support that reached 40.3 percent in 2022 in its third year.
- Harrington Investments has resubmitted a proposal more specifically about Rekognition that also has seen growing support that hit 40.7 percent last year in its fourth year. It asks for a report on:
  - *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 US;*
  - *The extent to which such technologies may be marketed and sold to authoritarian or repressive governments, including those identified by the US 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.*

SUSTAINABLE GOVERNANCE

The evaporation of generalized sustainable governance proposals continues in 2023, driven in large part by a continued slide in board diversity proposals and a dearth of requests to produce sustainability reports. While women and people of color remain underrepresented on boards, a more representative group of corporate leaders long sought by investors is emerging. Further, it is now rare for a major company to say nothing about how it affects society and most explain—some in great detail—how they oversee and manage sustainability.

In 2023, resolutions about sustainable governance are split between those about boards (17 on diversity and specific types of oversight) and 17 on other high-level sustainability approaches (seven each on ESG pay links and investment practices, but only two seeking metrics disclosure. The total is down 70 percent from a high back in 2019 of 112.

Types of Board Structure and Sustainability Proposals



Excludes anti-ESG proposals.

Sustainable Governance

Company	Proposal	Proponent	Status
Board Oversight			
Alphabet	Report on board oversight of human rights risk	SumOfUs	June
Amazon.com	Establish board committee on public policy	Jing Zhao	May
Berkshire Hathaway	Report on board oversight of climate change	Robeco	April
HCA Healthcare	Adopt board oversight of staffing levels	Illinois State Treasurer	April
JPMorgan Chase	Adopt board oversight of animal welfare	Harrington Investments	May
Meta Platforms	Report on board oversight of human rights risk	Harrington Investments	May
Sustainability			
ESG Pay Links			
Abbott Laboratories	Consider extraordinary legal costs in executive pay metrics	SHARE	April
Bristol-Myers Squibb	Consider extraordinary legal costs in executive pay metrics	Mercy Investment Services	May
Cummins	Report on executive pay links to ESG metrics	*As You Sow*	May
Meta Platforms	Link executive pay to sustainability metrics	The Shareholder Commons	May
Molina Healthcare	Report on executive pay links to ESG metrics	New York State Common Retirement Fund	May
Union Pacific	Report on executive pay links to ESG metrics	Baldwin Brothers	May
United Parcel Service	Link executive pay to sustainability metrics	Zevin Asset Management	May
Investment Practices			
Amazon.com	Report on retirement plan alignment with climate goals	*As You Sow*	May
BlackRock	Report on climate-related investment stewardship	Paul Rissman	May
Campbell Soup	Report on retirement plan alignment with climate goals	*As You Sow*	November
Comcast	Report on retirement plan alignment with climate goals	*As You Sow*	June
Microsoft	Report on retirement plan alignment with climate goals	*As You Sow*	December
Netflix	Report on retirement plan alignment with climate goals	*As You Sow*	June
State Street	Report on societal impact of investment stewardship	The Shareholder Commons	May
Metrics Disclosure			
Chewy	Publish sustainability report	Episcopal Church	May
CVS Health	Report on violations of ESG policies	Mark E. Baker	May
Honeywell International	Report on stakeholder consultation and risk remediation	Franciscan Sisters of Allegany, NY	April

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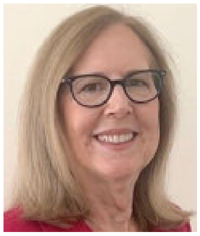

BOARD DIVERSITY DISCLOSURE IDENTIFIES LEADERS AND LAGGARDS

SUSAN M. ANGELE
Board Chair, The 30 Percent Coalition

Boards are becoming more diverse and detailed disclosure provides a critical window into progress. Boards that are both diverse and inclusive offer multiple ways to look at strategy and risk and a lower likelihood of groupthink. Their selection process extends beyond the board's immediate network and diverse boards connect companies to communities that represent large swaths of its customers, employees and/or business locations. For investors and also for researchers, the more specific the company's disclosures, the easier it is to assess board composition compared to the demographics of key stakeholders and society at large.

Demands for disclosure: Nasdaq's Board Diversity Rule may perhaps have the widest impact on diversity disclosure in the United States. The rule requires disclosure of the number of directors self-identified with each specified demographic group and the number self-identified with each gender and as LGBTQ+. Subsequent deadlines impose a minimum number of directors from underrepresented groups on a comply-or-explain basis.

The SEC plans to introduce a proposed rule on board diversity disclosure later this year. A number of states, including Illinois, already require board diversity reporting for public companies with headquarters in their jurisdictions. The Russell 3000 Board Diversity Disclosure Initiative, representing 26 investor organizations, also has sent letters to companies since 2020 encouraging disclosure of the race/ethnicity and gender of individual directors.

A growing board response: The good news is that boards are heeding stakeholder calls for disclosure. According to KPMG Board Leadership Center's analysis of board diversity disclosure data provided by ESGAUGE, disclosures of racial/ethnic diversity has skyrocketed. From January 2021 to December 2022, the percentage of S&P 500 companies disclosing the board's racial/ethnic diversity in some form increased from 34 percent to 92 percent. Among Russell 3000 companies, the percentage of companies disclosing this information increased from 12 percent to 71 percent.

More is needed: Specific disclosures vary, however, and details broken out by race/ethnicity are less common among companies not subject to the Nasdaq rule. Approximately 50 percent of Russell 3000 companies are listed on the Nasdaq; consistent with its rule, 54 percent disclose racial/ethnic categories with which directors identify (e.g., "one director/Jane Smith is Black, one director is Latina, one director is Asian, and three directors are White"). This is the most common form of disclosure among Russell 3000 companies. S&P 500 companies are not collectively showing leadership, however. The most common form of racial/ethnic diversity disclosure for these companies, at 70 percent, is less useful because it includes an aggregate number (e.g., "three directors are racially/ethnically diverse").

Heading into the 2023 proxy season, many institutional investors have indicated their intention to vote against the nomination/governance committee chair, all incumbent nomination/governance committee members or the entire board for a lack of board diversity or relevant disclosure. Proxy advisory firms continue to tighten their voting recommendations, as well. The Thirty Percent Coalition supports these efforts. In pursuing board diversity strategies for 2023 and beyond, more detailed disclosure will be an important enabler.

Board Structures

Choosing and diversifying boards: At the urging of leading investors, many companies now are telling investors much more about why board nominees are qualified to join boards. The Boardroom Accountability Project led by successive New York City Comptrollers has helped to normalize this type of disclosure, which replaces what used to be a few opaque biographical sentences. The Comptroller's office has yet to release information about its plans for 2023 but additional requests for "board matrix" reporting appear to be in the offing. Few are likely to go to votes, however, given a general shift to this practice. Adoption of this reporting has been normalized by the Nasdaq exchange's new, comprehensive requirements.

Making it easier to nominate directors and having far more diverse boards has put directors on notice and their elections—a standing agenda item at many annual meetings—are less secure. Even though votes north of 90 percent remain the rule rather than the exception, some institutional investors are now voting against directors or specific nominees if there are no women or people of color on the board, or if companies do not act on environmental and social issues. Majority Action has become a prominent voice for this tactic, but it is not alone. The group's current focus is on climate change, worker safety and racial justice. Proxy Impact was an early pioneer of this tactic and for over a decade has been voting against applicable board committee members when it opposes a board's nomination, compensation or governance practices such as a lack of board diversity, excessive executive compensation, joint CEO/Chair positions, and poor ESG practices.

Board Oversight

No proposals in 2023 ask for specific types of board experts, but six do seek specific types of oversight. One from Jing Zhao to **Amazon.com** that it "establish a Public Policy Committee." The company says at the SEC that this would micromanage subjects that it already oversees, but similar requests have been common for years and an omission on these grounds seems quite unlikely.

Animal welfare: Harrington Investments wants **JPMorgan Chase** to add board oversight of animal welfare risks in its lending decisions.

Climate change: Robeco, a large European investment manager, would like **Berkshire Hathaway** to report in the proxy statement "how climate-related risks are being governed by the company, including, but not limited to, the audit committee's oversight of climate risks and disclosures." It says the reporting should include:

- *If and how the company is testing the impacts of climate-related risks on the business, including how assumptions from low-carbon scenarios would affect assumptions, costs, estimates, and valuations underlying its financial statements;*
- *The degree to which the company deems directors to be competent in climate-related risks and any internal or external training that the board receives on climate and ESG matters; and*
- *If and how climate and ESG attributes are considered in director elections and succession planning.*

Staffing: The Illinois Treasurer this year would like more oversight from the hospital company **HCA Healthcare** about its human capital management approach. It notes that company staffing levels are 30 percent below the industry average and proposes that it "amend the charter of the Board's Patient Safety and Quality of Care Committee…to provide that the Committee has the power and duty to review staffing levels and their impact on patient safety and the quality of patient care." HCA is arguing at the SEC that this is an ordinary business issue but the commission has yet to respond.

"Public well-being": SumOfUS and Harrington Investments want **Alphabet** and **Meta Platforms** to report on how each board oversees risks that have human rights aspects. In each case, the proposal asks for "an independent assessment of the role of its Audit and Compliance Committee in ensuring effective Board oversight, above and beyond legal compliance, of material risks to public well-being from company operations." The supporting statements include a wide range of concerns about the companies' social media platforms, primarily concerning human rights. A similar proposal at Meta earned 10.5 percent last year, while in 2020 a proposal for a board human rights committee at Alphabet earned 16.3 percent.

Sustainability

Proponents have filed six proposals about links between executive compensation and various ESG metrics, seven are about investment practices—including an expansion of an idea from last year that employee retirement plans should align with companies' climate change policies. Just two ask about sustainability metrics.

ESG Pay Links

General ESG links: A proposal at **Meta Platforms** and from The Shareholder Commons asks for a report on "the feasibility of integrating specific weights or dollar amounts to base and bonus pay calibrated consistent with the costs externalized by Company operations, including costs imposed on the global economy and the environment."

Climate change: Three other resolutions invoke climate change. At Cummins, the resolution asks for a plan "to link executive compensation to 1.5-degree Celsius aligned greenhouse gas emissions reductions across the company's value chain, including Scope 1, 2, and 3 greenhouse gas emissions." At **Union Pacific**, the resolution is similar but more detailed seeking:

> *a report assessing the feasibility of integrating the Company's GHG emissions targets, goals, and other relevant sustainability measures, (as determined by the Board) into the performance goals, metrics, and vesting conditions applicable to senior executives under the Company's compensation incentive plans.*

Zevin Asset Management faces a procedural challenge at **UPS** that may block a vote but asks for a report on

> *the feasibility of integrating the UPS' committed GHG emissions targets, goals, and other relevant sustainability measures, (as determined by the Board) into the performance goals, metrics, and vesting conditions applicable to senior executives under the UPS' compensation incentive plans. GHG emissions targets are defined as those goals and targets disclosed by the company in its proxy statement and other public documents. Sustainability measures are defined as the environmental and related considerations, and related financial impacts, that are integrated into long term corporate strategy.*

Healthcare: Pursuing its interest in health care disparities (discussed in the Health section above, p. 54), NYSCRF wants **Molina Healthcare** to "examine and report,"

> *describing if, and how it plans to introduce objective data driven maternal morbidity reduction metrics into the performance measures of senior executives under Molina's incentive compensation plans. Maternal morbidity metrics is defined as (1) the rate of major maternal morbidity of Molina's members and (2) progress made toward eliminating major maternal morbidity and mortality disparities among racial and ethnic groups.*

The proposal is new in 2023 and was mentioned in a February 15 press release from NYSCRF. It appears to be the first to suggest an executive pay link to maternal health metrics.

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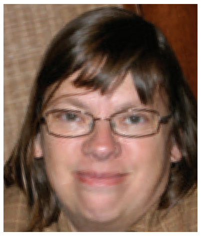

CLIMATE-RELATED CEO PAY INCENTIVES LACK RIGOR AND SPECIFICITY

ROSANNA LANDIS WEAVER
Director of Wage Justice & Executive Pay, As You Sow

MELISSA WALTON
Executive Compensation & Say on Climate Associate, As You Sow

In the last few years, companies have begun to use non-financial metrics more often in CEO pay packages. In 2021, 52 percent of S&P 500 companies reported including ESG metrics in compensation while 69 percent said they will be included in 2022 compensation packages.

Investors and investor-led climate initiatives are helping to drive adoption of climate-related CEO incentives. The CA100+ Net Zero Benchmark defines the climate-related expectations from 700 signatory investors and asset managers with $68 trillion in assets under managing. It says companies should establish executive compensation incentives aligned with short-, medium- and long-term science-based GHG reduction goals.

A new report and scorecard, *Pay for Climate Performance*, last year looked into how the 47 largest emitting companies in the United States are incorporating climate metrics into CEO pay packages. It identified the best practices needed to create quality climate links, to ensure they help ensure accountability for emissions reduction:

1. **Use a quantitative emissions reduction metric that is 1.5°C-aligned across all scopes, not less specific and less rigorous targets.** Many CEOs have made net-zero-by-2050 pledges, but these executives likely will not be leading their companies when the pledges come due. Executives must be held accountable now for accomplishing the short- and medium-term GHG emissions reductions needed for credible climate transition plans. This includes ensuring investments and business changes occur that will achieve 2050 targets when executives are still at the company.
2. **Disclose quantitative metrics and targets.** Multiple companies include "reduce emissions" as a climate "metric" without defining specific targets for what sort of a reduction is required for a bonus. Others use "progress towards" or "demonstrate leadership to" emissions reduction without defining target levels. Others point to milestones achieved without setting measurable targets. None of this is adequate. Retrospective milestone reflections that support current awards are not the same as setting targets for the future and measuring performance against those targets. Climate-related metrics disclosure should match best-practice financial metrics disclosure.
3. **Disclose the CEO payout for achieving targets.** To assess the likely financial impact of an incentive, investors must be able to determine how much an executive will receive a climate metric is achieved. This requires a metric with pay weighting that spells out pay percentages associated with specific achievement levels.
4. **Tie quantitative emissions reduction metrics to enough CEO pay to incentivize performance.** When a climate incentive is dwarfed by financial performance metrics, executives are not likely to prioritize emissions reductions. Future *As You Sow* reports will look more closely at this subject and also consider which kind of conflicting financial metrics may incentivize CEOs to take action that increases emissions.

When assessing the quality of the compensation and climate link, investors must concurrently consider the quality of a company's climate transition plan and its alignment with CEO pay. Investors should pay particular attention to compensation design and the rigor of climate metrics to determine if a company is effectively incentivizing the emissions reduction needed.

Legal costs: SHARE and Mercy Investments are pressing the idea that drug companies should not exclude large legal costs from incentive pay calculations. The proponents contend the impact of harmful behavior punished in the courts is relevant to pay, while companies respond that they need flexibility and discretion to design and administer compensation programs. Last year this resolution earned 35.5 percent at **AmerisourceBergen** and its highest-ever tally of 47.7 percent at **Johnson & Johnson**. The proposal is pending at **Abbott Laboratories** and **Bristol-Myers Squib** and asks each to adopt a policy

> *that no financial performance metric shall be adjusted to exclude Legal or Compliance Costs when evaluating performance for purposes of determining the amount or vesting of any senior executive Incentive Compensation award.*
>
> *"Legal or Compliance Costs" are expenses or charges associated with any investigation, litigation or enforcement action related to drug manufacturing, sales, marketing or distribution, including legal fees; amounts paid in fines, penalties or damages; and amounts paid in connection with monitoring required by any settlement or judgement of claims of the kind described above.*
>
> *"Incentive Compensation" is compensation paid pursuant to short-term and long-term incentive compensation plans and programs.*
>
> *The policy should be implemented in a way that does not violate any existing contractual obligation of the Company or the terms of any compensation or benefit plan. The Board shall have discretion to modify the application of this policy in specific circumstances for reasonable exceptions and in that case shall provide a statement of explanation.*

Investment Practices

Outside the proxy season a fierce fight continues about the merits of considering ESG factors in public pension funds' investment approaches. But proposals about this process within proxy season have been scant and instead have looked at corporate behavior, as this report has examined in detail.

Corporate retirement plans: Last year, *As You Sow* began asking companies about how corporate retirement plans consider climate risk. It has returned with a similar proposition this year at **Amazon.com** (9.1 percent last year) and **Comcast** (6 percent) and newly at **Netflix**, seeking a report on "how the Company is protecting Plan beneficiaries with a longer investment time horizon from climate risk in the company's default retirement options." The proposal is slightly different at **Campbell's Soup** (8.8 percent last year) and **Microsoft** (11.2 percent), asking "how the Company's 401(k) retirement funds manage the growing systemic risk to the economy created by investing retirement plan funds in companies contributing significantly to climate change."

SEC action—The SEC rejected an ordinary business challenge last year from Comcast but Amazon is reiterating that argument for 2023.

Investment stewardship: Paul Rissman would like **BlackRock** to report on how it might

> *improve its pension fund clients' investment returns, by focusing its climate-related investment stewardship and proxy voting to "engineer decarbonization in the real economy,"," mitigating BlackRock's forecast cumulative loss in global output, due to unabated climate change, of nearly 25% in the next two decades, thereby improving financial returns to BlackRock shareholders.*

The proposal is new in 2023. It may be vulnerable to challenge at the SEC because a 2022 proposal asking for a report on the societal impact of BlackRock's investment stewardship from The Shareholder Commons earned only 3.6 percent, not enough for resubmission—though no challenge has surfaced yet. (Mercy Investments withdrew more general proposals about ESG proxy voting in 2021 and 2020.)

The Shareholder Commons has submitted a proposal at **State Street** that is more detailed than one it proposed last year, asking for a report on:

1. *Conflict of interest between executives of portfolio corporations and Company clients, whose investments could benefit from reductions in the social and environmental costs those corporations externalize,*

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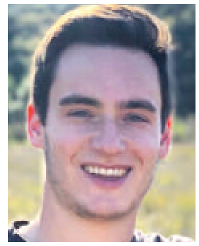
advocacyposition



EMPLOYEES UNAWARE OF CLIMATE RISK IN RETIREMENT PLANS

GRANT BRADSKI
Sustainable Investing Initiative Coordinator, As You Sow

One hundred million Americans have invested more than $10 trillion in retirement savings that likely are not aligned with their values. Many corporations strive to reduce material risk for all stakeholders by becoming more environmentally and socially responsible. But if they do not consider climate-related financial risks, most invest employees' hard-earned savings in oil, coal-fired utilities and agribusinesses involved in deforestation, which means employees' savings fuel climate change.

As You Sow released the Corporate Retirement Plan Sustainability Scorecard to motivate action and shift trillions of dollars away from companies that harm the climate and society and into those working for a just and sustainable world. By using its expertise in mutual fund sustainability analysis and developing an extensive database of ESG-screened companies, *As You Sow* has rated the 401(k) retirement plans of 42 companies and the analogous 403(b) plans of two universities. ¬

This scorecard shines a bright light on the disconnect between companies' publicly stated corporate sustainability goals and their retirement plan investments. For instance, **Microsoft** has pledged to become carbon negative by 2030 and has a $1 billion climate innovation fund. But its employee 401(k) plan participants have more than $2.5 billion invested in fossil fuel companies.

By investing employees' retirement savings in companies with outsized contributions to climate change, companies are generating in workers' portfolios climate risk, net-zero transition risk and long-term systemic risk.

In the increasingly competitive employee recruitment and retention landscape, failing to minimize material climate risk in a company's retirement plan may make it more difficult for companies to attract and retain top talent. Employee polling indicates talented jobseekers look closely at firms' environmental records when they apply. Employee polling also reveals increasing demand for climate-safe retirement plan options.

To help shift corporate behavior, *As You Sow* has engaged several companies rated on the scorecard. It has filed shareholder resolutions this year at **Amazon.com**, **Comcast**, **Campbell Soup**, **Microsoft** and **Netflix**. The resolutions ask companies to disclose how they protect plan beneficiaries with a longer investment time horizon from climate risk in default corporate retirement plans; they also ask that these plans align with companies' publicly stated sustainability goals.

Many 401(k) plan fiduciaries rationalize their avoidance of climate risk assessment in their plans by citing the Department of Labor's (DOL) ERISA rules. However, the DOL recently released its long-awaited "Prudence and Loyalty" Rule that empowers plan fiduciaries to safeguard the savings of America's workers by considering material environmental, social and governance (ESG) risks when making investment and proxy voting decisions.

Most employees across the United States do not know their retirement plan investments profit from environmentally and socially risky companies. These resolutions are helping employees to understand how their retirement saving may be making the planet unlivable. It is time for everyone to become an empowered investor and realize that it is our money and our future.

2. *Whether Company stewardship practices could better account for this conflict, and*
3. *Actions the Company could take to address this conflict including:*
   a. *Assessing systemic impacts on diversified portfolios;*
   b. *Soliciting input from clients;*
   c. *Initiatives to modify executive incentives; and*
   d. *Adopting voting policies that account for portfolio impacts of externalized costs.*

   The report should account for legal limitations on Company actions, including limitations imposed by fiduciary duty.

Metrics Disclosure

The Episcopal Church has filed what appears to be the only request to produce a sustainability report, at the pet goods and services firm **Chewy**. It wants an annual report "describing the company's environmental, social, and governance (ESG) policies, performance, and improvement targets, including a discussion of greenhouse gas (GHG) Chewy emissions management strategies and quantitative metrics."

Otherwise, one proposal from an individual at **CVS Health** seeks a report on "documented transgressions of the ESG policies and procedures," but CVS says the proponent failed to prove his stock ownership and argues it is too long, making an omission likely.

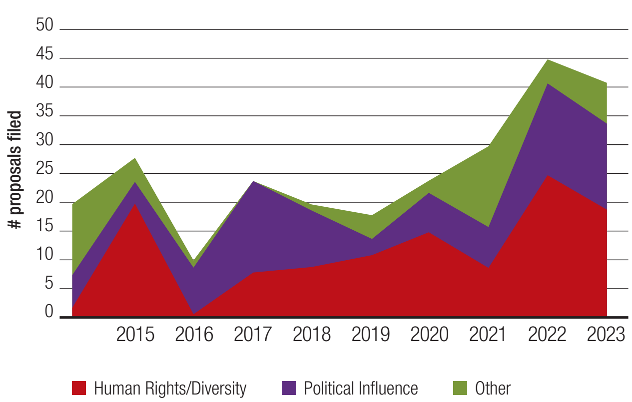
Anti-ESG

While much recent public controversy about sustainable investment has centered around climate change and fossil fuel companies, almost all the shareholder proposals from organizations opposed to ESG investment considerations instead are about social issues. This section examines these proposals, which share a belief that corporate America is too liberal—"woke" in current parlance. The volume of proposals from "anti-ESG" perspectives stands at 43, up 60 percent over last year at this time, when Si2 had identified 27 resolutions. This suggests the 2022 record certainly will be broken. (Anti-ESG groups do not publish their plans in advance and declined to provide Si2 with lists of their filings, although one blog post from one group provides some data. Information here comes mainly from SEC records about resolution challenges and a few early proxy statements.)

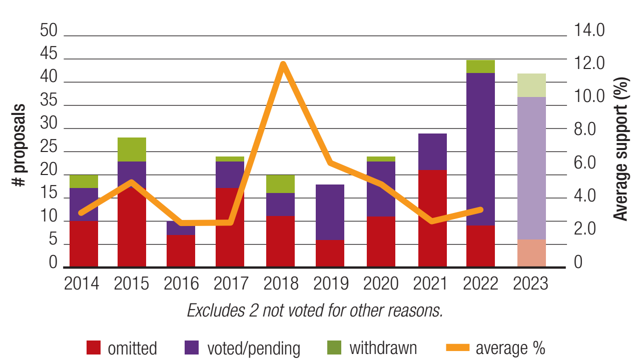
The greatest number of anti-ESG proposals question the wisdom of racial and ethnic diversity on boards and suggest that diversity, equity and inclusion (DEI) programs and anti-racism initiatives discriminate against conservative white people. They contend that a liberal agenda from investors and companies will damage the economy and American culture; they also argue ESG matters have no bearing on the bottom line. *(Left graph shows issues over the last decade.)*

The ideas in anti-ESG resolutions have no traction with investors—nor with many companies—and on average earn 4 percent support or less. *(Right graph.)* The sole exception concerns doing business in China, where the left and right agree that China's authoritarianism is deeply problematic, as is its persecution of the Uyghur people. Given the low level of support, few qualify for resubmission. Further, these resolutions tend to have procedural flaws, although many in the past also were omitted for substantive reasons. There is little visibility about any engagement between these proponents and companies.

Anti-ESG Proposal Types



Anti-ESG Proposal Outcomes



A few anti-ESG proponents have copied verbatim the resolved clauses of their ideological opponents, or use language in resolved clauses that makes the resolutions appear to support sustainability objectives—although the rest of the proposals cite right-wing opinion pieces and argue against their purported goal. This "Trojan horse" tactic has produced some high votes on political influence resolutions and was responsible for the 2018 bump-up in average support, which proved ephemeral.

Anti-ESG

Company	Proposal	Proponent	Status
Board Oversight			
Levi Strauss	Establish board committee on social policy & financial sustainability	National Center for Public Policy Research	omitted
Warner Bros. Discovery	Establish board committee on social policy & financial sustainability	National Center for Public Policy Research	omitted
Climate Change			
Alliant Energy	Report on net-zero goal feasibility	Steven J. Milloy	May
Chevron	Set up board decarbonization risk committee	David Bahnsen	May
Duke Energy	Set up board decarbonization risk committee	National Center for Public Policy Research	May
Health			
Eli Lilly	Report on risks of abortion-related policy action	National Center for Public Policy Research	May
Human Rights/Diversity			
American Express	Report on risks of tracking weapons sales	National Center for Public Policy Research	May
Apple	Report on risks of racial justice efforts	National Center for Public Policy Research	1.4%
Apple	Report on ties to Communist China	National Legal and Policy Ctr.	4.4%
Boeing	Report on ties to Communist China	National Legal and Policy Ctr.	April
Coca-Cola	Report on risks of racial justice efforts	National Center for Public Policy Research	omitted
Comcast	Report on ties to Communist China	National Legal and Policy Ctr.	June
Deere	Report on risks of racial justice efforts	National Center for Public Policy Research	omitted
General Motors	Report on ties to Communist China	National Legal and Policy Ctr.	June
Home Depot	Rescind racial justice programs	National Center for Public Policy Research	May
JPMorgan Chase	Report on risks of anti-discrimination policies	David Bahnsen	May
JPMorgan Chase	Report on biased account closures	National Legal and Policy Ctr.	May
Kroger	Report on excluding viewpoint diversity from EEO policy	National Center for Public Policy Research	June
M&T Bank	Report on risks of anti-discrimination policies	Inspire Investing	withdrawn
Mastercard	Report on biased account closures	National Legal and Policy Ctr.	June
McDonald's	Report on ties to Communist China	National Legal and Policy Ctr.	May
Merck	Report on ties to Communist China	National Legal and Policy Ctr.	May
Meta Platforms	Report on government censorship	National Legal and Policy Center	May
PayPal	Report on risks of anti-discrimination policies	National Center for Public Policy Research	May
Progressive	Report on risks of racial justice efforts	National Center for Public Policy Research	withdrawn
Starbucks	Report on ties to Communist China	National Legal and Policy Ctr.	03/23/2023
Walmart	Report on ties to Communist China	National Legal and Policy Ctr.	June
Walt Disney	Report on ties to Communist China	National Legal and Policy Ctr.	April
Wells Fargo	Report on biased account closures	National Legal and Policy Ctr.	April
Human Rights/Media			
AT&T	Report on biased news media	National Center for Public Policy Research	April
Political Influence			
Boeing	Report on business partnerships & fiduciary duty	National Center for Public Policy Research	withdrawn
ExxonMobil	Report on board member political activity	Consumer's Research	May
Human Rights/Diversity	Report on business partnerships & fiduciary duty	National Center for Public Policy Research	omitted
Johnson & Johnson	Report on business partnerships & fiduciary duty	National Legal and Policy Ctr.	April
Kroger	Report on charitable contributions	Eichhold Trust	June
McDonald's	Report on public policy advocacy	David Bahnsen	May
Merck	Report on charitable contributions	David Bahnsen	May
Metlife	Report on business partnerships & fiduciary duty	David Bahnsen	April
PepsiCo	Report on public policy advocacy	David Bahnsen	withdrawn
Pfizer	Report on business partnerships & fiduciary duty	National Center for Public Policy Research	omitted
Starbucks	Create board committee on policy advocacy impact	National Center for Public Policy Research	03/23/2023
Walt Disney	Report on charitable contributions	Thomas Strobhar	April

Human Rights & Diversity

China: The NLPC last year earned notable support for one of its resolutions about ties to China, with two proposals that said business in China holds undisclosed risks. It earned 12.2 percent at **3M** and a more usual 4.5 percent at **Verizon Communications**. It is proposing the same thing this year and nine proposals are pending, with the first two going to votes in March. It earned 4.4 percent at **Apple** and will see a vote on March 23 at **Starbucks**. The resolution asks each company to:

> *report annually to shareholders on the nature and extent to which corporate operations depend on, and are vulnerable to, Communist China, which is a serial human rights violator, a geopolitical threat, and an adversary to the United States. The report should exclude confidential business information but provide shareholders with a sense of the Company's reliance on activities conducted within, and under control of, the Communist Chinese government.*

*(A similar proposal at **Meta Platforms** is covered in the Human Rights section, p. 66, but it is not substantively different; the proponent there withdrew after a procedural problem.)*

Racial justice audit risks: Prompted by requests to conduct racial justice audits, the NCPPR filed mirror image proposals asking about the risks of anti-racism assessments and programs. The proposal last year received an average of 3 percent support at 10 companies, but NCPPR nonetheless has filed at four companies this year (with more likely to emerge). So far the only vote is at **Apple** (it earned 1.4 percent), given procedural flaws with the filings at **Coca-Cola**, **Deere** and **Progressive**. The resolution asks for (emphasis added):

> *an audit analyzing the Company's impacts on civil rights and non-discrimination, and the impacts of those issues on the Company's business. The audit may, in the Board's discretion, be conducted by an independent and unbiased third party with input from civil rights organizations, public-interest litigation groups, employees and other stakeholders—**of a wide spectrum of viewpoints and perspectives**. A report on the audit, prepared at reasonable cost and omitting confidential or proprietary information, should be publicly disclosed on the Company's website.*

The only difference from the resolved clause in anti-racism proposals discussed in the Human Rights section above is the phrase highlighted here, although the supporting statements clash. NCPPR believes that Apple's extensive DEI programs are discriminatory and create harmful controversy. Apple is conducting a civil rights audit and notes its history of commitment to civil and human rights; it describes related oversight and management as important to effective human capital management.

Last year, a request to **Home Depot** that it conduct a racial justice audit earned nearly 63 percent support and the company agreed to conduct the exercise. Irked, NCPPR now is simply asking the company "to rescind the 2022 Racial Equity Audit proposal and reject any racially discriminatory practices at the company" because." It says the audit "may jeopardize Home Depot's value by elevating divisive identity politics above its commitment to excellence, while also raising serious legal and commercial risks." It further contends that these audits "promote claims about 'white supremacy'" that many stakeholders "don't accept." The action is "far beyond the Company's fiduciary remit" and could interfere with profit-maximizing decisions, it asserts.

SEC action—The racial justice audit proposals at **Coke** and **Deere** have been omitted because NCPPR did not prove its stock ownership. **Home Depot's** complaint is substantive, though—it says NCPPR has not used the precatory formulation required for shareholder proposals.

Anti-discrimination policies: Three companies—**JPMorgan Chase**, **M&T Bank** and **PayPal**—face claims that their DEI programs are discriminatory, based on findings from the Viewpoint Diversity Index discussed above. The proposal seeks a report "evaluating how it oversees risks related to discrimination against individuals based on their race, color, religion (including religious views), sex, national origin, or political views, and whether such discrimination may impact individuals' exercise of their constitutionally protected civil rights." The proposal asserts corporate diversity policies restrict free speech rights and threaten American freedoms.

SEC action—It is not clear there will be any votes, although more proposals may pop up unchallenged in proxy statements. All three companies noted here have lodged challenges at the SEC, saying the resolution concerns product and services offerings and workforce management practices. PayPal also says religious and political discrimination are not significant policy issues as determined by the SEC. Inspire Investing has withdrawn and the SEC has yet to respond to the other two companies.

Liberal bias: Three additional proposals call for examination of a purportedly biased approach to the news media, EEO policies and content management:

- **Media bias**—At **AT&T**, the resolution proposes "a report on the potential risks and consequences to the Company associated with the prioritization of non-pecuniary factors when it comes to establishing, rejecting, or failing to continue network relationships on its DirecTV platform." The proposal takes issue with the company's decision not to renew DirecTV's contract with One America News (OAN), a conservative news outlet. It contends OAN was a solid revenue source and that left-wing groups "such as Greenpeace, GLADD, Media Matters, and the NAACP" were responsible for ending the contract, saying the decision showed "viewpoint discrimination" that hurts the bottom line for AT&T investors overall.

- **EEO**—At **Kroger**, NCPPR seeks a report "detailing the potential risks associated with omitting 'viewpoint' and 'ideology' from its written equal employment opportunity (EEO) policy." The resolution argues Kroger is hostile to conservatives and has taken "blatant leftwing actions" with the result that "individuals with conservative viewpoints may face discrimination at Kroger." Cited evidence is that Kroger removed merchandise with political slogans and then worked to advance "a leftwing social agenda" by publishing a guide to support LGBTQ employees. Its current approach invites employee dissent and litigation, a material risk, according to NCPPR.
- **Censorship**—At **Meta**, NLPC sees a home-grown problem with political repression. It seeks a semi-annual reports on the company's

  policy in responding to requests to remove or take down content from its platforms by the Executive Office of the President, Members of Congress, or any other agency, entity or subcontractor on behalf of the United States Government.

  This report shall also include an itemized listing of such "takedown" requests, including the name and title of the official making the request; the nature and scope of the request; the date of the request; the Company's action or inaction to the request; and a reason or rationale for the Company's response, or lack thereof.

  The proposal contends that the Biden administration inappropriately asked Meta to remove misinformation, mentioning COVID-19 posts and Russian propaganda. It suggests the company "cooperates with government officials engaged in unconstitutional censorship" and could be sued, claiming this presents a material risk.

SEC action—AT&T argues the proposal about OAN is ordinary business since it relates to specific products and services and concerns pending litigation. Kroger also says it is ordinary business because it concerns workforce management and employee policies. The SEC has yet to respond.

Gun control: Proponents are using two different approaches to defend personal gun ownership, all at financial companies that have lodged SEC challenges:

- At **JPMorgan Chase**, **Mastercard** and **Wells Fargo**, the proposal is similar to the censorship resolution noted above. It asks for a semi-annual report

  that specifies the Company's policy in responding to requests to close, or in issuing warnings of imminent closure about, customer accounts by any agency or entity operating under the authority of the executive branch of the United States Government. [at Mastercard: or by any representative of a government of any individual state within the U.S.]

  This report shall also include an itemized listing of such requests, including the name and title of the government official making the request; the nature and scope of the request; the date of the request; the outcome of the request; and a reason or rationale for the Company's response, or lack thereof.

  The resolution is new and outside the resolved clause critiques the Biden administration's efforts to combat firearms and precious metals fraud, which the proponent says are unconstitutional constraints on free speech.
- At **American Express**, the proposal's focus on gun sales is more direct. It asks the board to evaluate and report "describing if and how the Company intends to reduce the risk associated with tracking, collecting, or sharing information regarding the processing of payments involving its cards and/or electronic payment system services for the sale and purchase of firearms."

  As noted in the Human Rights section (p. 67), companies have begun to use a new merchant code for firearms sales established by the International Standards Organization. The New York City Comptroller withdrew a proposal this year at American Express after it confirmed compliance with the new industry standard. However, NCPPR suggests the company's use of the new code violates the Second Amendment right to bear arms—and that information collected may be shared with law enforcement and could be used to surveil and harass gun owners.

SEC action—All the recipients of the proposal contend the proposals are ordinary business. JPMorgan also says implementation would be illegal and impossible, since it would require the release of classified information. The SEC has yet to respond.

THE ANTI-ESG SHAREHOLDER PROPONENTS

HEIDI WELSH

Executive Director, Sustainable Investments Institute

Shareholder proponents who oppose most of the ideas supported by ESG investors have been around for a long time, but in the last two years they have filed many more proposals and a few new players have emerged.

The National Center for Public Policy Research (NCPPR) think tank in Washington, D.C., is the main player, although its principals and like-minded supporters also file on their own. NCPPR calls itself "the nation's preeminent free-market" shareholder activist group, via its Free Enterprise Project. Its representatives also attend annual meetings without filing proposals to make statements about corporate policy; these regularly make their way into social media channels. Since 2020, NCPPR has published the *Investor Value Voter Guide*, with its own spin on data presented in this *Proxy Preview* publication. The guide says it helps "Christian and conservative investors vote their shareholder proxies in a manner consistent with their values."

The National Center for Legal and Policy Center (NLPC) also files shareholder proposals, via its Corporate Integrity Project, as part of its mission to combat "practices that undermine the free enterprise system, including corporate giving to groups hostile to a free economy." It has several China proposals this year, among others.

A few individuals also file. One is Steven J. Milloy, a former lobbyist for the tobacco industry who maintains a website that denies climate science; his proposals question the benefits of corporate action to protect the environment—such as those submitted a few years ago on a letterhead that said, "Burn More Coal." Milloy sits on the board of the Heartland Institute, a nonprofit think tank that incubates right-wing policy ideas. At a recent Heartland conference, the treasurer of Utah likened ESG to Nazism.

New entrants in 2023 include:

- Inspire Investing supports clients interested in "biblical investing." It offers Christian financial advisors who "help you glorify God in your financial life," is the "world's largest faith-based ETF provider and offers an online screener with nearly 40,000 tickers for companies or funds, including eight of its own. It names "abortion travel" as a "trending issue," giving negative ratings to eight public companies. Inspire filed a proposal at **M&T Bank** that has been omitted.
- David Bahnsen leads The Bahnsen Group, which manages $4 billion in assets, and sits on the advisory board of the *National Review*, founded by William F. Buckley in 1955 to promote conservative ideas. Bahnsen also sits on the advisory board of the Viewpoint Diversity Index, a project of the Alliance Defending Freedom. ADF works to bolster right-wing causes and has been a key champion for like-minded judges who increasingly dominate the American judiciary, including the U.S. Supreme Court—the result of a years-long campaign from The Federalist Society. Bahnsen has filed at least six proposals, several invoking concerns about the fiduciary duty of companies only to make more money for shareholders.
- William Hild is executive director of Consumers' Research, a Washington, D.C.-based non-profit organization that maintains a webpage tracking anti-ESG legislation. Its Consumers First Initiative, launched in May 2021, says it "has exposed numerous companies that have chosen to put woke politics above consumer interests." Hild has filed a resolution at **ExxonMobil** that questions the motives of one of its board members.

Funding and politics: Many anti-ESG groups appear to receive funding from dark money sources that have connections to Leonard Leo of The Federalist Society and The Marble Trust, which Leo founded in 2020. Neither reveals donors or grantees, but *The New York Times* reported in August 2022 that the trust received an indirect $1.6 billion donation from electronics magnate Barre Seid to bolster work to oppose abortion, undercut voting rights and disrupt efforts to address climate change. An investigative story from CNBC on March 1, 2023, discusses these connections and others between conservative political groups and the currently escalating political campaign against ESG considerations in the capital markets. Leo's connections to anti-ESG work also are assessed in a March 1 story in *Politico*.

Broad aims—Substantial political controversy over the merits of considering ESG factors in investment practices blew up in 2022, with a notable May 2022 opinion piece in *The Wall Street Journal* by former Vice President Mike Pence. Anti-ESG shareholder proponents have been active for years but appear to have a new infusion of cash to pursue their objectives in and outside proxy season. One expressed concern relates to fossil fuel "boycotts" by investment firms and advisors hired by state and local governments and their pension funds, but a more general view from anti-ESG groups is that taking anything beyond immediate financial return into account is a breach of fiduciary duty.

Most recently, the controversy has received national attention because Congress approved rescinding a November 2022 Department of Labor rule that allows pension funds to consider ESG matters in investing retirement savings. The move would turn back the clock to a similar rule eschewing ESG from the Trump administration. That rule had rescinded an Obama-era rule *in favor* of ESG considerations. Biden issued his first veto to reject the change on March 20.

Anti-ESG pushback—The ping-pong volleys of pro- and anti-ESG sentiment continue. From the right side of the political spectrum, the view is that companies and investors are hostage to a liberal agenda, making many of the arguments discussed in this section. Proponents of ESG respond by citing 1) widespread public support for looking at ESG factors, 2) studies from state financial officers that project financial harms from limiting investment options and 3) the recent rejection by some conservative state lawmakers of anti-ESG bills. These developments were covered in a recent article in *The Washington Post*, as well as in a long *New Republic* analysis in February.

Political Influence

Business partnerships: A new proposal questions whether business partnerships are consistent with fiduciary duty. It asks **Bank of America**, **Boeing** and **Pfizer** for

> *a report, at reasonable expense, analyzing the congruency between voluntary partnerships with organizations that facilitate collaboration between businesses, governments and NGOs for social and political ends and the Company's fiduciary duty to shareholders.*

The resolution takes issue with company ties to the World Economic Forum, the Council on Foreign Relations and the Business Roundtable and contends the companies are hiding such connections. These organization have "agendas…antithetical with the Company's fiduciary duty" because they aim to serve many stakeholders, not only shareholders, according to the proponents. At Bank of America, for instance, it says the World Economic Forum "openly advocates for transhumanism, abolishing private property, eating bugs, social credit systems, 'The Great Reset,' and [a] host of other blatantly Orwellian objectives." Such aims are part of an "anti-human, anti-freedom agenda."

A slightly different proposal is before **Johnson & Johnson**. It asks for a report on "the business rationale for its participation in corporate and executive membership organizations, and how such involvement by the Company and its corporate leaders fulfills its fiduciary duty to shareholders."

At **MetLife**, the resolution wants a report on "risks created by Company business practices that prioritize non-pecuniary factors when it comes to establishing, rejecting, or failing to continue business relationships." In the resolution's body, it notes with disapproval the company's decision not to offer a bulk discount to NRA members, the exclusion of firearms makers from investment portfolios, as well as excluding coal companies and oil sands extractors.

SEC action—The proposal fell to procedural errors at Bank of America and Pfizer and has been withdrawn at Boeing after the company argued NCPPR did not prove its stock ownership. MetLife says the proposal is ordinary business since it would affect business decisions for a wide range of stakeholders and does not raise a significant public policy issue. The SEC has yet to respond.

Charitable giving: A persistent concern from anti-ESG proponents is how charitable giving from companies may pose risks given the involvement of recipients in controversial activities. Three proposals have been filed to date on this theme for 2023. The first goes to a vote at **Walt Disney** on April 3, from Thomas Strobhar, who in previous years has voiced opposition to abortion and funding for Planned Parenthood. He would like the company to "consider listing on the Company website any recipient of $10,000 or more of direct contributions, excluding employee matching gifts." The same proposal is at **Kroger**. At **Merck**, it asks for disclosure of contributions of $5,000 or more and wants to know about "the material limitations, if any, placed on the restrictions, and/or the monitoring of the contributions and its uses, if any, that the Company undertakes."

SEC action—Walt Disney lodged an unsuccessful challenge. The SEC disagreed it is ordinary business because it is about contributions to specific organizations and would micromanage. Disney noted the proponent's longstanding opposition to abortion and related shareholder efforts to this end. Merck says the proposal is moot, as does Kroger—which also makes an ordinary business argument; there is no SEC response yet.

Public policy advocacy: David Bahnsen wants **McDonald's** and **PepsiCo** to report annually,

> *listing and analyzing policy endorsements made in recent years. The report should include public endorsements, including press statements released by the company and signing of public statements associated with activist groups and statements of threat or warning against particular states in response to policy proposals.*
>
> *The report should analyze whether the policies advocated can rigorously be established to be of pecuniary benefit to the company and describe possible risks to the company arising from such statements, endorsements, or warnings.*

The proposal is similar to one Vident Advisory withdrew in 2022 at **Target**, which also argued companies should carefully scrutinize their public policy involvement given the contentious nature of the political arena. The company apparently engaged with the proponent, who in the withdrawal letter thanked the company for "getting to understand our point of view."

SEC action—McDonald's has challenged the proposal at the SEC, arguing it is ordinary business since it is about public relations and does not raise a significant policy issue, and also that it is too vague. Similar arguments have not been successful in the past, so the proposal may go to a vote. But PepsiCo says it arrived past the deadline, so an omission there is likely.

Board advocacy oversight committee: An undisclosed proponent will see their resolution go to a vote at Starbucks on March 23. It asks for a new board committee "to oversee and review the impact of the company's policy positions and advocacy on matters relating to the company's ongoing growth and sustainability." Outside the resolved clause the proposal blames "woke policies" for store closures.

Board member political activity: Resurrecting an idea that surfaced 10 years ago about former Al Gore's board seat at **Apple**, Consumer Research executive director Will Hird asks **ExxonMobil** to

> *report to shareholders annually regarding all interviews, speeches, writings or other significant communications relating to ExxonMobil given by members of the Board of Directors to the media or public. The report should include all information necessary for shareholders to monitor and review director communications to the public, including date and transcript, and omit any confidential business information.*

The proposal criticizes board member Jeffrey Ubben, a philanthropist and social investment venture capitalist, for his views on climate change. (Consumer's Research is active in the effort to discredit consideration of ESG issues in the capital markets.)

SEC action—The company has lodged a challenge at the SEC, arguing that it concerns ordinary business because it would micromanage, and because it is about public relations strategy.

Climate change: As noted above, climate change is barely on the agenda of anti-ESG proponents in proxy season, despite the complaint at Exxon. There are three new proposals on the subject, however.

Steven Milloy earned 3.8 percent in 2021 for a proposal asking **Alliant Energy** for a cost-benefit analysis of the company's environmental programs, while contending efforts to combat climate change are futile and that fossil fuels cannot be replaced. This year, he is reiterating this view and wants an annual report "about the company's actual progress toward, and ongoing feasibility of Alliant Energy's announced goal of reaching 'net-zero carbon dioxide (CO2) emissions by 2050 for the electricity we generate.'" He argues that investors need this report because the company's net-zero carbon goal is unattainable and any corporate plan for net zero is "pure fantasy" at best, which will hurt shareholders.

David Bahnsen and NCPPR have filed another proposal at **Chevron** and **Duke Energy**, asking each for a new board committee that will evaluate and report on what they deem "pie in the sky" climate goals whose pursuit will hurt shareholders. The proposal says each company should evaluate its

> *strategic vision and responses to calls for [company] decarbonization on activist-established deadlines. The charter should require the committee to engage in formal review and oversight of corporate strategy, above and beyond matters of legal compliance, to assess the company's responses to demands for such decarbonization schedules, including the potential impacts on the Company from flaws in activists' climate models, the possibility that the U.S. will not force decarbonization according to such schedules, thus obviating "stranded asset" calculations, the possibility that other countries will not adopt similar targets, thus making Company efforts meaningless, concerns about technological or economic infeasibility, and other relevant considerations.*

SEC action—Alliant says the proposal is moot given its current oversight and disclosure efforts. Chevron says it is similar to an earlier proposal that did not earn enough to qualify for resubmission in 2020; Arjuna Capital asked it to set up board committee on climate change and earned 7.6 percent in 2019 and 8.1 percent in 2020, well shy of the 15 percent now needed to qualify for resubmission. Duke Energy initially said it was too long, but NCPPR trimmed the resolution and the company withdrew its challenge. Duke earlier had a proposal with a similar thrust from Milloy, seeking a cost-benefit analysis of environmental programs earned 4.4 percent in 2019, not enough to qualify for resubmission.

Board Oversight

Neither of two proposals NCPPR filed about setting up a more generalized board committee will see a vote because it failed to prove its stock ownership, at **Levi Strauss** and **Warner Brothers Discovery**. It had asked for a committee "to oversee and review the impact of the Company's policy positions, advocacy, and charitable giving on social and political matters, and the effect of those actions on the Company's financial sustainability." Outside the resolved clause, NCPPR claimed that corporate support for civil rights organizations contributes to crime, undermines the police, hurts the economy and supports "civilization-destroying developments that now beset the company."

Health

A final proposal at **Eli Lilly** from NCPPR takes its inspiration from corporate responses to the *Dobbs v. Jackson Women's Health* Supreme Court decision that removed federal protections for abortion rights in June 2022. The proposal claims that the company's public statements in support of abortion rights undercut its diversity policy and respect for those who oppose abortion. It calls for a report

> *detailing the known and reasonably foreseeable risks and costs to the Company caused by opposing or otherwise altering Company policy in response to enacted or proposed state policies regulating abortion, and detailing any strategies beyond litigation and legal compliance that the Company may deploy to minimize or mitigate these risks."*

Eli Lilly has challenged the proposal at the SEC, arguing it is ordinary business since it is about workforce management, does not focus on a significant social policy issue and would micromanage, but the proposal is in the proxy statement and will go to a vote on May 1.

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**.

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2022 Proxy Season Review

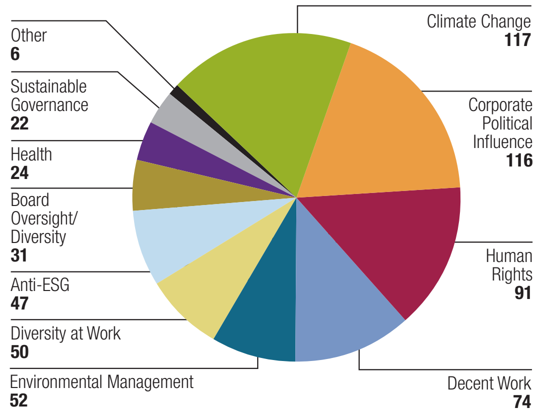
Each recent proxy season has broken earlier records, but the volume of proposals rose even more dramatically in 2022 and the number voted on grew by about 60 percent.

Companies and investors continued to assess proposed mandatory climate disclosure rules and await promised additional required reporting, even as Republican politicians started to inveigh against the concept of "ESG" on the national stage. This injected more political tension into discussions about whether and how investors, investment managers, and companies should consider environmental and social matters and related corporate governance.

Record volume: Investors voted on 316 proposals in 2022, out of 630 filed, but agreements between proponents and companies also yielded a record 272 withdrawals. Only 12 were omitted, down from 39 in 2021 and an historic low.

A slew of low-scoring anti-ESG proposals depressed the overall average. Excluding those resolutions, average support was 29.4 percent, down from 33.4 percent in 2021.

Proposals Filed in 2022



Key themes: Climate change, corporate political influence and diversity (on the board, in the workplace, and in fair pay) remained key themes and proponents raised many new angles; 37 earned majority support—including 16 on racial justice and diversity concerns, 16 about climate change and the environment and five on corporate political influence.

Regulatory Ferment

While resolution of a lawsuit from shareholder proponents challenging the new Trump-era SEC rules for filing and resubmitting shareholder resolutions was expected, it did not come (and has yet to be resolved for 2023). The Interfaith Center on Corporate Responsibility (ICCR), *As You Sow*, and James McRitchie contend the rulemaking violated the Administrative Procedure Act and should be set aside.

On July 13, 2022, the SEC adopted amendments to its rules for proxy advisory firms, rescinding 2020 rules that many investors felt would "impair the timeliness and independence" of the firms' advice, as the SEC put it in a press release. *(See Harvard Law School Forum on Corporate Governance article for more.)* The changes had been welcomed by many companies, though; the U.S. Chamber of Commerce then filed suit on July 28 to reinstate the rescinded changes. *(That case has yet to be decided.)*

Environmental Issues

Climate change jumped to the top of the proxy season agenda, buttressed by new environmental justice angles and many on corporate political influence.

Climate change: The number of proposals specifically on climate change jumped to 117 (up from 79 in 2021), with 46 votes and 68 withdrawals. Proposals about emissions became more specific, explicitly seeking net-zero targets and reports, at many new recipients.

GHG emissions—Investors evinced strong support for adopting science-based targets, with three majorities: 87.6 percent at construction supplier **Builders FirstSource** (with company support), 70 percent at **Costco Wholesale** and 88.5 percent at food distributor **US Foods Holdings** (no management recommendation). Several companies agreed to set the requested targets, but none were energy companies. In the oil and gas sector, where several votes in 2021 asking for more general target setting were above 50 percent, the highest vote was 41.8 percent at **ConocoPhillips** for a specific request on timeframes and targets.

Reporting on GHG targets was popular when it went to a vote, with a 54.8 percent result at Dollar Tree and 47.1 percent at **Valero Energy**. *As You Sow* withdrew three proposals on Scope 3 methane emissions after agreements at Dominion Energy, Duke Energy and Southern. But a **Dominion Energy** proposal seeking a report on stranded carbon assets earned a whopping 80.1 percent. **Chevron** supported a methane reporting proposal and the vote was 98 percent.

Financing—Proposals to banks asked for new limits on fossil fuel project finance or underwriting were new and the highest vote was 19.4 percent at **Chubb**. Resolutions seeking disclosure of GHG emissions financing earned far more, with votes of 72.2 percent at **Chubb** and 55.8 percent at **Hartford Financial Services**. A rare but notable withdrawal occurred when **American International Group** said it had set net-zero targets across its underwriting and investment portfolios.

Strategy and risk assessment—Agreements abounded (15) between investors and companies about reporting on how to lighten carbon footprints via climate transition plans detailing strategy, emissions and targets. **Boeing** supported one of the six proposals seeking corporate plans for transitioning to a low- or no-carbon economy; the vote was 91.4 percent. **Caterpillar** also supported a call for a Paris climate treaty-compliant plan, producing a 96.5 percent vote.

The number of proposals asking for audited climate transition plans grew to nine and one earned 51 percent at **ExxonMobil**, although probably more significant were the seven withdrawals in which companies promised action.

Nine proposals sought disclosure of different climate-related impacts; the highest votes were 35.4 percent for a water impacts study at **Tesla** and 35.4 percent favoring a report on refrigerants and GHG emissions at **Kroger**.

Deforestation—Just one of six proposals on efforts to slow forest loss went to a vote (the others were withdrawn with agreements); investors gave 64.7 percent support to a Home Depot proposal seeking more details on its efforts to protect forests in its wood products supply chain.

Environmental management: The number of environmental management proposals rose to 52, split about evenly between waste/pollution and agricultural practices.

Waste & pollution—Most waste proposals asked companies to cut back on producing and using plastics given harmful impacts on the oceans in particular, focusing on single-use applications. There were two majorities: 95.4 percent at **Jack in the Box** (despite management opposition) and 50.4 percent at **Phillips 66** about shifting to recycled polymer production.

Agricultural practices—Proponents asked for reports on antibiotic usage, pesticide risks and animal welfare. The highest scoring were a resolution on pesticides and health risks at **Archer-Daniels-Midland** (33.7 percent) and another on animal welfare at **Papa John's International** (41.8 percent).

Majority Votes in 2022

Company	Proposal	Proponent	Vote (%)
Climate Change			
Boeing	Report on climate-related transition plan	*As You Sow*	91.4*
Builders FirstSource	Adopt net-zero GHG reduction targets	Green Century	87.6*
Caterpillar	Report on Paris-compliant plan to cut carbon footprint	*As You Sow*	96.5*⇱
Chevron	Report on methane emissions/reduction targets	Mercy Investments	98.0*
Chubb	Report on GHG emissions financing	*As You Sow*	72.2X
Costco Wholesale	Adopt net-zero GHG reduction targets	Green Century	70.0X
Dollar Tree	Report on net-zero GHG goals	*As You Sow*	54.8⇱
Dominion Energy	Report on stranded carbon asset risks	Freeda Cathcart	80.1X
ExxonMobil	Issue audited climate transition plan	CBIS	51.0⇱
Home Depot	Report on supply chain deforestation impacts	Green Century	64.7⇱
Travelers	Report on GHG emissions financing	*As You Sow*	55.8X
US Foods Holding	Adopt net-zero GHG reduction targets	Green Century	88.5*
Corporate Political Influence			
Dollar General	Review/report on election spending	John Chevedden	57.0
Gilead Sciences	Report on lobbying values congruency	Maryknoll Sisters	50.2X
Netflix	Review/report on lobbying	Boston CAM	60.4
Travelers	Review/report on lobbying	FAFN	52.7
Twitter	Review/report on election spending	NYSCRF	53.4
Decent Work & Diversity			
Apple	Report on concealment clause risks	Nia Impact Capital	50.0X
Activision Blizzard	Review/report on workplace bias policy	NYSCRF	67.4
IBM	Report on concealment clause risks	Clean Yield Asset Mgt.	64.7
Lowe's	Report on gender/minority pay disparity	Arjuna Capital	58.0
Sunrun	Report on concealment clause risks	Nia Impact Capital	98.2# *
Twitter	Report on concealment clause risks	Whistle Stop Capital	68.9
Walt Disney	Report on gender/minority pay disparity	Arjuna Capital	59.6X
Environmental Management			
Jack in the Box	Report on packaging	Green Century	95.4
General Mills	Report on plastics pollution	Green Century	56.5
Phillips 66	Report on plastics pollution	*As You Sow*	50.4
Sysco	Report on packaging	Green Century	92.1
Human Rights			
Altria	Report on racial justice impacts/plan	Srs. St. Francis/Phila.	62.2
Apple	Report on racial justice impacts/plan	SOC Investment Grp	53.6
Home Depot	Report on racial justice impacts/plan	SEIU Master Trust	62.8
Johnson & Johnson	Report on racial justice impacts/plan	Trillium Asset Mgt.	62.6X
Maximus	Report on racial justice impacts/plan	SEIU Master Trust	64.2
McDonald's	Report on racial justice impacts/plan	SOC Investment Grp	55.8X
Stericycle	Report on racial justice impacts/plan	Teamsters	60.6
Waste Management	Report on racial justice impacts/plan	Teamsters	55.0
Sturm, Ruger	Report on human rights risk assessment	CommonSpirit Health	68.5#

A proposal seeking a report on mandatory arbitration earned 59.4 percent in 2021 at **Sunrun**; a proposal seeking a report on gun safety and harm mitigation at **Sturm**, **Ruger** earned 68.8 percent in 2018. ⇱ Resubmission X SEC rejected challenge * Supported/not opposed by management.

Social Issues

Corporate political influence: The array of proposals asking how companies interact with the political arena and oversee and disclose their spending shifted, in a direction even more apparent in 2023. The primary focus remained on corporate governance oversight and reporting, but more questioned which issues company-connected money supports. Climate-related lobbying proposals expanded. There were 116 proposals about political money overall, up from 89 in 2021.

Lobbying—Forty-three proposals in the main lobbying campaign produced 25 votes, including two majorities—60.4 percent at **Netflix** and 52.7 percent at **Travelers**. Proponents hostile to ESG aims sponsored four proposals that used precisely the same language as their foes and earned comparable support—showing investors voted on what the proposals said, not who sponsored them.

The Teamsters brokered a notable agreement at **ExxonMobil**; the union concluded the company's report in February was "a significant step in our ongoing efforts to improve transparency and build trust among our stakeholders. We believe this establishes a new standard in reporting." Most of the two dozen proposals about climate lobbying were withdrawn given a plethora of agreements and high votes the year before. But votes in 2022 were lower, with the highest coming in at 34.6 percent at **Tesla**.

Elections—Investors have considered proposals about election spending oversight and disclosure since 2003 but voted on only nine in 2022, with two majorities—57 percent at Dollar General and 53.4 percent at **Twitter**. Thirteen of 15 withdrawals came after agreements.

Values congruency—Political influence proposals rose with attention to mismatches between stated corporate policies and the actions of politicians and groups they support. Rhia Ventures and its allies were the most prolific, raising questions about reproductive health rights, while also mentioning diversity, voting rights and climate change. Votes were high—44.1 percent at **AT&T**, 46.3 percent at **CIGNA** and 42.6 percent at **Home Depot**. ICCR members concerned about lobbying and access to medicine saw a bare majority of 50.2 percent at **Gilead Sciences** as well as 43.3 percent at **Johnson & Johnson**.

Decent work: About half of the record-high 74 proposals about decent work addressed differential compensation on the basis of race and gender, while the rest dealt with working conditions and benefits.

Fair pay—Proposals on adequate employee pay ran the gamut from tipped wages to low starting pay and the highest vote was 29.5 percent at **Kroger**. Resolutions continued from Arjuna Capital and Proxy Impact about median gender/racial pay disparity data and there were two majorities—58 percent at **Lowe's** and 59.6 percent at **Walt Disney**.

Fair treatment—New angles abounded in the 30 proposals on working conditions. The biggest group about concealment clauses that can hide malfeasance and votes included majorites at **Apple** (50 percent), **IBM** (64.7 percent), **Sunrun** (98.2 percent with management support) and **Twitter** (68.9 percent). Investors also gave near-majority support (46.9 percent) to a NYSCRF proposal seeking an assessment of harassment and discrimination at **Tesla**, which has faced multi-million dollar settlements and negative press. New proposals asked about worker misclassification, with the strongest of three votes hitting 35.7 percent at **Lowe's**.

Health and safety—Two of four proposals about worker health and safety at **Amazon.com** went to votes, with the highest earning 44 percent.

Paid sick leave—The SEC switched course on allowing paid sick leave proposals and two of six filings appeared on proxy ballots; the highest vote was 33.8 percent at **TJX**.

Diversity at work: Shareholder proponents continued to respond to the Black Lives Matter movement with resolutions seeking seeking more diversity data, but there were only seven votes given many agreements. Votes varied, with two different proposals at **Charter Communcations** each earning about 45 percent.

Ethical finance: A tax compliance proposal at **Amazon.com** referenced the Global Reporting Initiative's 2019 standard, survived an SEC challenge and received 17.5 percent. More are on tap for 2023.

Health: The most striking outcome on health proposals was the nearly complete lack of agreement between shareholder proponents and companies: there were only three withdrawals out of 24 filings, and companies challenged 15 resolutions at the SEC on multiple grounds, without much success.

Covid-19—Pharmaceutical companies faced resolutions about fair access and pricing for Covid-19 vaccines and treatments, with most votes in the 30-percent range. ICCR members also articulated concerns about "patent thickets" that keep drug prices high in new proposals that earned fairly strong support; the highest vote was 39.6 percent at **Gilead Sciences**. That issue also continues with even more specificity in 2023.

Product impacts—Resolution on the impacts of food and household products made up another chunk, but unhealthy food proposals got only modest support (in the low teens).

Reproductive health—In addition to its political influence proposals, Rhia Ventures again asked how companies would handle risks associated with reproductive health rights restrictions. Right after proxy season ended, the U.S. Supreme Court's June overturned *Roe v. Wade*, ending 50 years of federal rights to an abortion. The decision roiled the fall midterm elections and is fueling many more proposals in 2023. The highest 2022 vote was 32.3 percent at **Lowe's**.

Human rights: Proposals about human rights reached a new height of 91, driven by many seeking racial justice audits, with other still interested in setting standards and reporting on performance, in addition to calling out the ills of technology.

Racism—Resolutions seeking formal racial justice or civil rights audits earned eight majorities, at **Altria** (62.2 percent), **Apple** (53.6 percent), **Home Depot** (62.8 percent), **Johnson & Johnson** 62.6 percent), the government services firm **Maximus** (64.2 percent), **McDonald's** (55.8 percent), **Stericycle** (60.6 percent), and **Waste Management** (55 percent). But proponents also withdrew at 30 companies, with agreements at all but three firms, as companies agreed to release data and/or conduct the requested analysis. The first of the audits are due in the first quarter of 2023. Five new proposals also discussed environmental justice and indigenous rights, with the highest vote 35.6 percent at **Republic Services**.

Risk management—Only 13 resolutions voiced longstanding requests for assessments of human rights policies and risks, but there were new angles and four were from proponents generally hostile to ESG considerations. The strongest support of 38.9 percent came for a proposal at **Amazon.com** on labor rights; this approach features in 2023 proposals about domestic U.S. organizing rights, at more companies.

Notable agreement between proponent on the left and right ends of the political spectrum continued regarding China's oppression of the Uyghur people. The National Legal & Policy Center noted **Walt Disney** thanked the Chinese government for its help in filming the live-action version of *Mulan* in the province where Uyghurs have been detained in work camps; it received 36.8 percent for a report request.

Technology misuse—Social media platform companies again faced proposals about surveillance, censorship and content management. **Alphabet** alone saw six separate proposals and support was about 41 percent for two resubmitted resolutions on surveillance technology harms.

Content management—Most notable was a third-year resubmission about online child sexual exploitation at **Meta Platforms** that received 17.3 percent (nearly 57 percent of the non-management controlled vote).

Weapons—Age old concerns from faith-based investors at weapons companies accounted for eight proposals nd produced a strong majority of 68.5 percent at gunmaker **Sturm**, **Ruger** supporting a human rights impact assessment, but votes were in the mid-20-percents at two defense firms. The vote on a request to adopt a human rights policy at another gun company, **Smith & Wesson**, was 41.8 percent.

Conflict zones—Investors gave only modest support to proposals about company operations in conflict zones; the highest votes was 17.1 percent for a new resolution that sought a report from **Alphabet** on how it considers countries' human rights records when locating its global cloud data centers.

Sustainable Governance

Proposals seeking generalized reports on sustainability, board diversity and specific board oversight now occupy a much smaller part of proxy season than in the past, a decline that continues in 2023.

Board diversity: While 22 proposals asked for disclosure or policies on more diverse board of directors, only eight went to votes. The highest vote for a board diversity proposal was 36.3 percent at **Corvel**, a risk management firm, in favor of reporting not just on the diversity of board candidates and executives. Eight of nine proposals seeking disclosure of director attributes in a matrix format were withdrawn after agreements; this type of reporting is now mandatory for firms listed on the Nasdaq exchange.

Board oversight: Only three proposals seeking specific types of board oversight went to votes, with modest results; the highest vote was 14.9 percent for a human rights expert at **Twitter**, but proponents also withdrew four proposals after agreements to ensure more board focus on climate change, human capital and sustainability.

Sustainability: Proponents introduced some new ideas, with 15 votes and seven withdrawals.

Metrics disclosure—A new proposal from *As You Sow* asked about employee retirement plan alignment with company climate goals but votes were 11 percent or less. More appear in 2023.

ESG pay links—Proposals seeking links between executive pay and various sustainability metrics continued and produced high votes at health care companies. Requests to include extraordinary legal costs in pay calculations, keeping in mind the impact of opioid litigation, produced votes of 35.5 percent at **AmerisourceBergen** and 47.7 percent at **Johnson & Johnson**.

Anti-ESG

The field of proposals from proponents who do not believe ESG factors should be considered by companies or investors substantially expanded in 2022, but support levels remained in the basement. There were 47 filings explicitly opposed to ESG, 33 votes, 11 omissions and three omissions. Only five earned enough to be resubmitted.

Diversity and censorship: Proposals questioned the merits of corporate programs to enhance diversity, equity and inclusion, claimed overly liberal directors dominate boardrooms and railed against communism. They also suggested the U.S. government censored anti-vaccine sentiment.

Corporate political influence: While copy-cat proposals from right-wing groups that used the resolved clauses of the dominant political influence campaign earned support similar to the main campaign, a dozen others on charitable contributions did not pick up much steam when they suggested giving to liberal groups could hurt company reputations. The highest vote was 9.3 percent at **Meta Platforms**.

Sustainability: Two proposals asked companies to report on the risks of becoming a public benefit corporation but neither earned more than 3 percent. A request at **International Paper** to conduct a cost-benefit analysis of its environmental programs received 1.7 percent.

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 Change	Environmental Management	Corporate Political Influence	Decent Work	Diversity at Work	Health	Human Rights	Other	Sustainable Governance	Anti-ESG	Grand Total
A.O. Smith					✓						1
Abbott Laboratories			✓				✓		✓		3
AbbVie			✓✓			✓					3
Activision Blizzard				✓							1
Adobe					✓						1
AECOM	✓										1
Air Transport Services Group	✓										1
Alliant Energy										✓	1
Alphabet			✓✓			✓	✓✓✓✓✓		✓		9
Altria			✓				✓				2
Amalgamated Financial				✓							1
Amazon.com	✓	✓✓	✓✓✓	✓✓✓			✓✓✓✓	✓	✓✓		16
Ameren	✓✓✓										3
American Express						✓	✓			✓	3
American Tower	✓										1
American Water Works							✓				1
Amgen						✓					1
Amphenol			✓								1
Apple			✓	✓✓✓			✓✓✓✓			✓✓	10
Applied Materials				✓							1
AT&T			✓				✓			✓	3
Autodesk				✓							1
Badger Meter					✓						1
Bank of America	✓✓✓				✓		✓				5
Bank of New York Mellon	✓				✓	✓					3
Baxter International					✓						1
Berkshire Hathaway	✓✓				✓				✓		4
Biogen					✓						1
Bio-Rad Laboratories			✓								1
BlackRock				✓			✓		✓		3
Block					✓						1
Bloomin Brands	✓										1
Boeing			✓✓	✓						✓✓	5
BorgWarner	✓										1
Brinker International					✓						1
Bristol-Myers Squibb						✓			✓		2
Builders FirstSource	✓										1
C.H. Robinson Worldwide	✓										1
Caesars Entertainment			✓								1
California Water Service Group	✓										1
Campbell Soup									✓		1

Continued on next page

Company	Climate Change	Environmental Management	Corporate Political Influence	Decent Work	Diversity at Work	Health	Human Rights	Other	Sustainable Governance	Anti-ESG	Grand Total
CarMax	✓										1
Casey's General Stores		✓									1
Caterpillar			✓				✓				2
CDW			✓								1
Centene						✓					1
CenterPoint Energy	✓										1
Charles River Laboratories International			✓					✓			2
Charles Schwab				✓							1
Charter Communications			✓		✓						2
Cheesecake Factory	✓										1
Chevron	✓✓✓	✓					✓✓	✓		✓	8
Chewy									✓		1
Chipotle Mexican Grill			✓				✓✓				3
Choice Hotels International	✓										1
Chubb Limited	✓✓		✓				✓				4
CIGNA			✓								1
Citigroup	✓						✓				2
Cleveland-Cliffs	✓										1
CNX Resources			✓								1
Coca-Cola			✓✓			✓	✓			✓	5
Colgate-Palmolive		✓	✓								2
Comcast	✓		✓				✓		✓	✓	5
ConocoPhillips	✓							✓			2
Constellation Brands	✓	✓									2
Costco Wholesale	✓✓	✓				✓					4
Coterra			✓								1
Cummins									✓		1
CVS Health				✓✓		✓	✓		✓		5
Danaher					✓						1
Deere	✓									✓	2
Delta Air Lines							✓				1
Denny's				✓							1
Devon Energy			✓								1
DexCom				✓							1
Digital Realty Trust				✓	✓						2
Dine Brands		✓									1
Dollar General		✓		✓							2
Dollar Tree	✓	✓		✓							3
DoorDash							✓				1
Douglas Emmett			✓								1
Dow		✓									1
DTE Energy			✓								1
Duke Energy										✓	1
eBay					✓						1
Electronic Arts	✓										1
Elevance Health (formerly Anthem)		✓	✓			✓✓	✓				5
Eli Lilly			✓✓✓		✓	✓				✓	6
EOG Resources	✓		✓								2
Essential Utilities (was Aqua America)		✓									1
Etsy				✓							1
Expeditors International of Washington					✓						1
ExxonMobil	✓✓✓✓✓✓✓✓	✓						✓		✓	11

Continued on next page

Company	Climate Change	Environmental Management	Corporate Political Influence	Decent Work	Diversity at Work	Health	Human Rights	Other	Sustainable Governance	Anti-ESG	Grand Total
FedEx				✓							1
Ford Motor					✓			✓			2
Freeport-McMoRan	✓										1
Gannett							✓				1
General Dynamics							✓				1
General Electric	✓										1
General Mills		✓✓									2
General Motors										✓	1
GEO Group							✓				1
Gilead Sciences						✓					1
Global Payments							✓				1
Goldman Sachs	✓✓✓		✓	✓			✓				6
Halliburton					✓						1
Hartford Financial Services Group	✓						✓				2
HCA Healthcare		✓	✓			✓			✓		4
Hershey							✓				1
Hewlett Packard Enterprise			✓								1
Hilton Worldwide Holdings				✓							1
Home Depot			✓							✓	2
Honeywell International					✓				✓		2
Hormel Foods	✓	✓									2
Human Rights/Diversity										✓	1
Humana						✓✓					2
Huntington Bancshares	✓										1
Huntington Ingalls Industries			✓								1
IDEX					✓						1
Illinois Tool Works	✓										1
International Business Machines			✓	✓							2
Intuitive Surgical				✓							1
IPG Photonics					✓						1
Jack in the Box		✓									1
Johnson & Johnson						✓✓	✓			✓	4
JPMorgan Chase	✓✓✓		✓							✓✓	6
Kadant	✓										1
Kellogg				✓							1
Keurig Dr Pepper		✓									1
KeyCorp							✓				1
Keysight Technologies							✓				1
Kinder Morgan	✓✓		✓								3
Kraft Heinz	✓✓										2
Kroger		✓		✓✓		✓	✓			✓✓	7
L3 Harris Technologies			✓								1
Laboratory Corporation of America						✓		✓			2
Levi Strauss										✓	1
LKQ				✓							1
Lockheed Martin	✓				✓		✓				3
Lowe's						✓					1
Lumen Technologies (formerly CenturyLink)							✓				1
M&T Bank										✓	1
Macy's				✓							1
Marathon Oil	✓										1
Marathon Petroleum	✓✓✓										3

Continued on next page

Company	Climate Change	Environmental Management	Corporate Political Influence	Decent Work	Diversity at Work	Health	Human Rights	Other	Sustainable Governance	Anti-ESG	Grand Total
Marriott International				✓							1
Martin Marietta	✓										1
Mastercard			✓✓				✓			✓	4
Match Group			✓								1
Maximus					✓						1
McDonald's		✓✓✓✓	✓	✓		✓				✓✓	9
Merck			✓			✓✓				✓✓	5
Meta Platforms			✓✓			✓	✓✓✓✓✓✓		✓✓		11
Metlife										✓	1
Microsoft								✓	✓		2
Moderna						✓					1
Mohawk Industries							✓				1
Molina Healthcare		✓							✓		2
Mondelez International		✓					✓				2
Morgan Stanley	✓✓✓										3
Mosaic	✓										1
Mueller Industries	✓										1
Netflix				✓			✓		✓		3
NextEra Energy	✓			✓							3
NiSource			✓								1
Nordstrom				✓							1
Norfolk Southern	✓			✓							2
Northrop Grumman			✓								1
Nucor	✓										1
Olympic Steel	✓										1
ON Semiconductor	✓										1
OraSure Technologies	✓										1
Ovintiv	✓										1
PACCAR			✓								1
Papa John's International	✓										1
PayPal			✓			✓	✓✓			✓	5
PENN Entertainment			✓								1
PepsiCo						✓				✓	2
Pfizer			✓			✓✓				✓	4
Philip Morris International					✓	✓					2
Phillips 66	✓	✓	✓								3
Pilgrim's Pride	✓										1
Pinterest				✓							1
PNC Financial Services Group	✓						✓				2
Post Holdings		✓									1
Progressive										✓	1
Public Storage	✓										1
Quanta Services	✓										1
Quest Diagnostics	✓										1
Raytheon	✓				✓						2
Regeneron Pharmaceuticals						✓					1
RH		✓									1
Rivian Automotive							✓				1
Royal Caribbean Cruises		✓									1
Ryerson Holding	✓										1
Salesforce.com							✓				1
ServiceNow			✓								1

Continued on next page

Company	Climate Change	Environmental Management	Corporate Political Influence	Decent Work	Diversity at Work	Health	Human Rights	Other	Sustainable Governance	Anti-ESG	Grand Total
Simon Property Group					✓						1
Skechers U.S.A.	✓										1
SoFi Technologies			✓								1
Southern	✓✓				✓		✓				4
Southwest Airlines	✓										1
Starbucks		✓					✓			✓✓	4
State Street									✓		1
Stericycle			✓								1
Stryker			✓								1
Sturm, Ruger							✓				1
SVB Financial Group							✓				1
Targa Resources	✓✓										2
Target					✓						1
Tesla			✓				✓				2
Texas Instruments					✓		✓				2
Texas Roadhouse	✓✓										2
Thermo Fisher Scientific				✓	✓						2
TJX				✓		✓	✓				3
T-Mobile US					✓						1
TransUnion							✓				1
Travelers	✓✓		✓✓				✓✓				6
Tyson Foods		✓									1
Uber Technologies			✓	✓							2
Ulta Beauty						✓					1
Union Pacific				✓					✓		2
United Airlines Holdings			✓								1
United Natural Foods	✓						✓				2
United Parcel Service	✓		✓✓		✓	✓			✓		6
UnitedHealth Group		✓	✓			✓	✓				4
Universal Health Services					✓✓						2
Valero Energy	✓✓						✓				3
Ventas			✓								1
Verisk Analytics						✓					1
Verizon Communications			✓								1
Victoria's Secret					✓						1
Visa			✓	✓							2
Wabtec	✓✓✓										3
Walgreens Boots Alliance	✓		✓			✓					3
Walmart				✓✓		✓	✓✓✓			✓	7
Walt Disney		✓	✓✓		✓					✓✓	6
Warner Bros. Discovery			✓							✓	2
Wells Fargo	✓✓		✓	✓			✓✓			✓	7
Wendy's			✓								1
Westlake		✓									1
Williams Companies	✓										1
XPO Logistics	✓										1
Xylem					✓						1
Yum Brands		✓	✓								2
Zillow Group			✓								1
Zoom Video Communications			✓								1
	113	37	85	46	37	40	79	8	22	41	508

Index does not include additional proposals that were not public at the time of the report.

ABOUT PROXY PREVIEW

PROXY PREVIEW 2021 IS A COLLABORATION BETWEEN

AS YOU SOW®

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 Social Justice programs create positive, industry-wide change through corporate dialogue, shareholder advocacy, coalition building, and innovative legal strategies. www.asyousow.org

Si2 Sustainable Investments Institute

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 make 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, integrated reporting and sustainable governance issues. Si2 is largely supported by subscriptions from leading institutional investors, including public and private pension funds, college and university endowments, foundations and fund managers with nearly $5 trillion in assets under management. www.siinstitute.org

PROXY IMPACT

Proxy Impact is a progressive proxy voting and shareholder engagement service for foundations, faith-based and sustainable and impact 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 is an independent, employee-owned firm with an authentic commitment to impact investing that spans nearly five decades. It seeks to advance solutions to the world's most urgent sustainability challenges by engaging portfolio companies directly, voting proxies responsibly, advocating for smart public policy, and contributing to industry best practices related to climate, equality, and governance. Boston Trust Walden provides investment management services to institutional investors and private wealth clients. The firm has approximately $14 billion in assets under management. For more information, please 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, fixed 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. Calvert manages assets on behalf of funds, individual and institutional separate account clients, and their advisors. Calvert is part of Morgan Stanley Investment Management, the asset management division of Morgan Stanley. For more information, visit www.calvert.com.

ClearBridge Investments is a leading global equity manager with $145.6 billion in assets under management (as of September 30, 2022). We are committed to delivering long-term results through authentic active management. ESG considerations are integrated into our fundamental research process across all strategies. Owned by Franklin Resources, ClearBridge operates with investment independence from headquarters in New York and offices in Baltimore, Fort Lauderdale, London, San Mateo, Sydney and Wilmingtont. www.clearbridge.com

Domini Impact Investments is a women-led SEC registered investment adviser that empowers both a diverse range of individual and institutional investors to make a difference, one investment at a time. By applying environmental and social standards across all of its investments, Domini harnesses the power of finance to help create a better world. With an exclusive focus on impact investing that aims to create positive outcomes for our planet and its people while seeking competitive financial returns, Domini works to channel every dollar to advance its goals of universal human dignity and ecological sustainability. The firm's focus on continuously striving for equity, the firm's ongoing continuous innovation and community engagement create strength in numbers, allowing Domini to help fuel tomorrow's prosperity and make "investing for good" the way all investing is done. 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

Future 500 believes that forging better relationships is the first step toward solving our most pressing environmental and social challenges. We envision a future in which business and civil society work as equal partners and responsible stewards of a clean, just, and prosperous world. We help businesses develop skills and relationships that reduce risk, build common ground, and advance their social purpose. Learn more at future500.org.

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

The **Green Century Funds** are one of the first families of fossil fuel free, environmentally responsible mutual funds. For more than 30 years, the Green Century Funds have offered individuals and institutions a way to align their values with their values. Green Century leads an award-winning shareholder advocacy program that works with many of the world's largest corporations and convinces them to change their environmental policies and practices. This year, Green Century's advocates are engaging with companies on biodiversity, climate change, deforestation, plastic packaging, antibiotics use in meat production, and underwriting for new fossil fuel projects.

Learn about our shareholder advocacy, request information, and learn about the Green Century Equity Fund, the Green Century MSCI International Index Fund, and the Green Century Balanced Fund.

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 **Nathan Cummings Foundation** focuses on addressing two of the 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 people of color. To do so, we invest in systemic solutions that advance racial, economic, and environmental justice. In line with our commitment to leverage 100 percent of the foundation's assets in pursuit of people-centric impact, we use our standing as an investor in publicly traded companies to push for changes that further our mission and enhance long-term shareholder value. Visit www.nathancummings.org to learn more.

THE NATHAN CUMMINGS FOUNDATION

Founded in 1990, **NorthStar Asset Management, Inc.** specializes 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.

NorthStar constructs well diversified and balanced portfolios based on personalized asset allocation for each client and our market outlook. Our high conviction global all-cap public equities portfolio consists of strategically selected stocks using our proprietary fundamental and social research and employs shareholder activism to improve corporate behavior. The public fixed income portfolio includes investment grade government, municipal and "green" corporate bonds. We also offer "outside investments" to accredited investors seeking more direct social and environmental impact through micro-lending products, private loans or community loan funds.

NorthStar's activism includes engagement with portfolio companies in an effort 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

NORTHSTAR ASSET MANAGEMENT

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

Raymond James Investment Management, a subsidiary of Raymond James Financial, comprises six boutique investment managers: Eagle Asset Management, Scout Investments, Reams Asset Management, ClariVest Asset Management, Chartwell Investment Partners, and Cougar Global Investments. Each boutique is unique in its investment approach but 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 Raymond James Investment Management approach to responsible investing. With strategies that cross asset classes and investment processes that include ESG incorporation, norms-based screening and active ownership practices, Raymond James Investment Management offers many investment options to meet the financial needs of investors. Please visit us at www.rjinvestmentmanagement.com/esg.

For more than 30 years, the **SRI Wealth Management Group at RBC Wealth Management** has helped our clients to achieve their financial objectives while driving positive social and environmental impact. We are one of the leading financial advisor teams in the country, exclusively focused on sustainable, responsible and impact investing (SRI). Promoting investment strategies that connect financial markets with healthy environments, sustainable communities, and humane and diverse workplaces is at the core of what we do. We lead the way with foundations, endowments, nonprofits and other organizations, as well as with families, celebrities and executives, who want to achieve their financial objectives and represent their vision for social change. *RBC Wealth Management, a division of RBC Capital Markets, LLC, registered investment adviser and Member NYSE/FINRA/SIPC.* us.rbcwealthmanagement.com/sri/

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. Ethics, equity and justice all require us to support 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 must speak up for nature. We support grassroots initiatives that help build a world in which individuals, organizations, and communities are empowered to be stewards of healthy nature and equitable communities, and hold government and corporations accountable to protect the home we all call earth. 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 in 1987 by industry pioneer Amy Domini, 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.

While many firms are just discovering socially responsible investing, we have been integrating ESG into our investment process for over 35 years. We give clients the opportunity to invest today for a better tomorrow through active integration of sustainability into our investment strategy, shareholder advocacy and direct corporate engagement, and meaningful community development and impact investments. sustainabilitygroup.com

Founded in 2007, **Veris Wealth Partners** is an independent, SEC registered, woman-led, B Corp certified wealth management firm with a 100% focus on impact & ESG investing. Veris helps high net worth individuals, families, & foundations manage, grow, and preserve wealth while aligning their wealth with their values.

Our clients' financial and impact goals drive our investment philosophy and portfolio construction process. We believe that investing in companies committed to sustainability and ESG principles can deliver competitive market performance while mitigating risk and that investors can have positive social and environmental impact across all asset classes and strategies through ESG integrated investing, shareholder advocacy, & thematic impact investing. Our impact themes are Climate Solutions & the Environment, Racial & Gender Equity, Sustainable & Regenerative Agriculture, and Community Wealth Building. www.veriswp.com

Zevin Asset Management is a majority women-owned and led investment firm that helps individuals, families, foundations, non-profits and faith institutions across the country grow their assets while seeking justice, equality, and a healthier planet. For over 25 years, Zevin Asset Management's clients have benefited from a risk-mitigating investment approach and positive social impact. Zevin Asset Management's mission is to provide our clients with long-term financial results in-line with their goals and values and to use an investor voice to contribute to social and environmental change. www.zevin.com

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