



Proxy Voting

Seventh Generation Interfaith
April 16, 2021

Welcome!

- ▶ Participants will be in listen only mode until the Q&A section.
- ▶ We will make a recording, but the recording will not be publicly available. Please, request a link from staff.

Our Itinerary

- ▶ Introduction to Proxy Voting
- ▶ Emerging Trends
- ▶ Case Study: UAW Trust's Process
- ▶ Questions and Answers

Our Companions

- ▶ **Michael Passoff**, CEO,
Proxy Impact

- ▶ **Meredith Miller**, Chief
Corporate Governance Officer,
UAW Retiree Medical Benefits
Trust



Reflection:



Our Itinerary

- ▶ **Introduction to Proxy Voting**
- ▶ **Emerging Trends**
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- ▶ **Questions and Answers**

WHAT IS PROXY VOTING

- ▶ Public corporations are required by law to report to shareholders.
- ▶ Annual meeting and proxy voting provide a formal communication channel between management and shareholders
- ▶ The proxy statement is a document used by public corporations to get shareholder approval on issues relating to board composition, executive compensation, stock plans, mergers, etc. and shareholder resolutions.

WHY VOTE

- ▶ Investment in good governance
- ▶ Part of fiduciary duty
- ▶ Protects long shareholder value
- ▶ Extends your mission

WHO CAN VOTE

- ▶ Any shareholder who meets the “record date”
- ▶ Yourself or your money manager, custodian
- ▶ Vote For, Against, Abstain, Not Voted
- ▶ Management will vote your shares if you don't vote
- ▶ Co-mingled funds (mutual funds) can't vote

HOW AND WHEN TO VOTE

- ▶ Can vote by mail, phone, online, or via voting services
- ▶ Vote deadline: midnight before AGM
- ▶ Can change vote
- ▶ Proxy Season: mid-April to mid-June (late May is busiest)

PROXY VOTING POLICY: part 1

- Can start small: what is important to you?
- Money Managers: feedback is important

S&P 500

- ▶ Board Directors 97% FOR
- ▶ Exec. Compensation 93% FOR
- ▶ ESG Resolutions 25% FOR

Proxy Impact

- ▶ Board Director 44% FOR
- ▶ Exec. Compensation 44% FOR
- ▶ ESG Resolutions 97% FOR

PROXY VOTING POLICY: part 2

Corporate Governance Best Practices

- ▶ Independent board and CEO
- ▶ Board diversity
- ▶ Independent auditor
- ▶ Equal voting rights
- ▶ Directors elected by simple majority vote
- ▶ Executive compensation linked to financial performance

Environmental and Social Resolutions

- ▶ Disclose political contributions and lobbying
- ▶ Reduce greenhouse gas emissions
- ▶ Disclose diversity, equity and inclusion policies and practices
- ▶ Support shareholder right to nominate board members (proxy access)

BINDING AND NON-BINDING VOTES

- ▶ Board of Directors (binding)
- ▶ Management proposals:
 - ❑ Mergers / Stock options (binding)
 - ❑ Say on Pay (non-binding / advisory)
- ▶ Shareholder proposals:
 - ❑ Environmental and Social (non-binding / advisory)

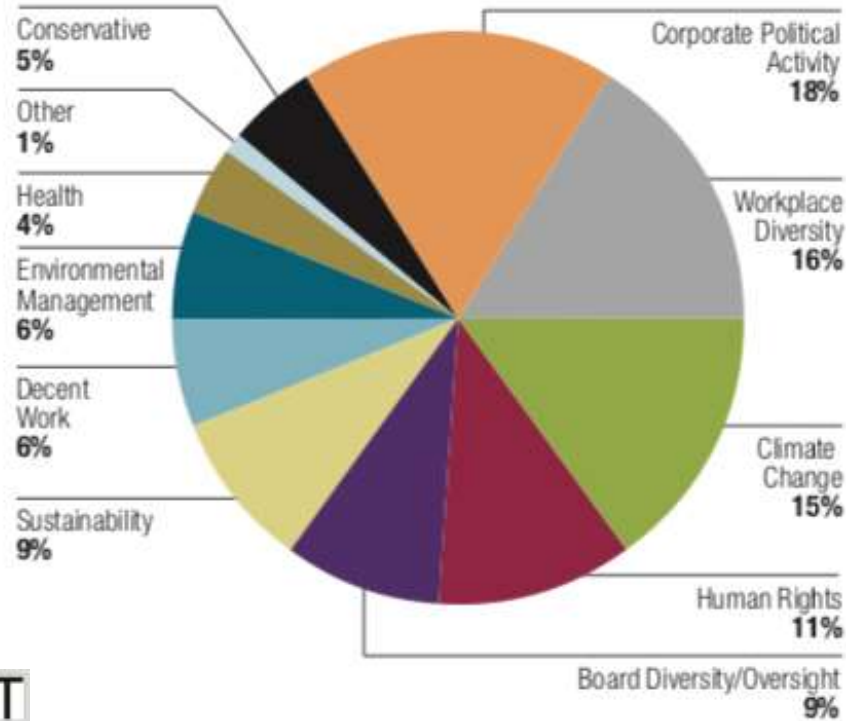
ALIGNING INVESTMENTS AND VALUES

- ▶ Banks
- ▶ Stocks: positive and negative screens
- ▶ Proxy Voting
- ▶ Shareholder Engagement: letters, dialogues, shareholder resolutions
- ▶ Retirement Plans

PROXY VOTING TO SUPPORT SHAREHOLDER ENGAGEMENT: part 1

- ▶ 2021 Environmental, Social and Governance (ESG) Votes
- ▶ Approx. 470 filed; 230 will go to vote

Environmental, Social & Sustainability Proposals in the 2021



PROXY VOTING TO SUPPORT SHAREHOLDER ENGAGEMENT: part 2

- ▶ Educates management and financial community
- ▶ Early warning system
- ▶ Can change policies and practices
- ▶ Enables internal champions
- ▶ Supports your values

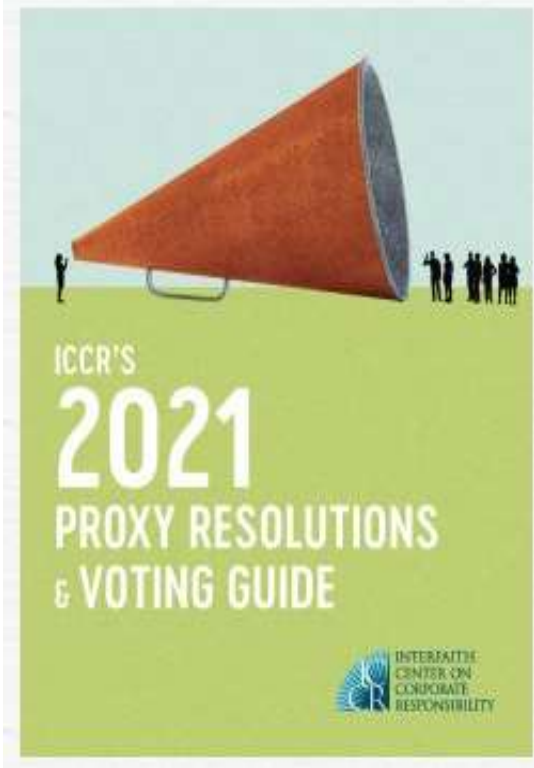
VOTES MATTER!

- ▶ SEC Thresholds for resubmitting shareholder resolutions:
 - ❑ Current: 3%, 6%, 10%
 - ❑ In 2022 will be: 5%, 15%, 25%
- ▶ Majority Votes: company, state and federal law
 - ❑ PNM Resources 49.9%
 - ❑ JPMorgan Chase 49.6%
 - ❑ Kohls 49.8%
 - ❑ NetEra Energy 48.7%
 - ❑ Dominion Resources 48%
 - ❑ Duke Energy 48%

Resources



Proxy Preview
www.proxypreview.org



ICCR Proxy Resolutions
and Voter Guide
www.iccr.org/iccrs-2021-proxy-resolutions-and-voting-guide



Proxy Voting 101 Webinar
www.asyousow.org/proxy-voting-101

PROXY IMPACT

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

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

Contact

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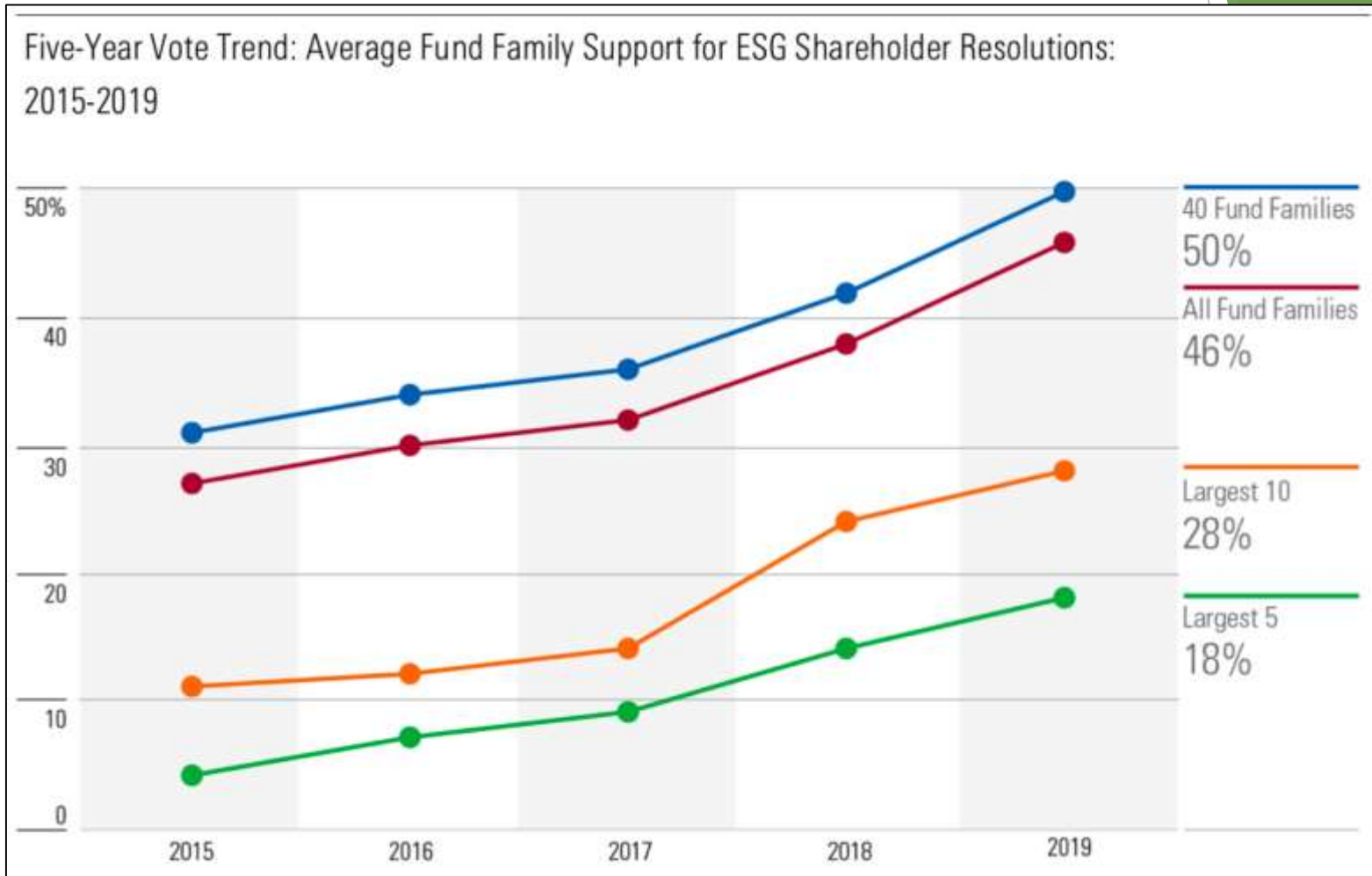
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Our Itinerary

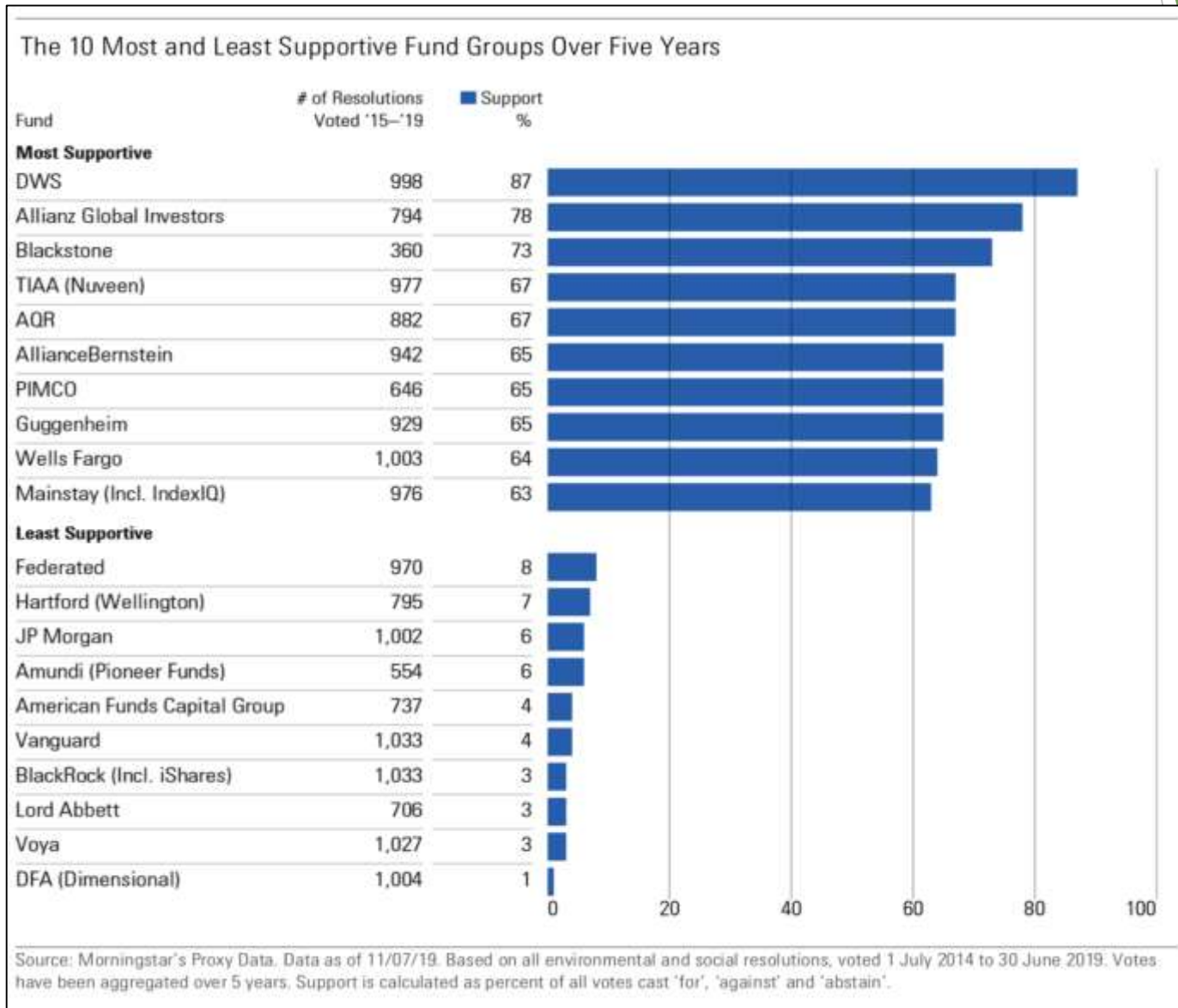
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Asset manager support for ESG shareholder proposals is on the rise*

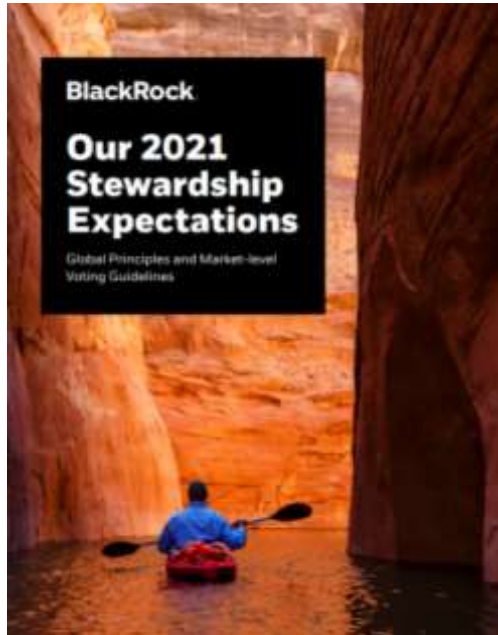


* Morningstar: [How Fund Families Support ESG-Related Shareholder Proposals](#), Feb 13, 2020

But voting record varies considerably by fund...

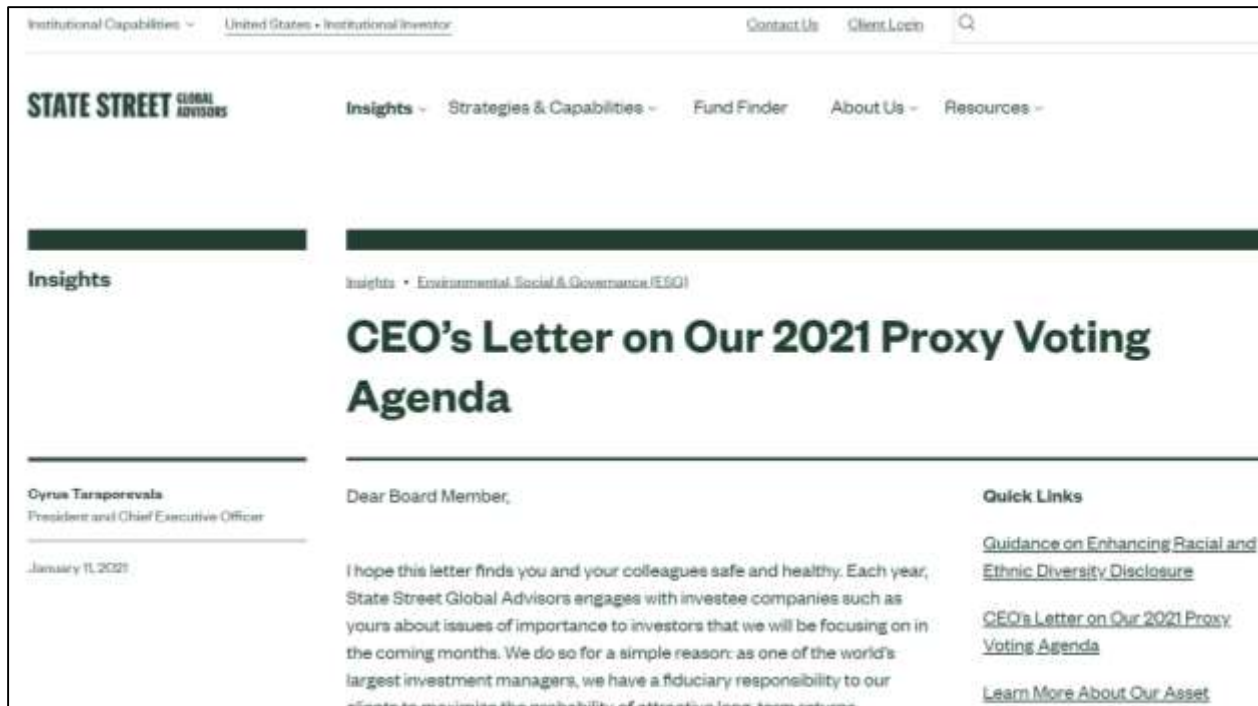


Largest asset managers becoming more active proxy voters...



- ▶ "Key changes in our policies address board quality; the transition to a low-carbon economy; key stakeholder interests; diversity, equity and inclusion; alignment of political activities with stated policy positions; and shareholder proposals."
- ▶ "Where we believe companies are not moving with sufficient speed and urgency, our most frequent course of action will be to hold directors accountable by voting against their re-election. "
- ▶ "We may support shareholder proposals that ask companies to disclose climate plans aligned with our expectations."

Largest asset managers becoming more active proxy voters...



- ▶ “... our main stewardship priorities for 2021 will be the systemic risks associated with climate change and a lack of racial and ethnic diversity. In particular, I want to explain how we intend to use our voice – and our vote – to hold boards and management accountable for progress on providing enhanced transparency and reporting on these two critical topics.”

State pension funds also evaluating Directors more critically

*CalPERS: "We will withhold votes from directors who serve on a board that demonstrated a lack of board oversight in its fiduciary duties and responsibilities." Page 3
<https://www.calpers.ca.gov/docs/proxy-voting-guidelines.pdf> See also quotes in the Majority Action press release, March 30, 2021.*

ILLINOIS: "Directors will not be supported where the board has failed in its oversight responsibilities (such as where there is significant corporate misbehavior, repeated financial restatements or inadequate responses to systemic risks including climate change that may have a material impact on performance). We may vote against directors at companies that have failed to set science-based emissions targets aligned to the goal of limiting warming to 1.5°C or failed to disclose material climate risk exposures and how the company governs, manages, and mitigates those risks."

VERMONT: "Votes concerning the entire board of directors and members of key board committees should be examined using the following factors:

Failure in oversight responsibilities (such as where there is significant corporate misbehavior, repeated financial restatements or inadequate responses to systematic risks including climate change that may have a material impact on performance."

State pension funds also evaluating Directors more critically

New York State policy Adopted February 2020

The Fund may withhold support from directors responsible for climate risk oversight or the entire board in the event that a company:

- i. lacks board oversight on climate risks;*
- ii. lacks board climate competency;*
- iii. supports public policies that adversely affect the low carbon transition and enhanced corporate climate disclosure;*
- iv. fails to acknowledge climate change and the low carbon transition as a material risk to the company;*
- v. fails to demonstrate transition strategies;*
- vi. fails to perform robust climate risk assessment;*
- vii. fails to report on material climate information recommended by the TCFD; or*
- viii. refuses to engage constructively with shareholders on climate risks and opportunities.*

The Fund will consider additional context in voting analyses for individual companies, including, but not limited to, the specific industry's pace of decarbonization, geographies, technological advancement, and data availability

page 22, available at

<https://www.osc.state.ny.us/files/common-retirement-fund/corporate-governance/pdf/proxy-voting-guidelines-2020.pdf>

Proxy service advisors becoming more critical...and investors are mounting *Vote No* campaigns...



ISS updates proxy voting policy against directors who fail to address climate crisis

Institution Shareholder Services issues advice to some of world's biggest fund managers



▲ Coal fired power plant in winter with emissions blowing downward. Photograph: National Geographic/ Image Collection/Alamy

- ▶ ISS will recommend votes against company directors over “material failures ... including, demonstrably poor risk oversight of environmental and social issues, including climate change”.

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Starting Programs From Scratch & Mid-Programs Reviews

- Become familiar with any legal constraints, regulatory rules, policy considerations or fund guiding principles
- Understand how external managers are voting in the absence of policies
 - What policies are they using and who is voting-canceling each other out?
 - Examine key votes
 - Examine cost-shifting
- Decide how to Engage on Continuum of Investor Activism
 - Dialogue only, filing, coalitional work, material interests
- Set KPIs and Determine Workplan timeline
- Mid-Program Reviews
 - Check-in to see if Policies Still reflect your Policy Positions (check Key votes and other existing policies)
 - Check Key Votes & Become knowledgeable about Exempt Solicitations
 - Determine if you can get red flags insulated or take back delegation of vote
 - Contribute to a repository

About Corporate Governance

- **Promote** the creation of long-term shareholder value
 - Corporate Governance as a risk mitigation tool and alpha enhancer
 - Work guided by SEC, DOL, and state law regulatory frameworks
- **Model** responsible ownership
 - Fulfill fiduciary duty to monitor and vote (proxy treated by DOL as an asset)
 - Engage companies on key governance issues
 - Participate in public policy (SEC, FDA, FTC comments)
- **Lead** initiatives advocating for best practices and systemic reforms
 - Pursue spectrum of corporate engagement: dialogue, filing shareholder resolutions, withholds
 - Leverage coalition work to bring more capital to engagements
 - Investors for Opioid and Pharmaceutical Accountability (IOPA)
 - Human Capital Management Coalition (HCMC)
 - Midwest Investor Diversity Initiative (MIDI)

Proxy Voting & Trust Initiatives

- Domestic Voting Policies Customized and Voted by ISS
 - Update to proxy policies
- Global Proxy Voting-ISS Taft-Hartley
- Initiatives 2021
 - Human Capital Management coalition (HCMC) on Workforce Equity to Change Comp Committee Charter to include total workforce not just senior executives
 - Investors for Opioid & Pharmaceutical Accountability (IOPA):
 - Vote No
 - Independent Chairs
 - Clawbacks and Incentive Deferrals

Proxy Voting Initiatives

- AFL-CIO and NY city Comptroller initiative on Diverse Searches for Total workforce Job Openings
- ICCR initiative on Disclosure of Considerations of Public Funding of COVID-19 Vaccines in Pricing Strategies
 - Pursued as bond investor
- Bondholder Engagement Initiative
 - Developing strategy on corporate engagement as a bondholder
- Leadership of Trust
 - ICCR Health Leadership Team along with Chris Cox
 - GRI, CII, SASB, SEC Investor Advisory Committee

Questions



Thank you to our Companions

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- ▶ **Meredith Miller, UAW Retiree Medical Benefits Trust,**
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Thank You

SeventhGenerationInterfaith.org