

July 2021

An Overview of the Trends from the 2021 Proxy Season

July 15, 2021

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Overview of Proxy Season

2021 Proxy Season Highlights



Investors are demonstrating an increased willingness to vote against directors and management proposals if companies do not conform to investor expectations



Diversity considerations continue to be top of mind for investors and other stakeholders, including seeking director and workforce reporting, investor policies on board diversity, laws and potential regulation



Shareholder proposals continue to reflect general societal trends and considerations, including racial justice, equal opportunity, worker and human rights and political issues



Environmental and social issues continue to gain traction and attention, including the first proxy contest win from an ESG-focused activist



Aftereffects of the COVID-19 pandemic are reverberating through proxy season including say-on-pay and compensation reviews, human rights proposals, health and safety responses to the pandemic and a focus on human capital considerations



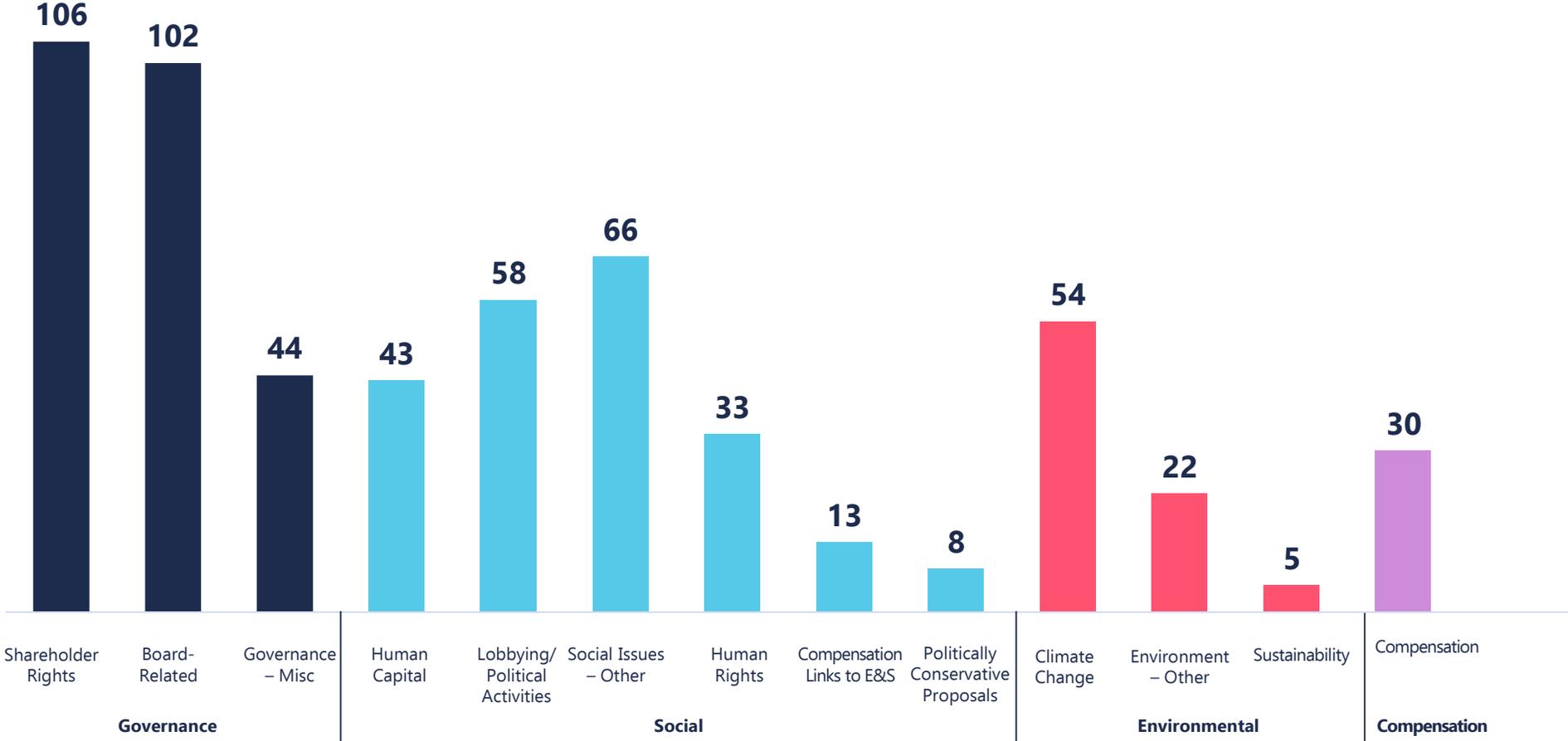
Virtual annual meetings have not been an issue this year as decisions regarding venue were made at the height of the pandemic



While governance proposals are receiving less attention, they continue to be a significant driver of new proposals

ESG Shareholder Proposals

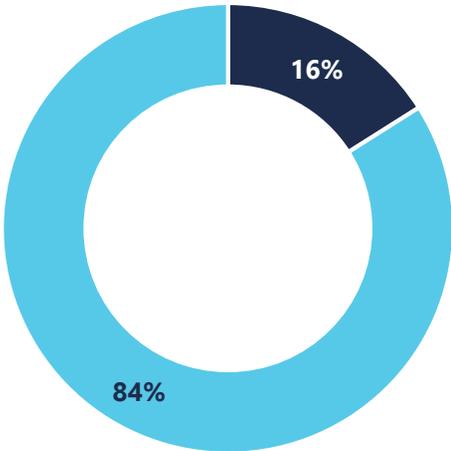
Shareholder Proposal Filings by Category and Subcategory
January 1, 2021 – June 1, 2021



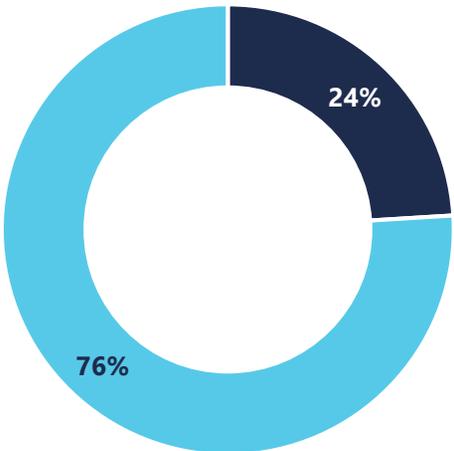
Support for E&S Proposals Continues to Grow

As of June 1, 2021, ISS found that, compared to the same time in 2020, of Russell 3,000 companies with disclosed voting results: there were fewer resolutions voted; a larger share of resolutions received majority support; and more resolutions were focused on E&S issues

2020, Based on 140 Shareholder Proposals



2021, Based on 135 Shareholder Proposals



■ >50% Support
 ■ <50% Support

The top 250 companies have seen increased shareholder support for shareholder proposals as the proxy season advances

- Prior to and including April 15th, only one shareholder proposal received majority support
- Between April 16 and April 26, only one shareholder proposal received majority support
- Between April 27 and April 30, 17% of shareholder proposals received majority support
- Between May 1 and May 30, 16% of shareholders proposals received majority support

Average support for E&S proposals was **approximately 40%** through the end of May 2021, compared with 33% for the same period in 2020
 Median support was **32% for social proposals** and **37% for environmental proposals**

Proposals Reflect Societal Trends

Increasingly, companies are receiving tailored proposals that address societal trends

While these proposals may be submitted to only a handful of companies, they represent a trend of proponents attempting to create social movement through shareholder engagement

Example topics from the 2021 proxy season include:

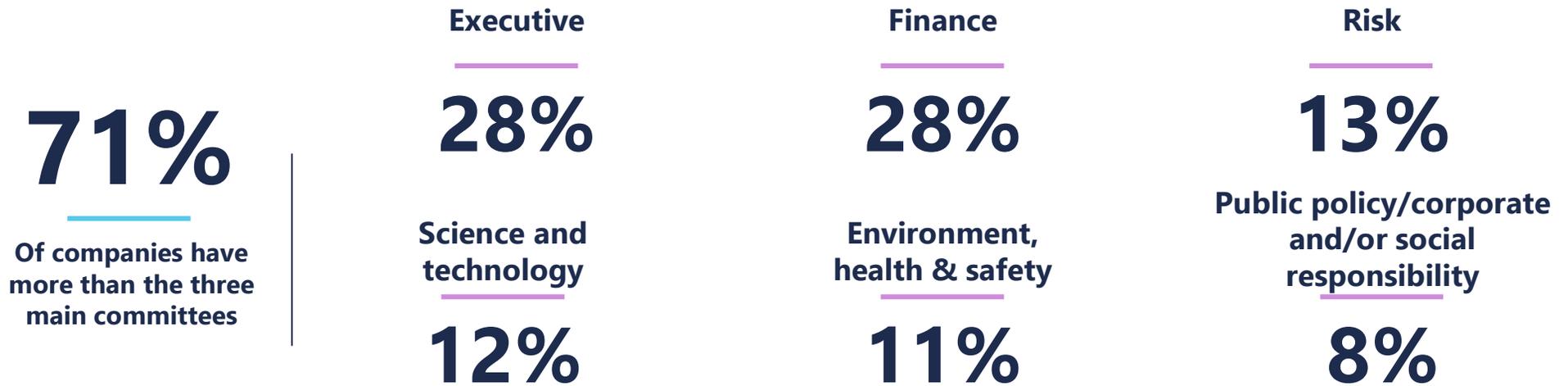
Health	Ideological	Social	Environmental	Workers Rights
<ul style="list-style-type: none"> • Covid-19 • Effects of sugar • Public health-related issues for food and beverage business • Antibiotics in the meat supply • Opioid considerations 	<ul style="list-style-type: none"> • Advertising policies contributing to hate speech • Politically conservative proposals • Lobbying • Surveillance and the cloud 	<ul style="list-style-type: none"> • Indigenous relationships • Prison labor • Prohibition of partnerships with local police • Racial impact of overdraft policies • Reproductive rights • Child labor in supply chain 	<ul style="list-style-type: none"> • Climate • Food waste impacts/metrics • Plastic packaging • Refrigerant impacts • Water pollution • Animal welfare 	<ul style="list-style-type: none"> • Workforce pandemic council • Workplace sexual harassment

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Board and Director Trends

Board Committee Trends

S&P 500 companies average four standing committees, or one additional committee in addition to audit, compensation, and nominating and governance



Executive and finance committees are frequent additional committees, but risk committees are more common than they were a decade ago

- The increase in the number of risk committees (from 4% to 13% in the last 10 years) is likely due to financial institutions, whose regulators may require a risk committee in the aftermath of the financial crisis
- Public policy and corporate and/or social responsibility committees have decreased in popularity (8% in 2021, compared with 14% in 2010), likely due to the view that the corporate governance committee or the full board has oversight of social responsibility issues
- Other committees include legal/compliance, strategy & planning, investment/pension and acquisitions/corporate development

Board Refreshment Trends

Stakeholder attention to board refreshment and the pressure on companies to conduct thoughtful refreshment that reflects changing needs of companies, diversity and broad experience is evident in the continued refreshment of new independent directors elected to over half of S&P 500 companies

413

new independent directors in 2020

The new 2020 directors have a more varied set of backgrounds than non-first-time directors:

74%

With non-CEO, CFO, President, COO backgrounds (compared with 41% of non-first-time directors)

37%

With EVP, SVP, division, subsidiary or unit leadership experience (compared with 17% non-first-time directors)

25%

With financial backgrounds, including CFOs, finance executives and investment professionals

28%

Serving on their first public company board

Only 9% of first-time directors are or were CEOs, compared with 37% of non-first-time directors, and more of the first-time directors with CEO experience are retired, which is unsurprising given the focus on overboarding for active executives in the last few years

The new directors represent only 8% of all S&P 500 directors and over half of S&P 500 boards added one (or more) new directors

Age and Term Trends

63 years

Average age of directors in the S&P 500 (unchanged from last year, but a year older compared to 2010); average age of first-time directors is 54

60–70 years

Ages of half of the S&P 500 directors

34-73 years

Age range of new directors

17%

Number of new directors <50 years

Tend to have backgrounds in: technology, private equity/ investments and consumer sectors; 6% of all directors are <50

Average departure

Tenure

12.7 years

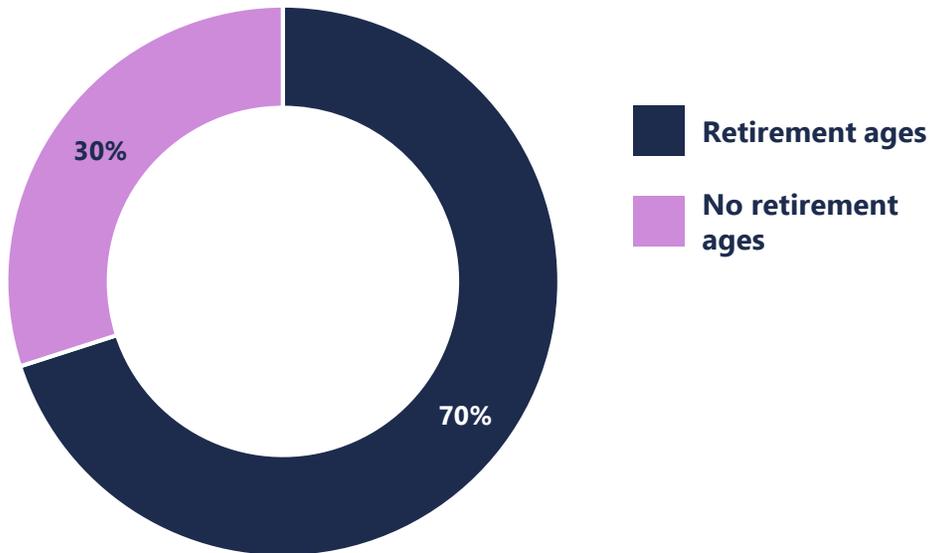
Age

68.5

But the majority were >70 and over a third served on boards for >15 years

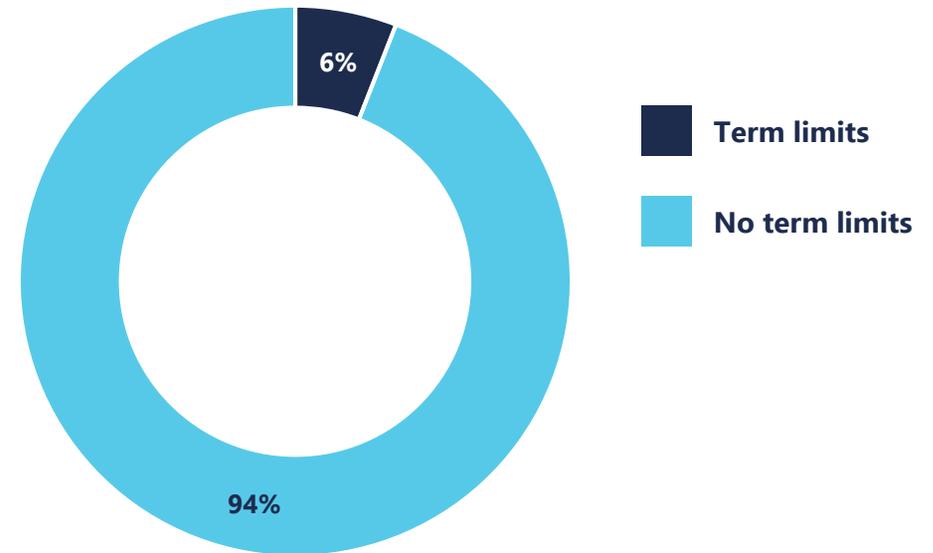
Departure Policies by the Numbers

Mandatory Retirement Age Policies in the S&P 500



- Nearly half of all boards set retirement age at 75 or older
- Directors on boards that do not have age caps tend to be older and have longer tenures

Mandatory Term Limit Policies in the S&P 500



- However, more boards are setting hybrid tenure policies that aim for an average tenure for the board

Individual Director Accountability

There have been a few instances where organizations or groups have developed lists of individual directors that take or fail to take certain actions

- Lists have been a common tool to promote change at companies, but historically the lists contained company names and not individual directors

Dual class directors

CII created a list of “dual-class enablers” that tracks directors of U.S. boards involved in decisions to go public with a dual class structure since 2018

- The list excludes directors to the extent they have included a time-based sunset of seven years or fewer into the structure, and directors at SPACs, FPIs, REITs and IPOs valued at less than \$200m

Political transparency

The Center for Political Accountability conducted a corporate political transparency study that revealed which directors hold seats at two or more companies with ideological or political policies and/or make donations on opposite ends of the spectrum

- The study ranked companies in five tiers, with scores evenly divided among the tiers and studied and produced a list of directors at the top-tier companies that also sit on boards of bottom-tier companies

Companies and individual directors tracked

Number of Companies CII Lists



Individual Directors



Individual votes

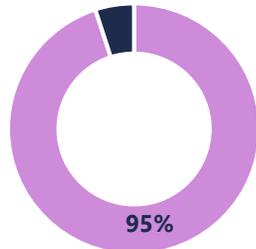
- 44 directors failed to receive at least 50% support for their election or re-election, an increase of almost 29% from 2020
- The percentage of directors that received between 70-90% support also increased

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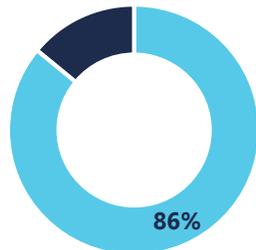
Board and Senior Management Diversity

Boardroom Diversity

% of S&P 500 companies with 2+ women directors



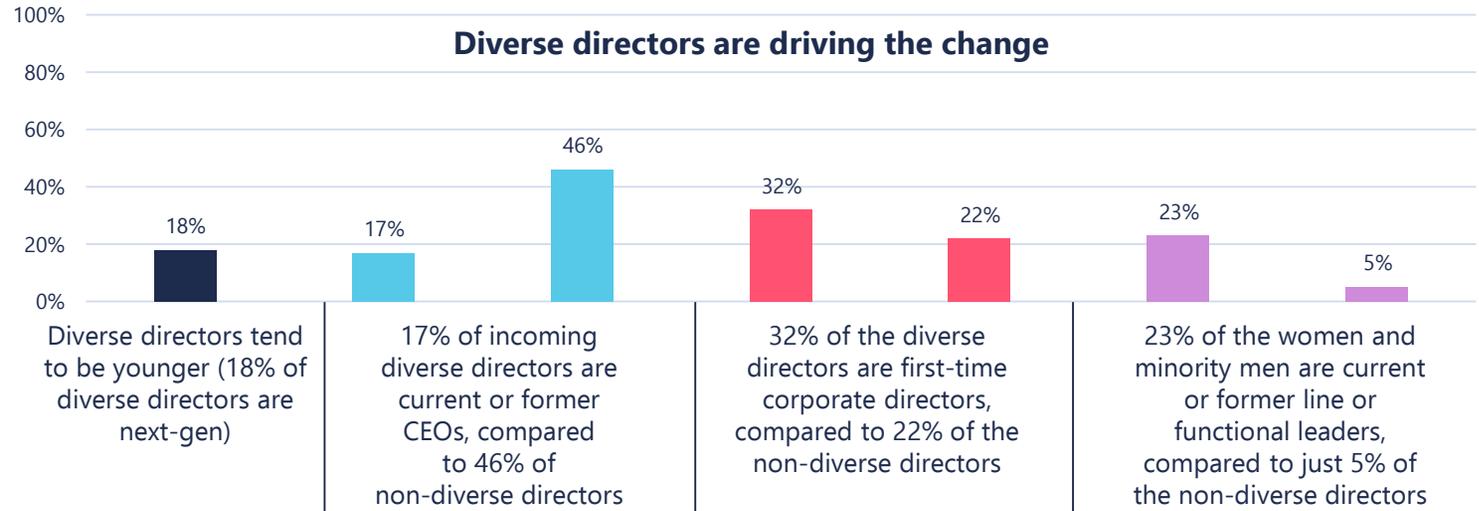
2020



2018



2010



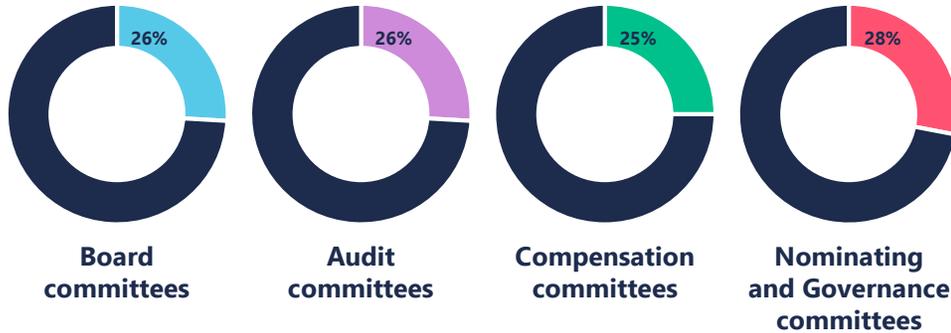
- 59%** New directors in the S&P 500 with gender, racial or ethnic diversity
- 47%** New female directors in the S&P 500 in 2020
- 21%** Overall female directors in the Russell 3000 in 2020 (compared with 10.8% in 2010)
- 28%** Overall female directors in S&P 500 (compared with 16% in 2010)
- 67%** S&P 500 boards with 3+ female directors (compared with 18% in 2010)
- 28%** Of S&P 500 boards that added independent directors in 2020 that expanded size of the board to add a female director
- 22%** New racially/ethnically diverse directors in the S&P 500 in 2020
- 20%** Racially/ethnically diverse directors in the top 200 S&P 500 (compared with 15% in 2010)

Methods used by boards to increase diversity: executive search firm (76%) | prioritize diversity as a criterion (71%) | skills/gap assessment (66%)

Diversity in Leadership

Board and Committee Leadership

- There is increasing scrutiny on how board and committee chairs and lead independent directors are allocated
 - Generally, less credit for leadership on committees outside of audit, compensation and nominating and governance
- Percentage of S&P 500 companies with women chairs in the following positions:



- The biggest strides were made with audit committee and compensation committee leadership, up from 20% and 19%, respectively, in 2018
- But, only seven women, representing 4%, serve as independent board chairs, and 11% are lead directors

A new program with a goal of increasing the ratio of Black executives on S&P 500 boards, the Black Boardroom Initiative, aims to raise the visibility of Black director candidates and is sponsored by a number of S&P 500 companies, including Amazon, Microsoft, Starbucks and Zillow

Management Diversity

- There is increased attention on management diversity and an increase in proposals that focus on senior management diversity
 - Women hold 30 CEO positions, 6% of the S&P 500, as of April 2021, and 11% of the top earners
 - There are four Black CEOs in the Fortune 500
- Stakeholders are also reviewing diversity and gender pay gaps across organizations, and a number of shareholder proposals request companies release EEO-1 data, release reports, or apply the Rooney Rule either to executives or all positions
- There is also increased scrutiny on diversity in leadership roles and racial equity audits, particularly when companies note significantly lower overall diversity
- Some companies have responded with publicly disclosed goals:
 - Proctor & Gamble wants to raise its level of African American employees from 10% to 13%
 - Facebook set a 5-year goal to have 30% more Black leaders
 - General Motors created an inclusion advisory board that meets quarterly
 - Starbucks conducts yearly civil rights assessments of the Company's policies

Source: 2020 Spencer Stuart Board Index, Catalyst, Women CEOs of the S&P 500 (April 1, 2021), NPR You Can Still Count The Number Of Black CEOs On One Hand (May 27, 2021)

Investor Director Diversity Policies

	2020 (or earlier)	2021 and Looking Forward
BlackRock	Encouraged boards to disclose the racial and gender makeup of board members and the process by which board members are identified and selected	Stated proxy voting guidelines that boards should be comprised of a diverse selection of individuals; more voting action against boards not exhibiting diversity in 2022
State Street	Votes against all members of the nominating committee if there were no women on the board	Began voting against the Nom/Gov Chair at S&P 500 companies that do not disclose the board's gender, racial and ethnic composition; in 2022 will vote against S&P 500 Comp Comm Chair for companies that do not disclose their EEO-1 surveys and against the Nom/Gov Chair if there are no directors from underrepresented communities
Vanguard	Publicly requested companies to disclose their efforts to increase board diversity; notably opposed to quotas	May vote against the chair of the nominating committee at companies where progress on board diversity falls behind market norms and expectations
Legal & General Investment Management	Began voting against directors at largest 100 companies in S&P 500 where there were <25% women on the board	Extending its board gender diversity policy to all companies in S&P 500; expects all companies to have minimum of 30% women on the board and in senior management level by 2023
Goldman Sachs	Began voting against all members of the Nom/Gov committee at any company globally that has no female directors; in July 2020 companies needed to have at least one diverse board member for Goldman Sachs to participate in IPO	Will vote against all members of the nominating committee at US companies that do not have at least one female and one additional diverse director; will expand requirement to two diverse members in 2021
NYC Comptroller	Votes against Nom/Gov committee members where the board lacks meaningful diversity (including 80%+ directors of the same gender); submitted proposals to 53 companies, negotiated agreements with 20 companies to adopt the Rooney Rule for new CEO and director candidates and five companies to conduct gender pay gap analysis	Will vote against: incumbent directors at companies with no underrepresented minority directors; incumbent Nom/Gov committee members with one underrepresented minority director; board chairs and incumbent audit committee members at S&P 500 companies that do not disclose the individual director racial/ethnic diversity; incumbent Nom/Gov committee members that have not made both gender and racial/ethnic diversity an explicit consideration in director searches; incumbent directors at companies that failed to adequately respond to the Comptroller's August 2020 letter

Other Diversity Policies

Proxy Advisory Firms

	2020	2021 and Looking Forward
Glass Lewis	Began recommending against chair of nominating committee at S&P 500 and Russell 3000 firms if there were no women on the board	Will note as a concern boards with fewer than two female directors but will make voting recommendations based on the current requirement of at least one female board member; starting in 2022, will generally recommend against the nominating chair if the board has fewer than two female directors
ISS		Will flag in its reports boards that have no apparent racial/ethnic diversity; will recommend against the chair of the nominating committee at firms that have no racially/ethnically diverse directors (exception if the board temporarily decreased its gender diversity and makes a firm commitment to return to a gender-diverse status within a year)

Workforce Diversity: A number of financial institutions have adopted or expanded Rooney Rule policies, largely as a result of shareholder engagement

- **Citi** will expand its policy from requiring one diverse candidate to requiring at least two diverse candidates on interview slates at the assistant VP level and above
- **U.S. Bancorp** will expand its policy from requiring at least one woman or person of color on slates for managers and above to all positions in the company
- **Bank of America** will expand its policy of considering at least one woman and one person of color to include all executive and senior-level roles, as well as a large share of midlevel employees and others
- **JPMorgan** will disclose an assertedly long-held policy of considering at least one woman and one person of color for all new hires in the U.S.

California Board Diversity Requirements

California-headquartered companies are in phase-in periods now and will need to prepare for increased gender and underrepresented board diversity requirements

As of January 1, 2021, California Assembly Bill 979 mandates that California-headquartered public companies listed on NYSE or NASDAQ have at least one director that is an underrepresented minority serve on the board

Starting December 31, 2022, additional requirements for corporations will go into effect:

No. of directors	Minimum underrepresented minority directors
≥9	3
5-8	2
≤4	1

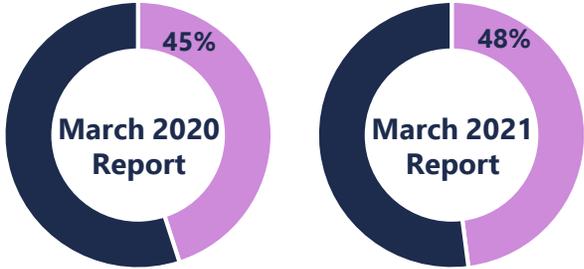
On Dec. 31, 2019, California Senate Bill 826 went into effect mandating California-headquartered public companies listed on NYSE or NASDAQ have at least one woman serve on the board

Starting December 31, 2021, additional requirements for corporations will go into effect:

No. of directors	Minimum female directors
≥6	3
5	2
≤4	1

A member of an underrepresented community is defined as “an individual who self-identifies as Black, African American, Hispanic, Latino, Asian, Pacific Islander, Native American, Native Hawaiian, or Alaska Native, or who self-identifies as gay, lesbian, bisexual, or transgender”

Women serving on the boards of California-incorporated companies



Percentage of public companies with CA listed as a principal executive office or otherwise provided in annual filings that self-reported compliance with Women on Board requirements*

*Note: These figures include corporations that did not file a Corporate Disclosure Statement.

State Laws on Board Diversity

Washington

Public companies headquartered in WA are required to have 25% of the board be women by January 1, 2022 or comply with diversity disclosure requirements

California

In 2021, CA-headquartered companies were required to have at least three female directors on boards with more than six directors; by January 2021, CA-headquartered companies needed to have at least one director from an unrepresented community, and at least 3 directors from underrepresented communities on boards with more than nine directors by the end of 2022

Hawaii

Michigan

Ohio

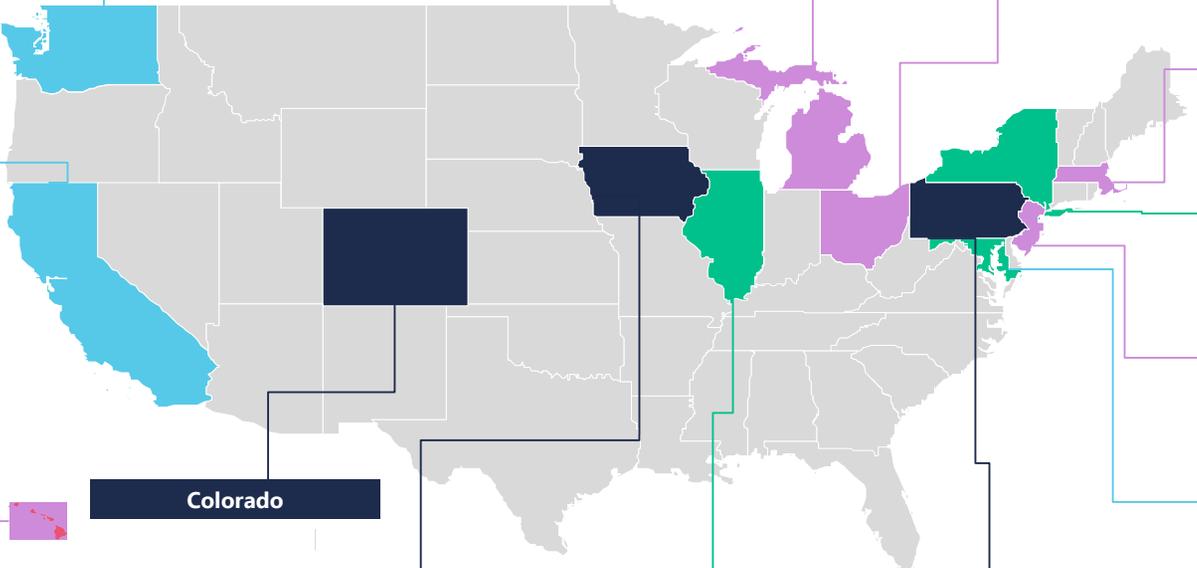
Massachusetts

New York

New Jersey

Maryland

MD-headquartered companies must submit an annual report to the state with information relating to female directors and the legislature urges boards to have 30% of directors be women by the end of 2022



- Introduced resolutions encouraging companies to commit to increase gender diversity on Boards and senior management
- Have considered or are considering legislation similar to CA
- Mandated Board diversity studies or reports

Nasdaq Pushes for Board Diversity

Nasdaq noted that more than 75% of its currently listed companies would not be in compliance with its proposed board diversity requirements and has partnered with Equilar to assist listed companies in addressing board composition issues

DECEMBER 2020

- **Nasdaq asks the SEC for permission to adopt its amended rule** requiring each of the companies listed on its main US stock exchange to:
 - Publicly disclose (in either the proxy statement, on its website or in its 10-K or 20-F) diversity statistics regarding directors using a **standardized matrix template** provided by Nasdaq
 - Meet, or explain why they do not meet, an **objective of at least two diverse directors**, including one female director and one director who self-identifies as either an underrepresented minority or LGBTQ+ (later revised)

AUGUST 2021 (Expected)

- The SEC will **decide by August** whether to approve Nasdaq's proposal

FEBRUARY 2021

- Nasdaq revises proposal to **provide more time and flexibility to companies** listed on its exchange to comply with its proposal
- Nasdaq tells SEC that it will allow companies with five or fewer board members to have only one diverse member. All companies also will have two years to meet diversity obligations if the proposal is adopted
- Nasdaq will provide a one-year grace period for a company that no longer meets the diversity requirements as a result of a vacancy on the board

MARCH 2021

- On March 10, the **SEC announced that it would defer its decision** on whether to approve the Nasdaq diversity proposal and urged additional comments from the public on this matter

Nasdaq Pushes for Board Diversity (cont'd)

Flexibility for Certain Companies

- Smaller Reporting Companies and Foreign Issuers could satisfy the diverse director requirements with two female directors or explain their reasoning for not doing so. Smaller Reporting Companies and Foreign Issuers could meet the objective with one female director plus one director who is female and either an underrepresented minority or LGBTQ+; revisions to proposal would permit one diverse director at boards of five or fewer directors
- SPACs would be exempt from the rules; post-business combination entities would have two years to comply
- A two-year phase-in period will be applied to newly listed companies from the date of listing or the date the company files its proxy statement for the second annual meeting

Potential Timing

- The proposed rules will be published in the Federal Register and have a 21-day public comment period and 30-240 calendar days in which they may approve the proposal after publication
- If approved, listed companies will be required to be in compliance:
 - Within one year of SEC approval or the date the proxy statement is filed for an annual meeting during the calendar year of SEC approval: provide the board diversity disclosure information
 - Within two years: companies would be subject to comply-or-explain requirements with respect to one director
 - Within four (Nasdaq Global Select/Global Markets) or five (Nasdaq Capital Market) years: companies would be subject to comply-or-explain requirements with respect to two directors

NYSE Position

- NYSE president Stacey Cunningham has publicly opposed quotas, indicating that NYSE is unlikely to follow suit, stating:
 - “When we use exchange listing standards to require things like diversity profiles or others, we’re defining the investable universe”

4



Climate

Recent SEC Updates Concerning Climate and ESG

Appointment of Senior Policy Advisor on Climate and ESG

- On February 1, the SEC named Satayam Khanna to a new role as Senior Policy Advisor for Climate and ESG, which will advise on environmental, social and governance matters and advance new initiatives across its offices and divisions

SEC Review of Climate Related Disclosures

- On February 24, acting chair of the SEC, Allison Herren Lee, directed the Division of Corporation Finance to enhance its focus on climate-related disclosure in public company filings
- Increased focus in this area will include staff review of the extent that public companies have addressed topics identified in the SEC's 2010 Guidance Regarding Disclosure Related to Climate Change

SEC Division of Examinations Announces 2021 Examination Priorities

- On March 3, the SEC Division of Examination announced in its 2021 Examination Priorities that it will increase its focus on climate-related risks by "examining proxy voting policies and practices to ensure voting aligns with investors' best interests and expectations, as well as firms' business continuity plans in light of intensifying physical risk associated with climate change"

SEC Climate and ESG Task Force

- On March 4, the SEC announced the creation of a 22-member Climate and ESG Task Force within the Enforcement Division
- The Task Force will initially focus on identifying material gaps or misstatements in issuers' climate disclosures and is charged with proactively identifying ESG-related misconduct, which would be considered a violation of existing anti-fraud provisions
- SEC Commissioners note the impact of the task force remains "programmatically unclear" and a clear strategy for identifying misconduct has not yet emerged

Recent SEC Updates Concerning Climate and ESG (cont'd)

SEC Seeks Climate Disclosure Input

- On March 15, acting chair of the SEC, Allison Herren Lee, delivered a speech about “meeting investor demand for climate and ESG information at the SEC”
- The statement provides a list of 15 questions that the SEC is seeking public input regarding
- The questions focus on topics such as:
 - SEC regulation of climate disclosure
 - What information can be quantified and measured
 - What are the advantages of drawing from existing frameworks (i.e., TCFD and SASB/VRF)
 - Should climate requirements be part of broader ESG disclosure framework
 - How should the SEC address climate change disclosure by private companies

Response to SEC’s Request for Public Comment

- Companies like Uber, Apple, and Salesforce support a principles-based disclosure regime that a company can personalize to suit their business and adapt for changing circumstances
- Uber also supports making use of existing disclosure frameworks (e.g., TCFD, SASB/VRF)

Political Spending Should be Part of ESG Regime

- Allison Herren Lee announced on March 15 that corporate political spending is “inextricably linked” to ESG issues and deserves more attention from lawmakers and regulators given that investors are calling for companies to make political spending disclosure



“[C]limate and ESG are front and center for the SEC. We understand these issues are key to investors – and therefore key to our core mission”

Acting Chair of SEC Allison Herren Lee

Recent SEC Updates Concerning Climate and ESG (cont'd)

SEC Identifies Climate as a “Top Priority”; New Rules Expected in Fall 2021

- The SEC intends to propose new disclosure rules regarding climate change risks (as well as board diversity and workforces) by October
- It is anticipated that formal plans on environmental, social and governance reporting will be released, with final rules that may take effect as early as 2022
- SEC Chair Gary Gensler noted that climate change and human capital disclosures are top priorities
- The SEC continues to gather feedback from its request for public comment

Exchange Response

- NYSE is surveying its listed companies on their views about climate disclosure to help inform its advocacy efforts related to potential climate disclosure requirements

States Respond

- Attorney General of West Virginia: new disclosure requirements introduce First Amendment concerns
- A coalition of 12 state attorneys general, led by CA, are urging the SEC to require detailed and accurate information about financial risks of climate change; other states involved include CT, DE, IL, MD, MA, MI, MN, NY, OR, VT and WI
- 16 state attorneys general sent a letter to the SEC questioning the SEC’s authority to impose mandatory non-material climate change disclosures and put the SEC on notice that it may challenge any rulemaking; states involved include AK, AZ, AR, KS, KY, LA, MS, MO, MT, NE, OH, OK, SC, UT, WV, WY

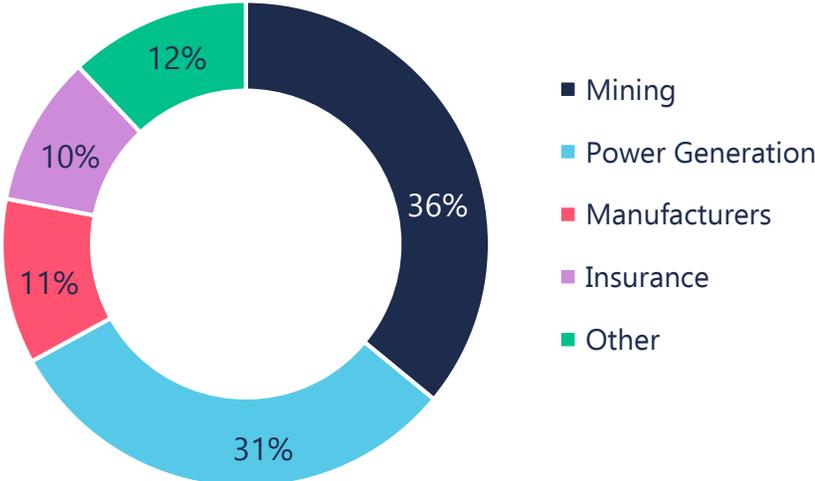
Unlikely Support

- The Business Roundtable supports the SEC’s efforts to adopt climate change disclosure rules, but urges the SEC to rely on a principles-based approach tied to traditional materiality concepts

SEC Comment Letters to 2010 Guidance on Climate-Related Disclosures

- The SEC’s 2010 interpretive guidance on climate-related disclosures focused a company’s disclosures in the following areas:
 - Risk factors;
 - Business description;
 - Legal proceedings; and
 - MD&A
- In 2010, after the SEC’s Division on Corporation Finance began to focus on climate-related disclosures, over 30 comment letters to annual reports, proxy statements or prospectuses referenced “climate change.” Since 2016, only two comment letters, one of which was in 2021, have referenced “climate change”

Climate Change Comment Letters by Industry (2010-2016)



SEC “Climate Change” Comment Letter Topics (2010 – 2016)	Number of Letters
Risk Factor Disclosure	39
Business Overview Disclosure	26
Oil, Gas and Mining Reserve Disclosure	26
Liquidity Issues	25
Contingency Accounting Issues	23

Global ESG Reporting Rules to Focus on Climate Change

On March 8, the Trustees of the International Financial Reporting Standards (IFRS) Foundation announced that, based on feedback received, IFRS would be establishing an international sustainability reporting standard within its existing governance structure for global sustainability reporting standards. The strategy of the new board will include the following:

- 1 Investor focus on enterprise value** ▶ The new board will focus on information that is material to decisions of investors, leaders and other creditors
- 2 Sustainability scope, prioritizing climate** ▶ Initial efforts of the board will focus on climate-related reporting and also focus on meeting information needs of investors on other ESG topics
- 3 Build on existing frameworks** ▶ The new board will build on the work of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures and the alliance of leading standard-setters in sustainability reporting that is focused on enterprise value. IFRS will continue to seek feedback from relevant organizations through structured engagement process
- 4 Building blocks approach** ▶ The goal of the new board is to issue standards that will provide a globally consistent and comparable sustainability reporting baseline and provide flexibility for coordinating on reporting requirements that capture wider sustainability impacts

The International Organization of Securities Commission (IOSCO) is establishing a technical expert group, jointly led by the SEC and the Monetary Authority of Singapore, that will monitor IFRS’s progress on developing a prototype reporting framework, which is expected to be completed for the UN Climate Change Conference in November

Investment Firms Escalate Pressure on Portfolio Companies to Embrace Sustainability

BlackRock Commits to Creation of Sustainable Portfolios

- In 2020, BlackRock voted against directors at 69 companies on a list of 440 companies it classified as carbon intensive. In 2021, the list will expand to 1,000 companies
- In April, BlackRock created its first two ETFs aligned with the Paris Agreement
- In May, BlackRock publicized its rationale for supporting a shareholder proposal calling for faster climate action, but against a shareholder proposal calling for a report of climate lobbying activities
 - Stated a preference for the annual Say-on-Climate advisory vote as the best mechanism for receiving feedback from shareholders



“We believe that sustainability should be our new standard for investing.”

Larry Fink, CEO of BlackRock

Vanguard clarifies expectations for say-on-climate proposals

- Vanguard expects management to disclose relevant climate risks and preventative actions
- It may support management Say-on-Climate proposals that identify a climate risk and seek shareholder input, as well as shareholder proposals on climate-related disclosures

LGIM will make climate ratings for over 1,000 companies publicly available

- Companies that fail to meet LGIM’s minimum standards (incomplete disclosures, lacking certifications) will be subject to a vote against and potential divestment from select funds
- LGIM is willing to reinvest when companies demonstrate improvement
 - Seven of the ten companies with the largest improvements since 2019 were previously considered “laggards” by LGIM
 - Reinvestment occurred in some instances

NYS Common Retirement Fund divests from coal and oil sands companies

- In December, the fund adopted a goal of net zero greenhouse gas emissions by 2040 for its portfolio
- The fund has divested from seven oil sands companies and 22 coal companies, as well as set standards for the thermal coal mining industry
- Companies in other oil and gas sectors are still being evaluated by the fund

Climate Action 100+ Net-Zero Benchmark

- CA100+ is a coalition of more than 570 investors with over \$54 trillion in assets
- In 2020, launched the Net-Zero Company Benchmark to aid investors in assessing progress on climate matters
- Aligns with the Paris Agreement

Sustainability Reporting Standards Consolidation

Sustainability Accounting Standards Board (SASB) and the International Integrated Reporting Council (IIRC) merged this June to form the Value Reporting Foundation (VRF).

- VRF intends to maintain the Integrated Reporting Framework and will use the SASB standards to add comparability across companies within industries
 - Through the end of October 2020, 454 global companies have provided sustainability reporting using SASB-compliant metrics
- Stakeholders have been calling for simplification of the corporate reporting landscape
 - In September 2020, SASB, IIRC, CDP Global, the Climate Disclosure Standards Board (CDSB) and the Global Reporting Initiative (GRI) released a statement of intent to work together towards complementary sustainability reporting frameworks
 - In October 2020, SASB and IIRC announced they would work closely with the International Organization of Securities Commission and the International Financial Reporting Standards Foundation on a unified global sustainability reporting standard
 - The objective is to create a better pathway for companies to articulate a long-term climate action plan

SASB produced preliminary findings from Human Capital Management Research Project

- The report identifies the following four core themes for consideration:
 - Workforce culture: The values, processes and outcomes of an organization can drive a company's ability to produce a more productive, fair and respectful work environment, thereby making it easier for the company to acquire, develop and retain talent
 - Workforce investment: Providing employees with career- and wealth-building opportunities is becoming increasingly critical for worker engagement and retention
 - Mental Health & Health Related Benefits: Employee mental health affects business productivity. Issues that are particularly impacting businesses are employee stress prevalence, depression and anxiety. Related benefits such as paid sick leave may be associated with factors like job turnover, recruitment and retention
 - Alternative Workforce: Contingent and contract labor are increasing in prevalence, highlighting the potential to more effectively account for issues associated with this alternative workforce



“The Value Reporting Foundation will merge the SASB and IIRC into a credible, international organization that maintains the Integrated Reporting Framework, advocates integrated thinking, and sets sustainability disclosure standards for enterprise value creation.”

Value Reporting Foundation Press Release

5

“E&S” Proposals

Select Shareholder Activity in 2021 Proxy Season

Investor	Type of Engagement	Substantive Concerns	Number of Targets
Interfaith Center on Corporate Responsibility (“ICCR”) and its members	Shareholder Proposals and Letter Campaigns	Diversity and racial justice were the top issues in proposals (up by 50% from last year); climate change, human rights, lobbying/political contributions, corporate governance, environment/water, health, and food were common issues raised in proposals	251 resolutions (at 148 companies)
Arjuna Capital	Shareholder Proposals	Focus on median race and gender pay equity disclosure; resolutions will involve issues of racial pay equity, board representation, and the insurance of companies related to their insurance of municipalities that may face litigation related to racist police brutality	13 resolutions
As You Sow	Shareholder Proposals	Environmental, corporate political spending, human rights, diversity, sustainable governance issues, among others	435 resolutions
TCI (formerly known as The Children’s Investment Fund)	Letter Campaign	“Say-on-Climate” proposals; also advocates for companies to publish five- and 10-year plans to cut emissions, and to tie executive pay to ESG/climate/sustainability progress	75 companies to date; Plans to file “hundreds of proposals” at end of 2021 for the 2022 season
Chevedden/McRitchie/Steiner/Young	Shareholder Proposals	Most active filers on proposals calling for independent board chairs, the elimination of supermajority voting requirements, and the adoption or relaxation of proxy access, special meeting, and written consent provisions (accounting for 80% of the submissions); increasingly venturing into “sustainable” governance	225+ proposals

Sources: ICCR, Arjuna Capital, As You Sow, TCI, ISS

ICCR 2021 Proxy Resolutions and Voting Guide

As of June 10, 2021, the ICCR filed 251 shareholder proposals for the 2021 proxy season, 51 of which have been withdrawn after engagement. ICCR is made up of over 300 member organizations, including faith institutions, regional coalitions, labor unions, pension funds, asset managers and other institutional investors

Climate Change Proposals



ICCR submitted **54** climate change proposals focused on the following topics:



- 12** Paris Agreement-aligned climate lobbying
- 8** Reporting plans to align operations with the Paris Agreement
- 4** Reporting on reducing greenhouse gas emissions
- 3** Shareholder advisory votes on climate change
- 27** Other proposals

Diversity and Racial Justice Proposals



ICCR submitted **64** diversity and racial justice proposals focused on the following topics:



- 21** Assessing companies' diversity and inclusion efforts
- 4** Disclosing plans and policies aligned with achieving racial equity
- 4** Executive leadership diversity
- 4** Reporting steps to address board diversity
- 4** Workforce diversity reporting
- 27** Other proposals

Corporate Governance Proposals



ICCR submitted **23** corporate governance proposals focused on the following topics:



- 11** Independent board chairs
- 3** Worker pay in executive compensation
- 3** Giving each share an equal vote
- 2** Including non-management employees on boards
- 4** Other proposals

Diversity-Related Shareholder Proposals

30 proposals asked for reports on board diversity, or a policy on board diversity

The three voted received majority support (**at least 70%**), four are pending and 23 were omitted or withdrawn

37 proposals to report on diversity and inclusion efforts, including management/leadership diversity

Of the nine voted, **four received majority support, including two proposals that received support in excess of 85%**, 19 were withdrawn, seven received no-action relief (one for substantial implementation and six for procedural issues) and two are pending

46 proposals asked for EEO-1 data or policies on disclosing EEO-1 data

Of the three voted, **two received majority support (83-86% range)** and one received 41% support, 39 withdrawals, one received no-action relief and three proposals pending

9 shareholder proposals requested reports on plans to improve management team diversity

The one voted **received 75% support**, with eight withdrawals

7 proposals asked for reports on gender or gender/racial pay gap

Of the four voted, none received majority support, with support ranging between 14-26% and three were withdrawn

3 shareholder proposals requested a diverse candidate search policy for new hires

Two were omitted after receiving no-action relief and one was withdrawn

12 shareholder proposals requested a civil rights or racial equity audit

Eight were voted, and **none received majority support**, with support ranging from 12-49% (five above 33%); four were withdrawn; ISS recommended in favor of one and Glass Lewis seven

Select Diversity Shareholder Campaigns

CtW's Investment Group (CtW) Racial Equity Audit

- CtW Investment Group, together with the Service Employees International Union (SEIU), submitted letters and proposals to large well-known financial institutions requesting the institutions conduct a racial equity audit to identify areas in internal and external policies and practices that impact racial inequity
- The letters are individually tailored to each bank's internal and external practices and policies
- CtW's racial equity audit focuses on **four** key components:

1
Independent and objective external review

2
Benchmarking and evaluating what works and does not work

3
Increased board oversight of the audit

4
Greater transparency through published findings

NYC Comptroller Campaigns

- In the summer of 2020, the NYC Comptroller sent letters to 67 S&P 100 companies to disclose their EEO-1 report information on workforce race, ethnicity and gender, with 40 of the 67 companies agreeing to voluntarily disclose the information
 - Before the campaign only 14 S&P 100 companies disclosed their EEO-1 report
 - Currently more than a majority of the S&P 100 discloses or has committed to disclose their EEO-1 data
- The NYC Comptroller submitted proposals at 24 companies that were unresponsive to the 2020 letter

Select Diversity Shareholder Proposal Trends

How Diversity Hiring Proposals Have Evolved

- The number of shareholder proposals to improve workforce diversity has remained high and consistent over the past several years
- Proposals to implement diversity policies for new hires beyond the board level have increased, particularly in 2021
- In 2021, three proposals were submitted regarding adopting diversity hiring policies for all employees

Proposals Relating to Rooney-Rule-esque Policies



Source: ISS as of June 30, 2021

Tying Executive Compensation to Diversity

- There has been an increase in proposals calling for inclusion of diversity and sustainability as a performance measure for senior executive compensation
- In 2016, Microsoft noted in its proxy statement that diversity is one of its strategic performance goals that determines 50% of executive annual cash incentives
- Sodexo and P&G link 10% of executive pay to DE&I goals
- Alphabet, Hannon Armstrong Sustainability Infrastructure Capital and HCA Healthcare received shareholder proposals requesting the companies assess the feasibility of including diversity and sustainability and performance metrics; the proposals received 12% support or less at Alphabet and HCA, but was not voted (and presumably withdrawn) at Hannon

Climate-Related Proposal Trends

- Assess and Report on Proxy Voting Policies in Relation to Climate Change Position
- Disclose a Climate Transition Report and Update Annually
- Report on Annual Climate Transition
- Report on Climate Change
- Report on Climate Change Risks and Opportunities
- Report on Steps Taken Regarding Board Oversight of Climate Change Policies
- Annual Investor Advisory Vote on Climate Plan
- Annual Vote and Report on Climate Change
- Report on Greenhouse Gas Emissions Disclosure
- Report on Greenhouse Gas Emissions Goals
- Adopt Science-based GHG Emissions Reduction Target
- Evaluate and Disclose how the Company Met the Criteria of the Net Zero Indicator
- Reduce or report on Scope 1, 2, and/or 3 Emissions
- Report on Indirect Upstream GHG Emissions
- Report on CA 100+ Benchmark Indicators



13 proposals received majority support, ranging from **56-98%** support

11 proposals did not receive majority support, ranking from **6-49%** support

Select Environmental Proposals



GHG Emissions or Net Zero

- 23 companies received proposals to set strategies and reports on reducing GHG emissions, to adopt reduction targets or provide net zero impacts/reports
 - Only ten went to a vote, with five receiving majority support at Chevron, ConocoPhillips, GE, Phillips 66 and United
 - The six proposals that did not receive majority support ranged between 21-49% support

Refrigerants

- Hydrofluorocarbons (HFCs) are a common class of refrigerant and cooling agent that are widely considered “super pollutants” and are targets for total phase-out as alternative agents become available
- At Walmart, a shareholder proposal called for a report on the company’s plans to reduce its use of harmful refrigerants and cooling agents
 - Received only 5.5% support
- A similar proposal filed by the Friends Fiduciary Corporation to Kroger was withdrawn
 - Kroger had failed to meet previous stated goals to reduce HFC emissions

Deforestation

- One proposal related to deforestation policies received majority support and four were withdrawn
- A resolution from Green Century Capital Management at agribusiness giant Bunge Limited calling for stronger non-deforestation policies passed with over 98% support after the Bunge Board recommended voting in favor of the proposal
 - Improved policies include stronger supplier non-compliance policies and cutoff dates for crops grown in regions subject to high land-use change

Plastic Pellet Pollution

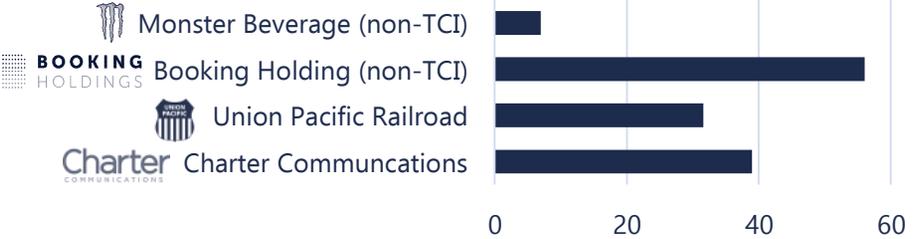
- Plastic products are manufactured from plastic pellets, or nurdles, which can enter waterways through spills or poor handling
 - Nine proposals on plastic pollution were withdrawn
- As You Sow submitted a successful shareholder proposal at DuPont calling for a report disclosing trends in the amount of plastic released into the environment, as well as the company’s efforts to reduce contaminating the environment with plastic products like nurdles
 - The proposal passed with over 80% support – a similar proposal in 2019 only garnered 6% support at DuPont

The Children’s Investment Fund (TCI) Say-on-Climate Campaign

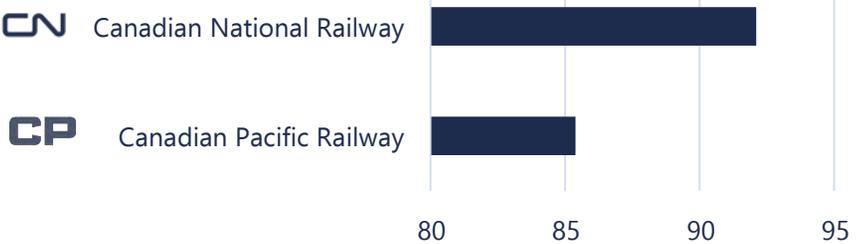
In November 2020, TCI filed shareholder proposals with seven companies requesting that each company provide annual disclosure regarding greenhouse gas emissions, provide a plan to manage those emissions, and hold an annual advisory vote on such plan

- The companies include Moody’s Corp., S&P Global, Union Pacific Railroad, Charter Communications, Alphabet, Canadian Pacific Railway and Canada National
 - In December 2020, Moody’s announced that it joined the “Say-on-Climate” campaign and, in March 2021, it filed its proxy statement with a management-sponsored “Say-on-Climate” advisory vote to approve the company’s 2020 decarbonization plan, as included with the proxy statement and received 99.5% support (the shareholder proposal was withdrawn)
 - S&P Global also included an advisory vote on the company’s greenhouse gas emissions reduction plan in its 2021 proxy, which received 99% support
- US investors have not signaled unqualified support
 - Some institutional investors noted they do not have bandwidth to evaluate every company
 - In addition, there is the perception that these votes will insulate directors
- International success: TCI achieved success with its “Say-on-Climate” campaign with Spanish airports operator Aena in 2020 when the company agreed to hold annual votes on its climate action plan, and Unilever also announced it would share a climate transition action plan which it would put to a vote at its annual general meeting on May 5, and committed to seeking an advisory vote every three years

How Say-on-Climate Proposals Have Fared at US Companies



How TCI Proposals Have Fared Internationally



Select Climate Shareholder Campaigns

NYS Common Retirement Fund

- In March, the NYS Common Retirement Fund announced it reached agreements with five US public companies (Domino's, Cleveland-Cliffs Inc., Albemarle Corp., Pentair plc and Realty Income Corp.) to set targets to reduce their greenhouse gas (GHG) emissions, adopt new energy efficiency measures and increase use of renewable energy
- The five companies also indicated they will regularly report their progress in meeting such energy use and emission reduction goals
- The NYS Common Retirement Fund noted that over the last number of years it has filed more than 150 climate-change-related shareholder proposals and reached 77 agreements with portfolio companies
- In addition, the NYS Common Retirement Fund announced it adopted a goal to transition its portfolio to net zero GHG emissions by 2040

Climate Action 100+

- As of February, Climate Action 100+ has filed 126 climate-related shareholder proposals in North American companies
- Of the 126 shareholder proposals filed, 37 are seeking disclosure of climate-related risk, alignment of business plans with the goals of the Paris Climate Agreement and transparency around corporate lobbying practices that influence climate and energy regulations
- In addition, the Climate Action 100+ is flagging what it views as "key proposals" in the 2021 proxy season filed by other shareholders, including proposals to stop corporate lobbying inconsistent with the Paris Agreement, TCFD-aligned reporting requests and net zero commitments
- Climate Action 100+ investor signatories note that they have reached agreements with many companies and have withdrawn shareholder proposals
- Since January 2020, BlackRock and State Street both became Climate Action 100+ signatories

The Shareholder Commons Proposals for the 2021 Proxy Season: Public Benefit Corporations and ESG Costs

The Shareholder Commons (TSC), an independent nonprofit, sought shareholders willing to sponsor two new proposals:

- Requesting companies to consider converting to a public benefit corporation to be able to fully account for their societal and environmental impacts
 - In particular, TSC is interested in signatories to the Business Roundtable’s 2019 purpose of a corporation statement
 - TSC provided exemplar proposals
 - 19 companies received proposals and none of the 15 voted received majority support, with support ranging from 1-12% (three proposals were withdrawn and one omitted)
- Requesting disclosure with respect to ESG costs and information about how the costs affect the portfolios of diversified shareholders
 - The six proposals voted did not receive majority support, with five proposals ranging from 2-4% support, and one proposal receiving 49% support

TSC notes that the proposals aim to address the overarching issue that a company that reports on ESG and reduces negative E&S impacts may still be rewarded for profits from other negative externalities at the expense of shareholders

Select Other E&S Proposals – Social



Partnerships with police

- Target received a proposal to institute a prohibition on partnerships with police unless the Board concludes after an evaluation that the partnerships do not exacerbate racial inequity
 - The proposal was withdrawn after discussions that permitted a representative to make a three-minute statement about the impact of Target’s partnerships with police at the 2021 annual meeting
- Arjuna Capital submitted a proposal to Chubb to report on policies that ensure products do not encourage police brutality, but Chubb was granted no-action relief on the basis that the proposal relates to less than 5% of the company’s assets and is not significantly related to the company’s business

Racial Impact of Overdraft Policies



Trillium Asset Management submitted a proposal to KeyCorp asking the bank to report on the impact its overdraft and insufficient funds fees have on people of color

- The proposal was not included in the company’s proxy statement and likely withdrawn

Supply Chain – Child Labor



Exelon received a shareholder proposal asking for a report on the extent to which its business plans involve, rely or depend on child labor outside of the US, while Goodyear was asked to assess the effectiveness of its systems with respect to human rights and focuses on child and forced labor (as part of a campaign on human rights impacts in the automotive industry by the Investor Advocates for Social Justice)

- Exelon’s proposal received 5.2% support; Goodyear’s was not included in the proxy

Reproductive Rights



Shareholders filed proposals at Church Dwight & Co. and Walmart requesting reports on how the companies support employees in states with restrictive reproductive laws and at AT&T and JPMorgan Chase to publish an annual report analyzing political and electioneering expenditures against company values and policies (where the arguments in favor centered on women’s health)

- All the proposals were either withdrawn or received no-action relief

Select Other E&S Proposals – Worker Rights



Paid Sick Leave



- CVS Health, Dollar General, Kohl's, Kroger, McDonald's, Walmart and Yum Brands received proposals from a variety of proponents, including As You Sow, Trillium Asset Management, Change to Win and Zevin Asset Management, among others, requesting a report on their paid sick leave policies
 - All but one of the proposals were omitted after receiving no-action relief on the basis of ordinary business, but the proposal at Dollar General was withdrawn

Workplace Sexual Harassment



- Arjuna Capital revisited its proposal at Comcast asking the company to report on the risks posted by failing to prevent workplace sexual harassment
 - The proposal received 22% support, an increase from the 13% support it received in 2020

Pandemic Working Conditions/Safety



- Amazon and Wendy's received a proposal to report on pandemic worker health and safety
 - Amazon received no-action relief on the basis of ordinary business
 - See below for more information on the Wendy's proposal
- Walmart received a proposal to set up a pandemic worker council, which received 2.3% support

Employee Board Representation



- Amazon, Citigroup, Edwards Lifesciences, Starbucks, Walt Disney, Woodward and Stryker received proposals requesting the companies to adopt a Rooney Rule policy for hourly associates or other non-management employees to be considered as director candidates and Boston Scientific was asked to prepare a report on the same topic
- Support levels for all companies were in the 4.6-7.1% range, except Amazon, which received 17.5% support

The Coalition of Immokalee Workers' Fair Food Program seeks to address issues in the corporate supply chain, such as modern slavery, sexual assault and harassment

- The Coalition also focuses on protocols to address farmworker COVID-19 health and safety concerns
- McDonald's, Yum Brands, Burger King, Walmart, Chipotle, among others, have joined as participating buyers
- Wendy's, a non-member of the Coalition, received a shareholder proposal asking the company whether its existing reviews protect workers in the food supply chain; the proposal received 94% support after the Board recommended shareholders support the proposal

Select E&S Proposals – Lobbying and Contributions



Trends

- 76 companies received proposals requesting disclosure or reports related to lobbying or corporate contributions
 - This has historically been a common proposal topic; however, this year there was an increase in the number of proposals that requested information on lobbying or contributions for specific purposes, including:
 - Report on lobbying activities aligned with the Paris Agreement, climate or global warming
 - Report on lobbying activities aligned with racial equity goals
 - Report on charitable contributions
 - Analyzing the congruency of political and electioneering expenditures against publicly-stated corporate values and policies (predominantly referencing reproductive health)
- Lobbying proposals have also become more common with more shareholders, particularly after significant political events of the last year
 - Seven companies received more than one lobbying-related proposal

Results

- Proposals related to climate lobbying received significant support
 - Five proposals received majority support at Phillips66, Norfolk Southern, ExxonMobil, United Airlines and Delta, ranging from 62-76% support



- Additionally, six companies, CSX, Duke Energy, Entergy, First Energy Corp., General Motors and Valero Energy, agreed to improve their disclosure regarding climate lobbying and the proposals were withdrawn



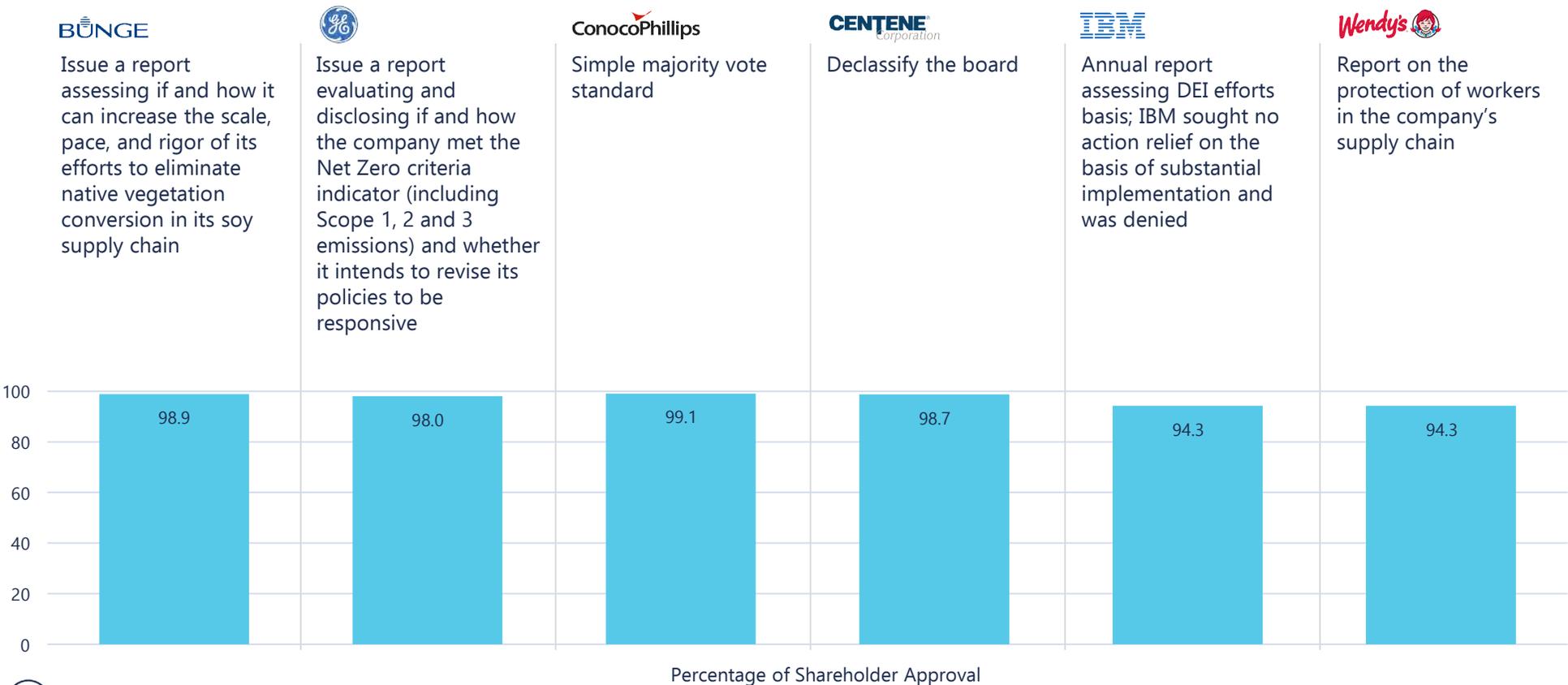
- Of the 33 voted proposals on general lobbying and political contributions, nine received majority support, ranging from 51-80%

Board Support for Shareholder Proposals



This proxy season, a record number of Boards recommended that shareholders vote FOR shareholder proposals, in some cases even after the company requested no-action relief from the SEC to exclude the proposal. This marks a tactical change from negotiating with proponents and privately agreeing to a withdrawal from a proponent

Shareholder proposals that were supported by the board include:



6



“G” Proposals

Core Governance Proposals

Even though much of the attention this season focuses on the E&S progress, there are a number of governance-related proposals at companies that were voted as of June 30, 2021, with some significant success and support levels (of 237 governance proposals, 36 received majority support by early June) – notably an increase in the number of written consent proposals

Split chair/CEO roles

- 41 proposals were submitted, with 31 voted and none received majority support
- Support ranged from 5.6% to 47.8%, with an average of 31.3%
- Primary proponents were Kenneth Steiner and John Chevedden, unlike in prior years where Investors for Opioid & Pharmaceutical Accountability sponsored a significant number of proposals

Reduce threshold for shareholders to call special meetings

- 28 proposals seeking to reduce the special meeting threshold, with 22 voted, four pending and two omitted
- Two received majority support to lower the threshold to 10% from 25% and four received support in the 42-45% range
- Average support decreased to 33.1% in 2021 from 40% in 2020

Majority vote for directors

- 23 proposals were submitted, but only seven voted and the rest either omitted, withdrawn or pending
- 3 proposals received majority support, ranging from 61-90% support
- Votes that failed to receive majority support ranged from 23-30% support

Elimination of shareholder supermajority provisions

- All four of such proposals voted received supermajority (at least 82%) support; seven proposals were omitted and one is pending

Proxy access

- 36 proposals to adopt or amend proxy access were submitted, 23 voted and four pending, but none received majority support
- Highest level of support was 44%

Simple majority voting

- All 12 proposals that have come to a vote received majority support, ranging from 64-99%

Action by written consent

- 78 proposals were submitted requesting companies to adopt a right of written consent, with 54 voted
- Seven received majority support and an additional three received between 45-49% support
- Average support increased to 41.5% from 32% in 2020
- 14 “fix-it” proposals requested companies to lower the threshold to act by written consent, with one company receiving majority (50.1%) support and four receiving 45-49% support

Source: ISS as of June 30, 2021

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14a-8 Considerations

Shareholder Proposals and SEC No-Action Letters

As of May 10, 2021, companies have submitted 275 no-action requests to the SEC. The majority of challenged proposals relate to social and governance topics. The SEC has determined 138 proposals may be omitted from companies' proxy statements, while 148 proposals have been withdrawn by the shareholder

Comment Letter Topic	Omitted	Pending	Voted	Withdrawn	Total
Compensation	10	5	17	6	38
Compensation	10	5	17	6	38
Compensation Links to E&S	-	-	-	-	-
Environmental	7	21	27	48	104
Climate Change	7	13	23	37	81
Environment - Other	-	4	4	10	18
Social Issues - Other	-	4	-	1	5
Governance	51	47	205	18	322
Board-Related	21	18	80	14	133
Governance – Misc.	5	8	15	4	33
Shareholder Rights	25	21	110	-	156
Anticompetitive Practices	-	-	-	-	-
Social	60	98	107	76	343
Animal Rights	2	1	1	2	6
Compensation Links to E&S	1	7	4	3	15
Conservative Proposals	27	26	16	25	95
Environment - Other	-	-	-	-	-
Human Capital	11	31	25	14	81
Human Rights	6	5	13	3	28
Lobbying / Political Activities	2	21	35	19	77
Shareholder Rights	-	-	-	-	-
Social Issues – Other	11	7	13	10	41
Total	138	176	360	148	826

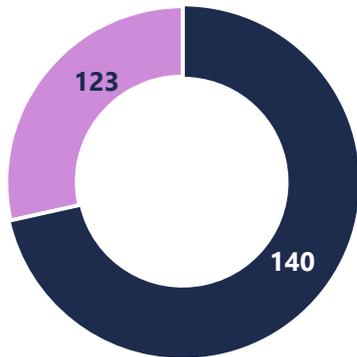
Source: ISS

Requests for No-Action Relief for Shareholder Proposals Under Rule 14a-8

In November 2019, the Staff began its informal response process and has been regularly posting updates to its chart, regardless of how the SEC responds to requests for no-action relief, on a weekly or biweekly basis. In the informal process, companies and proponents receive e-mails notifying them that a decision has been made and they should review the chart for updates

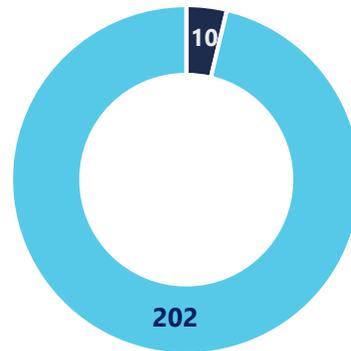
Company that submitted the reasons for excluding the proposal.	Shareholder that submitted the proposal to the company.	Date of company's initial submission.	Regulatory bases asserted by company to exclude the proposal.	Staff's response to the company's request.	Date of staff's response.	Did the staff respond by letter?
<input type="text" value="Search"/>	<input type="text" value="Search"/>	<input type="text" value="Search"/>	<input type="text" value="Search"/>	<input type="text" value="Search"/>	<input type="text" value="Search"/>	<input type="text" value="Search"/>
Rite Aid Corporation	Steven Krol	2/12/2021	(reconsid.) Rule 14a-8(i)(7)	Request for reconsideration denied	5/10/2021	Yes
ServiceNow, Inc.	James McRitchie	2/1/2021	(reconsid.) Rule 14a-8(i)(10)	Request for reconsideration granted	4/23/2021	No
AT&T Inc.	Eric F. Nusbaum	3/11/2021	Rule 14a-8(e)(2)	Concur that Rule 14a-8(e)(2) provides a basis to exclude	4/23/2021	No
Rite Aid Corporation	Steven Krol	2/12/2021	Rule 14a-8(i)(7)	Concur that Rule 14a-8(i)(7) provides a basis to exclude (micromanagement)	4/23/2021	No

As of May 10, 2021, the SEC has reflected the following with respect to 275 submitted requests:

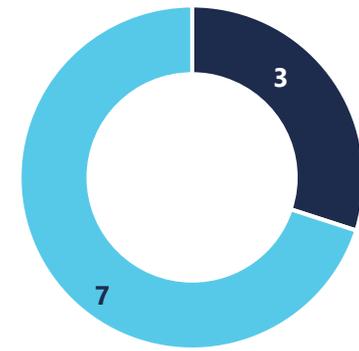


Informally responded and concurred with request	140
Informally responded but did not concur, denied consideration of review or withdrawn**	123

(**excludes reconsideration requests)



Responded by letter	10
Informally Responded* (*excludes withdrawals)	202



Responded by letter and concurred with request	3
Responded by letter but did not concur, denied consideration of review	7

Final Rules for Amendments to Rule 14a-8

In September 2020, the SEC released final rules amending, among other items, procedural requirements and resubmission thresholds for shareholder proposals under Rule 14a-8. The rules will apply to proposals submitted for annual meetings occurring in the 2022 calendar year. There is a phase-in period that will permit current shareholders that comply with certain requirements to submit proposals using the \$2,000 threshold until meetings for the 2023 calendar year.

Key takeaways

Revised ownership requirements to be eligible to submit a proposal:

Value of stock	# of Years Continuously Held
\$2k	3 Years
\$15k	2 Years
\$25k	1 Year

Proponent must indicate availability between 10 and 30 calendar days after the proposal is submitted to meet with the registrant to discuss the proposal

Raise the resubmission thresholds (but no "momentum" provision for exclusion of a proposal after a year-over-year drop-in support)

Submission	Current Approval	Amended Approval
1 st	3%	5%
2 nd	6%	15%
3 rd	10%	25%

Shareholders are not permitted to aggregate holdings to meet eligibility requirements; each shareholder must individually meet one of the three thresholds

One proposal limit for proposals that can be submitted directly or indirectly by a person (including as representative for other shareholders)

Additional documentation required where representative submits proposal on behalf of proponent

Developments Since the Amendments Went Into Effect



SEC and Legislative Developments

- In March 2021, Senator Sherrod Brown introduced a resolution to disapprove the amendments under the Congressional Review Act, but the resolution was not adopted
- There is speculation that the SEC may propose new amendments regarding shareholder proposals under Rule 14a-8, with the release of the SEC's rulemaking agenda, which lists April 2022 as a target for the issuance of a new proposal

The SEC Gets Sued

- In June 2021, the Interfaith Center on Corporate Responsibility, As You Sow and frequent proponent James McRitchie sued the SEC to invalidate the amendments to Rule 14a-8
 - The complaint alleges that the SEC's justifications were flawed and that the SEC did not make a serious attempt to provide an economic analysis of the costs and benefits of the proposed rule

8

Executive Compensation

Say on Pay

Average support remains high in 2021, currently approximately 90.8% at Russell 3000 companies, reflecting similar averages compared to 2020 in the same period, despite a higher failure rate in 2021 to date compared to 2020 (see next slide)



Proxy advisory firms continue to have a significant impact on vote results, although current ISS "against rates" are slightly lower in 2021 than in 2020



Say-on-Pay Trends

Although the average say-on-pay approvals were minimally affected, investor scrutiny of executive compensation continues to be a focus, particularly related to the impact of the COVID-19 pandemic

- 17 companies in the S&P 500 received between 50% support and 65% support on say-on-pay proposals and 13 companies received under 50% support
 - In the S&P 500, say-on-pay averages have decreased over the last five years, from **92.3%** average in **2016** to **88.2%** in **2021**, reflecting slightly less support for more companies over the period
 - Some significant investors have expressed a willingness to oppose say-on-pay votes, which is reflective of the results
- Median CEO pay at over 300 of the biggest companies in the US was **\$13.7 million**, compared to **\$12.8 million** at the same companies the prior year
 - Reflects changed targets or modified pay structures in response to the COVID-19 pandemic and that publicly-announced cash compensation salary cuts had limited effect on overall compensation, largely due to equity compensation and market performance in 2020

Pay Ratio

The pay ratio rule requires companies to disclose: the median of the annual total compensation of all employees except the CEO; the annual total compensation of the CEO; and the ratio of these two amounts

Trends

- With respect to S&P 500 companies, pay ratio is highest in consumer discretionary sector (370:1) and lowest in real estate (76.5:1)
- With respect to S&P 500 companies, median CEO pay across each major sector generally falls within a fairly small range (\$7.7m to \$17m), so sector-by-sector discrepancies in pay ratio likely more attributable to larger discrepancies in median employee pay
- Average CEO pay ratio of the S&P 500 is approximately 2.3x the average CEO pay ratio of the Russell 3000

Equity Plan Proposals

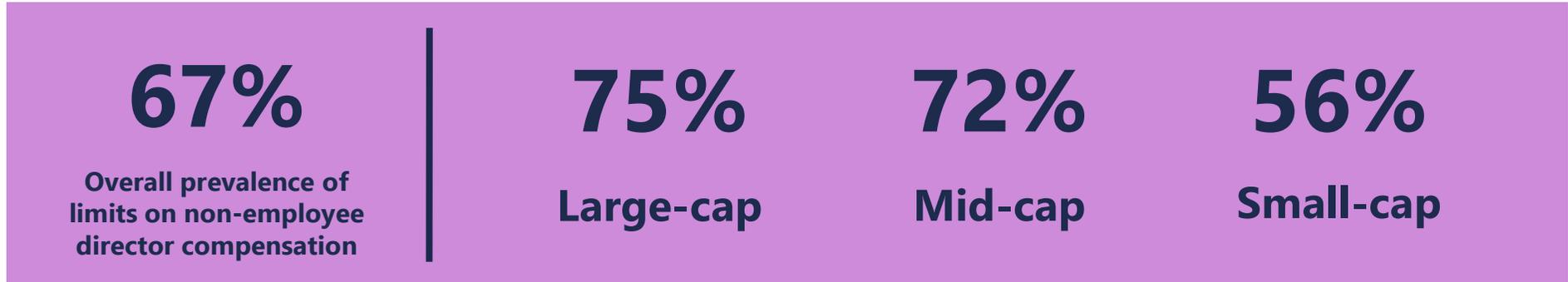
The effects of the COVID-19 pandemic have had less of an impact on equity plan proposals than anticipated during the 2020 proxy season

90.5%

Average support for equity plan proposals remain high in 2020 at 90.5% for Russell 3000 companies

- Two proposals received below 50% support, compared with three proposals in 2020 in the same period, with an overall greater number of proposals voted in 2021 proxy season

Director Compensation: Trends



Limits to annual non-executive director compensation have been included in shareholder-approved equity plans, with the median limit at \$500,000 for small- and mid-cap companies and \$750,000 for large-cap companies

Equity-only limits continue to be more common, but limits on director compensation on total pay have increased (from 39% to 41% between 2020 and 2019)

15% of S&P 500 companies and 13% of Russell 3000 companies reported taking pay actions for director compensation through the third quarter of 2020 (generally impacting cash retainer compensation) in light of the COVID-19 pandemic, although compensation overall increased in 2020 compared to 2019, most significantly for small-cap company directors

9

Activism

Contested Elections in 2021

As in prior years, most threatened proxy contests have been settled, with few proceeding to a vote

In **2021**, there were opposition slates proposed at **18 different companies**, accounting for **94 total ballots** (voted or pending)

In **2020**, there were opposition slates voted on or pending at **23 different companies**, accounting for **139 total ballots**

31 investors that include activism in their investment strategy have made activist demands at two or more companies in 2021, compared to **26** in 2020

ESG issues have been a central feature of two proxy contests that went to a vote in 2021: TEGNA Inc. and Exxon

TEGNA

- On May 7, 2021, the shareholders of TEGNA Inc. re-elected all 12 incumbent nominees
 - Standard General LP (8% owner at the time) put forward a dissident slate seeking three board seats, after running the first virtual proxy contest for four seats in 2020, ultimately winning none
 - Last year, Standard General primarily criticized the Company's approach to recent acquisition overtures and what it saw as a failure of management to increase shareholder value
 - With TEGNA's high share price and good operational and financial performance, this year Standard General criticized the company's DEI efforts
 - TEGNA responded to the criticism with employee data, along with board and management-level oversight of DEI issues, which shareholders and proxy advisory firms found persuasive
 - After the vote, Standard General sold down to a 4.8% stake

ESG Proxy Fight: Engine No.1 and Exxon Mobil Corp.

Dec 07, 2020	Activist communication	Engine No. 1 announces intention to nominate 4 candidates to Exxon board
Jan 27, 2021	Activist communication	Engine No. 1 officially launches its proxy fight, formally nominating 4 directors
Jan 27, 2021	Company action	Exxon discloses they have engaged with Engine No. 1 since mid-December
Feb 02, 2021	Company action	Exxon adds former Petronas CEO Tan Sri Wan Zulkiflee Ariffin to board of directors
Mar 01, 2021	Activist communication	D.E. Shaw announces settlement with Exxon
Mar 01, 2021	Proxy/Voting Related	Exxon files its preliminary contested proxy statement
Mar 01, 2021	Company action	Exxon adds Michael Angelakis and Jeffrey Ubben as directors
Mar 02, 2021	Proxy/Voting Related	Engine No. 1 files its preliminary contested proxy statement
Mar 15, 2021	Activist communication	Engine No. 1 criticizes Exxon's new board members
Apr 27, 2021	Third party statement	CalPERS, CalSTRS, and New York State pension funds support Engine No. 1
May 18, 2021	Third party statement	ISS and Glass Lewis Support Engine No. 1
May 24, 2021	Company action	Exxon announces it met with shareholders to hear their viewpoints on key issues of importance on the topics of capital allocation, climate, financial performance, and with regard to the board
May 26, 2021	Proxy/Voting Related	Exxon announces preliminary results: 8 of 12 Exxon directors re-elected, 2 Engine No. 1 nominees elected, 1 seat awaiting final tally
June 2, 2021	Proxy/Voting Related	Exxon declares final voting results and a third Engine No. 1 nominee will join the board



Meeting Timeline: May 26, 2021 (CDT time)

- **7:22AM** Engine No.1 sends voting alert to Exxon shareholders
- **9:30AM** Meeting begins
- **10:15AM** Meeting halted: **“Given there are considerable number of votes still coming in and we want to ensure all of our shareholders have the opportunity to express their view, we will now take a one hour recess”** Stephen Littleton, head of investor relations
- **10:45AM** Engine No.1 says the recess is a “last-ditch attempt to stave off much-needed board change”
- **11:15AM** Meeting resumes
- **12:18PM** News outlets begin reporting Engine No.1 nominees win two board seats
- **12:39PM** “Exxon climbs to session high after activist wins board seats”
- **2:10PM** Exxon official press release announcing preliminary results in election of directors
Shareholders have elected 8 ExxonMobil nominees and two Engine No.1 nominees
Vote results for 2 board seats were too close to call

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Proxy Advisory Firm Updates

ISS 2021 Proxy Voting Guidelines

ISS' revised policies for the 2021 proxy season indicate a significant focus on social and environmental issues, the importance of board diversity, shareholder litigation rights and COVID-19 recovery era policies



Social and Environmental Issues

- **Governance failures – Material E&S Risk Oversight:** Recommend withhold votes against directors, committees or the entire board for E&S issues (including climate change) which constitute a material risk oversight failure
- **Mandatory arbitration:** Recommend voting for shareholder proposals requesting reports about a company's use of mandatory arbitration in employment claims on a case-by-case basis, taking into account the company's existing policies, public standing with respect to any controversies and the company's disclosure of policies compared to its peers
- **Sexual harassment:** Recommend a case-by-case analysis of shareholder proposals requesting reports on the actions taken by a company to prevent sexual harassment or on the risks posed by the company's failure to take such actions, taking into account the company's existing policies, any recent controversies and the company's disclosure of policies compared to its peers



Board Diversity

- **Racial and ethnic diversity:** Beginning in 2022, recommend withhold votes against the chair of the nominating committee or individual directors on a case-by-case basis if the boards of companies in the Russell 3000 or S&P 1500 do not have apparent racially or ethnically diverse directors;
 - Negative voting recommendations may not be made if a company makes a firm commitment to appoint at least one racially and/or ethnically diverse director within a year
- **Gender diversity:** Recommend withhold votes against the chair of the nominating committee or individual directors on a case-by-case basis of companies in the Russell 3000 or S&P 1500 where there are no female directors
 - An exception may be made if the company had a female director in the preceding year and makes a commitment to restoring gender diversity within the following year



Shareholder Rights

- **Shareholder litigation rights:** Recommend a vote for proposals that specify the district courts of the US as the exclusive forum for federal securities law claims, but withhold votes against proposals that designate a particular federal district court
 - ISS will generally recommend votes for charter or bylaw provisions specifying Delaware as the exclusive forum for state law matters, but will also consider other states on a case-by-case basis

ISS 2021 Guidelines (cont'd)



COVID-19 Recovery Era Considerations

- **Poison pills:** Recommend withhold votes against directors that adopted poison pills with a deadhand or slowhand feature (a change that was made in consideration of the handful of companies that adopted short-term poison pills during the COVID-19 pandemic)
- **Virtual shareholder meetings:** Recommend voting for management proposals permitting virtual shareholder meetings, so long as the proposals do not preclude in-person meetings
 - ISS also encourages companies to provide disclosure regarding the reasons to hold virtual-only meetings and provide information on shareholder rights and participation opportunities at virtual meetings compared with in-person meetings
 - Recommend evaluating shareholder proposals for virtual-only meetings a case-by-case basis



Other Board Changes

- **Gender, race and ethnicity pay gaps:** Updated its existing policy to consider on a case-by-case basis, including the following additional factors when analyzing proposals requesting companies pay gap analysis report: local laws regarding employee categorization and comparison against industry peers
- **Board term limits:** Review proposals to implement term limits on a case-by-case basis, considering a number of factors, including the rationale and flexibility of the proposed director tenures and the robustness of the board's evaluation process
- **Director classification:** Employees, including employee representatives, will not be considered "executive directors"
- **Independence:** Directors who receive pay on par with pay for Named Executive Officers for multiple years will be classified as non-independent

ISS Updates to Methodologies

QualityScore

Changes reflect a focus on significant ESG issues, including 17 new factors relating to diversity and inclusion, compensation, board practices and information security risk management

Diversity and Inclusion

- A new factor has been added that will examine ethnic and racial diversity on the board:
 - “Does the board exhibit ethnic or racial diversity?”

Compensation

- A new factor has been added that evaluates the level of disclosure of diversity and inclusion performance metrics and two new factors that evaluate the presence and proportion of special grants awarded to executives:
 - “What is the level of disclosure on diversity and inclusion performance measures for short-term or any long-term incentive plan for executives?”
 - “Has the company made special grants to executives (excluding the CEO) in the most recent fiscal year?”
 - “What percentage of the CEO’s total compensation was due to special grants in the most recent fiscal year?”

Board Structure

- A new factor will consider the independence of the sustainability committee given that more public companies are beginning to delineate responsibilities for environmental and social oversight:
 - “What percentage of the sustainability committee is independent?”

Analyzing materiality: in addition to reviewing ISS’ internal ratings systems, including the QualityScore and Climate Awareness Scorecard, ISS will also consider external environmental and social ratings including:

- CPA Zicklin Index
- Corporate Human Rights Benchmark
- CDP Scorecard

Glass Lewis 2021 Guidelines

Glass Lewis' revised policies for the 2021 proxy season also indicate a focus on ESG issues



Social and Environmental Issues

- **Diversity reporting:** Recommend in favor of proposals that seek disclosure of EEO-1 reports
- **Social and environmental risk oversight:** Beginning in 2022, recommend withhold votes against the chair of the governance committee of S&P 500 companies if there is a failure to provide specific disclosure concerning the board's role in overseeing social and environmental issues
- **Management-proposed ESG Resolutions:** : Recommend a case-by-case analysis of management-proposed ESG resolutions, considering the company's general responsiveness to shareholders and ESG issues, the binding nature of the proposal, and whether there is a related shareholder proposal on the topic
- **Climate Change:**
 - Recommend in favor of proposals requesting enhanced disclosures related to climate change where there are no existing climate policies or reports that sufficiently address the issues described in the proposals
 - Recommend in favor of shareholder proposals that seek enhanced disclosure of climate-related lobbying



Board Diversity

- **Gender diversity:** Beginning in 2022, Glass Lewis will recommend voting against the nominating chair at a company with more than six directors without at least two female directors on its board; provided that a company's disclosure of diversity considerations and goals may mitigate a potential adverse recommendation
- **Racial diversity:** While there are no current recommendations, Glass Lewis indicated this as an area of interest, particularly in light of state law requirements
- **Disclosure of director diversity and skills:** Beginning in the 2021 proxy season, S&P 500 company Glass Lewis reports will include an assessment of the company's disclosure with respect to:
 - Racial and ethnic diversity on the board
 - Whether the board defines diversity to include gender and race ethnicity explicitly
 - Whether the board has adopted a "Rooney Rule"-type policy requiring women and minorities to be included in the initial pool of candidates
 - Board skills
- **Board refreshment:** Beginning with the 2021 proxy season, Glass Lewis reports will note the lack of board refreshment as a concern if the average tenure of non-executive directors is more than 10 years and no new independent directors have joined the board in the last five years

Glass Lewis 2021 Guidelines and Supplemental Expectations

Compensation clarifications

- **Short-term incentives:** Added additional factors in consideration of short-term incentive plans
 - Expects companies to provide justification for any significant changes to a short-term incentive plan structure, particularly when the target and maximum performance levels were lowered from the prior year
 - Expanded description of application of updated discretion to include retroactively prorated performance periods
- **Long-term incentives:** Added additional factors in consideration of long-term incentive plans
 - Inappropriate performance-based award allocation may be a factor, when taken into account with other concerns, when making a negative recommendation
 - Decisions to roll back performance-based award allocation, absent exceptional circumstances, may result in a negative recommendation



Virtual Annual Meetings

Glass Lewis released expectations for companies holding virtual annual meetings regarding disclosure and indicated a willingness to, and did, recommend against companies that failed to include expected disclosure

- However, Glass Lewis also showed a willingness to revise its recommendation after a company provided supplemental disclosure

Expectations include:

- Discussion of logistics for the ability of shareholders to ask questions, including the timeline for submitting questions, appropriate questions, and how rules would be disseminated
- Disclosure of restrictions on the ability of shareholders to ask questions
- Commitment to answering questions in a manner accessible to all shareholders
- Disclosure of procedures and requirements to participate in the meeting
- Disclosure of technical support availability

ISS and Glass Lewis Agree to Disagree

In an analysis of 25 ESG-related shareholder proposals at 12 of the largest market cap companies:

60%

Proposals Glass Lewis and ISS disagreed on recommendation

52%

Favorable recommendation from only ISS

4

Proposals that both Glass Lewis and ISS supported

40%

Favorable recommendation from only Glass Lewis

11

Investor Updates

BlackRock CEO 2021 Annual Letter

BLACKROCK

On January 26, BlackRock CEO Larry Fink released his annual letter to CEOs and clients. The 2021 CEO letter underscores BlackRock's commitment to sustainable investing and its belief that companies with a "well-articulated long-term strategy, and a clear plan to address the transition to net zero will distinguish themselves with their stakeholders"

Climate Change

- BlackRock argues that there is a "sustainability premium" that companies with better ESG profiles enjoy compared to their peers
- BlackRock's 2021 ask: companies should disclose their plan for how their business model will be compatible with a net zero economy and how the plan is incorporated into long-term strategy and reviewed by the board
 - This request is fueled, in part, by the demand BlackRock is experiencing from their own investors regarding data and analytical capabilities related to climate change and investing
- BlackRock continues to advocate for a unified reporting and disclosure framework and continues to support the Sustainability Accounting Standards Board (SASB, now VRF) and the Task Force on Climate-related Disclosures (TCFD) disclosure and may vote against management proposals or directors at companies where disclosure lags
- In the letter to clients, BlackRock commits to publishing significant climate metrics, offering additional climate-related investment management and engaging in additional stewardship with respect to climate change and net zero transitions. It noted that the stewardship team focused on 440 carbon-intensive companies, and it voted against 64 directors and 69 companies. An additional 191 companies are "on watch" and risk adverse votes in 2021 without significant management and reporting of climate-related risk

Human Capital

- BlackRock noted that companies need to pay attention to all of their stakeholders, which it views as critical to managing and attracting the right talent and expects disclosure related to long-term plans to improve diversity, equity and inclusion

Shareholder Proposals

- BlackRock views shareholder proposal support as an important tool and is likelier to support shareholder proposals if it determines management could do a better job in managing and disclosing the material business risk the proposal addresses
 - This policy will apply to companies that are "on track" but where BlackRock thinks a shareholder vote could accelerate progress
 - Applying its new view in the second half of 2020, BlackRock supported 54% of ESG-related shareholder proposals

BlackRock's Climate Change Expectations

In February 2021, BlackRock Investment Stewardship released its expectations related to climate risk and the transition to a low-carbon economy. BlackRock stated that it "expects companies to disclose a plan for how their business model will be compatible with a low-carbon economy" and believes disclosures should include the following:

Mitigating Risk

- BlackRock argues that with increasing global emissions impacting climate change (e.g., rising sea levels and extreme weather events), every aspect of the economy – logistics, travel, food production, health, infrastructure, etc. – will be affected
- Regulators across the world are coordinating on how to achieve low-carbon economies through net zero emission goals, carbon taxes, regulations and investment in alternative forms of energy
- Companies will need to consider how they manage these risks in connection with their business/operations and "demonstrate preparedness to operate in a low-carbon economy"

Capitalizing on Efficiencies

- BlackRock notes that long-term shareholder value can be increased through careful consideration of a company's greenhouse gas footprint on its operating efficiencies, including decreased energy use, streamlined manufacturing processes and technology enhancements to reduce waste

Innovation and Opportunity

- BlackRock believes that companies producing viable solutions to address market demand changes will be best positioned to capture additional market share reflecting shifts in consumer demands/preferences, regulation and global demand
- Companies will have the opportunity to utilize and contribute to the development of existing and future low-carbon transition technologies, which will be vital in reducing emissions

BlackRock's Investment Stewardship Team

50+

Team members in 8 offices

16,000+

Meetings voted in 85+ markets

3,000+

Engagements in 54+ markets

BlackRock Votes “Against” Directors and Companies More Frequently

Blackrock released its 2021 Stewardship Expectations, updating its global principles and market-specific voting policies in December

- BlackRock says it will vote against directors more frequently where it believes companies are not taking sufficiently swift action, particularly on environmental and social issues
 - BlackRock noted that its votes against directors for compensation-related reasons led to changes by over 80% of companies
 - In Q1 of 2021, BlackRock voted against 53 directors and 47 companies (either in votes against directors or in support of shareholder proposals) for climate-related concerns, nine companies for inadequate sustainability disclosure (failing to align with SASB/VRF) and seven for inadequate progress on social issues
- In an effort to improve transparency, BlackRock has released 26 voting bulletins for key companies in advance of the meeting in the 2021 proxy season, many of which highlighted support for shareholder proposals at S&P 500 companies



Specific changes BlackRock noted in its report include:

- **Shareholder proposals:** BlackRock noted that, historically, it would explain its views on an issue and give management ample time to address them before voting against them. Now, BlackRock intends to support shareholder proposals **without waiting to assess the effectiveness of company engagement**, citing “the need for urgent action on many business relevant sustainability issues”
 - From July 1, 2020 through May 20, 2021 BlackRock backed 91% of environmental proposals, 23% of social proposals and 26% of corporate-governance proposals of the approximate 170 ESG-related shareholder proposals it voted
 - In contrast, for the 1,000+ ESG shareholder proposals between July 1, 2019 and June 30, 2020, BlackRock backed 6% of “E” proposals, 7% of “S” proposals and 17% of “G” proposals*
- **Diversity, equity and inclusion:** BlackRock is asking companies to disclose the diversity of their workforce through the disclosure of EEO-1 data, as well as report on actions they are taking to advance diversity, equity and inclusion and support an engaged workforce
- **Boards:** BlackRock will strengthen its focus on board diversity in 2022. In 2021, BlackRock is asking companies to disclose the composition of boards from a diversity perspective and will look more closely at average director tenure

*Source: Alliance Advisors (May 20, 2021)

State Street CEO 2021 Annual Letter



On January 11, State Street Global Advisers (SSGA) CEO Cyrus Taraporevala published his annual 2021 letter to boards. The letter stressed that SSGA's "main stewardship priorities for 2021 will be the systemic risks associated with climate change and a lack of racial and ethnic diversity"

Racial and Ethnic Diversity

- SSGA highlighted the importance of racial and ethnic diversity in companies for performance and profitability and that the "racial and ethnic inequity is a systemic risk that threatens lives, companies, communities, and [the] economy – and is material to long-term sustainable returns." However, SSGA noted that disclosures with respect to racial and ethnic diversity at the board level are "sparse"
- In 2021, SSGA will vote against the Nom/Gov Chair at S&P 500 companies that do not disclose the racial and ethnic composition of their boards. In 2022, SSGA will vote against the Nom/Gov Chair at S&P 500 companies that do not have at least one director from an underrepresented community on their boards and against the Compensation Chair at S&P 500 companies that do not disclose their EEO-1 survey responses

Climate Change

- In 2021, SSGA will focus on specific companies that are "especially vulnerable to the transition risks of climate change." In addition, SSGA will continue its engagement with companies that face risks from the physical impacts of climate change
- Since 2018, SSGA has been advocating for all its portfolio companies to use the TCFD framework

Vanguard

Vanguard®

Vanguard has been publishing periodic insights on both its views on general stewardship topics as well as its rationale for votes at annual meetings. Recent topics for general stewardship have included Vanguard's evaluation of say-on-climate proposals and diversity, equity and inclusion

Climate, Environment and Say-on-Climate

- Vanguard encourages companies to align their reporting with the TCFD standards, and its due diligence process incorporates peer comparisons and guidelines from the Sustainability Accounting Standards Board
- Vanguard will review climate-related governance proposals on a case-by-case basis to understand best practices
- With respect to say-on-climate votes, Vanguard notes that advisory votes should not be used to delegate oversight responsibilities to shareholders or substitute meaningful disclosure
 - Vanguard is likely to support say-on-climate proposals where the company has identified climate change risk as material to its business and is seeking shareholder input on its climate plan

Corporate Political Activity

- Vanguard expects boards to oversee corporate political activity and communicate the philosophy to investors
- Vanguard evaluates corporate political proposals through a lens of financial materiality and how potential risks may affect long-term performance
- If Vanguard believes there are gaps in disclosure, disclosure lags peers or there is a disconnect with long-term strategy, it may vote in favor of proposals calling for greater disclosure or oversight

DE&I

- Vanguard will review DE&I shareholder proposals on a case-by-case basis to assess financial materiality of the risks, reasonableness of the proposal and whether the requested action addresses a gap in current practices
 - DE&I disclosure proposals: likely to vote in favor of shareholder proposals that call for reasonable enhancements to financially material DE&I risk disclosures;
 - May withhold support if a company already provides sufficient disclosure or a request is determined to be overly prescriptive
 - DE&I board oversight proposals: generally support DE&I board oversight proposals if the requests are clear and focused on financially material DE&I risks that could affect long-term shareholder value
 - May withhold support if a company already sufficiently addresses the topic or credibly commits to address it within a reasonable time frame or where the request is overly prescriptive
 - Third-party racial equity audits: may support a proposal if current board oversight or disclosures suggest a failure to sufficiently oversee the company's DE&I risks or if it believes that a third-party audit is in the best interest of shareholders
- Vanguard may also withhold support for "relevant" directors if it observes a lack of board oversight on material risks such as DE&I

Institutional Investor Shifts Towards Increased Disclosures



- In February, Fidelity published its proxy voting guidelines, which focus on a number of topics, including boards and corporate governance, compensation and ESG. In order to maximize long-term shareholder value, Fidelity considers environmental and social issues, particularly if material to that company
- Fidelity will generally consider management's recommendations when voting on shareholder proposals for environmental and social issues; however, it will also support shareholder proposals where the proposal is for additional disclosures that Fidelity believes could provide meaningful information to investment managers without unduly burdening the company



- In January, Invesco published its Statement on Global Corporate Governance and Proxy Voting
- With respect to ESG, Invesco may take voting action against director nominees in response to material governance or risk oversights (e.g., corruption, events causing significant environmental degradation) and will vote against annual reporting resolutions where there are significant gaps in terms of management and disclosure of ESG
- Invesco will support shareholder resolutions requesting companies provide additional information on material ESG risks, provided such risks are neither unduly burdensome or duplicative

Investor Overboarding Policies

	Maximum Number of Board Membership Permitted		
	Independent Directors	CEO (including own board)	Named Executive Officer (other than CEO)
<i>Institutional Investor</i>			
BlackRock	4	2	(not addressed)
State Street (new in 2020)	4 (3 for board chairs or lead directors)	2	2
Vanguard (revised in 2021)	5	2	2
Alliance Bernstein (new in 2020)	3	2	(not addressed)
BNY Mellon	6	3	(not addressed)
J.P. Morgan	4	3	(not addressed)
CalPERS	4	2	2
CalSTRS	4	2	(not addressed)
Legal & General	4	2	(not addressed)
J.P. Morgan	4	3	(not addressed)
Norges Bank	5 (2 for board chairs)	5	(not addressed)
T. Rowe Price (new in 2020)	5	2	(not addressed)
<i>Proxy Advisory Firm</i>			
Glass Lewis	5	2	2
ISS	5	3	(not addressed)

Thank you

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