

# Proxy Voting Guidelines

April 5, 2021

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## Contents

<b>Introduction</b>	3
About Our Guidelines	3
Acknowledgments	4
About Us	5
<b>Climate Change</b>	6
Greenhouse Gas Emissions and Climate Restoration	6
Climate Risk, Opportunity and Adaptation	7
Renewable Energy and Energy Efficiency	7
Fossil Fuels	8
Climate Finance	9
<b>Environment, Animal Welfare and Circular Economy</b>	10
Conservation and Biodiversity	10
Regenerative Agriculture	10
Food Security and Food Waste	11

Animal Welfare	12
Water Conservation and Efficiency	13
Product Design & Packaging	13
Electronic Waste	14
<b>Human Rights</b>	15
Universal Human Rights	15
Indigenous Peoples and Free, Prior, and Informed Consent (FPIC)	16
Environmental Justice	16
Workers' Rights	17
Conflict Minerals	18
Human Trafficking	19
Prisons and Criminal Justice	20
<b>Justice, Equity, Diversity and Inclusion (JEDI)</b>	21
Diversity and Inclusion	21
Pay Equity and Mobility	22
Equality and Disability	22
Anti-Discrimination and Harassment	23
<b>Health and Well-Being</b>	24
Consumer and Worker Safety	24
Healthcare Benefits and Sick Leave	24
Paid Family Leave	25
Pharmaceuticals	26
<b>Political Activity</b>	27
Lobbying and Political Spending	27
Equity Vesting for Government Service	28
<b>Information Technology and Cybersecurity</b>	29
Personal Data, Digital Equity, and ICTs	29
Data Privacy and Content Moderation	29
<b>Corporate Governance</b>	31
Executive Compensation	31
Oversight for Sustainability	31
Corporate Purpose and Accountability	32
General Board Governance	33

# Introduction

## About Our Guidelines

ASU Enterprise Partners is the resource-raising arm of Arizona State University (ASU) and the steward of its endowment. Both our fiduciary duty and our institutional mission lead us to embed our values of sustainability and social responsibility at every point in the investment process — including our shareholder engagement.

Like many investors, we invest the majority of our public equity in commingled funds. While this limits our ability to vote proxies, it does not lessen our interest or stake in the companies we hold. We urge our fund managers to reference these specific guidelines as they cast proxy votes on our behalf. Managers and companies can expect this document to serve as our agenda, the foundation of targeted engagements that we coordinate with them, and the standard by which we assess their investment stewardship. Finally, we vote according to these guidelines in our separately managed accounts and student managed investment funds where we directly hold securities.<sup>1</sup>

We use our shareholder rights to advocate for best practice, transparency and accountability on Environmental, Social, and Governance (ESG) issues. We consistently support well-founded shareholder proposals at companies that call for timely, reasonable, public disclosure and/or alignment with their publicly stated ESG commitments and with well-established international agreements, standards or principles (e.g. Task Force on Climate-related Financial Disclosure or TCFD, United Nations Declaration on Human Rights). In instances where management of material sustainability risks or significant social or environmental impacts appear substandard, we may advocate for additional measures commensurate to the understood urgency and magnitude of the issue(s) at hand, including requests to develop and implement a policy or framework; form a task force or board committee; and set realistic goals for critical sustainability outcomes. We will not support shareholder proposals that prescribe detailed methods, unreasonable burdens, or unrealistic time frames, nor proposals designed to undermine any of the values and recommendations contained here.

We count ourselves among forward-thinking investors, businesses, and universities who recognize that sustainability leadership drives long-term financial return. We fundamentally believe these guidelines will help shape not only a better world, but a stronger investment portfolio.

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<sup>1</sup> We may choose to engage companies and withhold our vote when they can show progress or sincere commitment to rectify issues. We also reserve the right to vote in a manner that is inconsistent with the recommendations herein, in exceptional instances when financial, reputational, or other risks outweigh our need to vote. We will consider such proxy votes and others not covered under this framework on a case-by-case basis.

## Acknowledgments

Tremendous thanks to the 20 students who volunteered during the Fall 2020 semester to draft background and recommendations. This document reflects their dedication and acuity.

<b>Andrew Wright*</b>	graduate	MBA
<b>Beatrice Chua</b>	graduate	Master of Global Management
<b>Brandon Suchan</b>	graduate	Master of Sustainability Leadership
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<b>Joann Emmanson</b>	graduate	MBA
<b>Juily Sawant</b>	graduate	Master of Global Management
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This project was conducted through the ASU Endowment Student Consulting program, created for this purpose with student organizations Net Impact – Graduate Chapter and Conscious Capitalism at the W. P. Carey School of Business. Members also joined from Thunderbird School of Global Management’s Net Impact Chapter, Undergraduate Student Government, and the School of Sustainability.

Primary references include the [Proxy Preview 2020 guide](#) and ESG proxy voting guidelines by [Calvert \(Eaton Vance\)](#), [Glass Lewis](#), [ISS](#), [Columbia University](#), the [New York State Common Retirement Fund](#), and [Norway’s Government Pension Fund Global](#).

## About Us

The ASU Enterprise Partners Investments team coordinated the creation of these guidelines, and is responsible for implementing and leveraging them under supervision by the ESG Subcommittee of the ASU Enterprise Partners Board of Directors Investment Committee.

We are seeking partnership and collaboration on corporate engagement. To discuss opportunities, or for more information, please contact Jeffrey Mindlin at [jeffrey.mindlin@asu.edu](mailto:jeffrey.mindlin@asu.edu) or Ryan Taylor at [ryantaylor@asu.edu](mailto:ryantaylor@asu.edu).

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# Climate Change

## Greenhouse Gas Emissions and Climate Restoration

Climate change has gained recognition as an environmental crisis requiring global action, with the Paris Agreement in 2015 establishing international consensus on the goal to limit global temperature rise this century to below 1.5°C above pre-industrial levels. To accomplish this, and restore atmospheric carbon dioxide to a safe level of 350 parts per million (from 409.8 ppm and rising at the end of 2019),<sup>2</sup> the International Panel of Climate Change (IPCC) projects that the world must curb 50% of its emissions by 2030 and achieve carbon neutrality by 2050.<sup>3</sup> The benefits of the 1.5°C trajectory compared to business-as-usual scenarios by 2030 include estimated global savings of US\$26 trillion and averting 700,000 premature deaths from air pollution alone. The long-term effects raise the stakes exponentially; curbing carbon emissions this decade could halve the occurrence of severe heat, drought, and irreversible biodiversity loss in 2050, and prevent the worst effects like disastrous sea level rise that would threaten billions of lives and 30% of annual world economic output by 2100.<sup>4,5</sup>

The green economy presents business opportunities that may grow into the trillions of dollars as soon as 2030.<sup>6</sup> Companies not only have a responsibility, but also a strong business case, to get ahead in the transition to a low-carbon economy. Therefore, companies should follow the lead of governments, nonprofits and other corporations that are taking substantial measure to combat climate change: not only by measuring and limiting their own greenhouse gas emissions, but by preserving or enlarging carbon sinks and by using their agency within the carbon-intensive economic system to promote farsighted sustainable development.

### **We SUPPORT:**

- Proposals that request disclosure of greenhouse gas emissions to CDP or according to other standards, including Scope 3 emissions where possible.
- Proposals that request disclosure on transition plans to align with the Paris Agreement goal of 1.5°C temperature rise, or Science Based Targets (SBTs).
- Proposals that request companies institute goals to reduce net emissions, including Scope 3 emissions from supply chains. We favor measures that set targets consistent with the above-mentioned Paris goal or SBTs, unless the business can show that such goals would inflict unreasonable harm to the company's shareholders and stakeholders.

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<sup>2</sup> [https://thunderbird.asu.edu/sites/default/files/khagram-gcr-market-report-2020\\_0.pdf](https://thunderbird.asu.edu/sites/default/files/khagram-gcr-market-report-2020_0.pdf)

<sup>3</sup> <https://www.ipcc.ch/sr15/chapter/spm/>

<sup>4</sup> Sanderson, B.M., O'Neill, B.C. Assessing the costs of historical inaction on climate change. *Sci Rep* 10, 9173 (2020). <https://www.nature.com/articles/s41598-020-66275-4>

<sup>5</sup> <https://www.wri.org/blog/2018/10/half-degree-and-world-apart-difference-climate-impacts-between-15-c-and-2-c-warming>

<sup>6</sup> [https://thunderbird.asu.edu/sites/default/files/khagram-gcr-market-report-2020\\_0.pdf](https://thunderbird.asu.edu/sites/default/files/khagram-gcr-market-report-2020_0.pdf)

## Climate Risk, Opportunity and Adaptation

Adaptive capacity and proactive approaches to climate risk will pay dividends as companies weather unique physical, reputational and regulatory risks. Businesses and policymakers have adopted climate modeling and scenario planning, as well as voluntary reporting to the Task Force on Climate-Related Financial Disclosures (TCFD).<sup>7</sup> Transparent financial, ESG and impact measurement will be crucial to diversify across strategies and emerging technologies.

### **We SUPPORT:**

- Proposals that request companies report on their vulnerability to and preparedness for material climate risk, favoring the TCFD reporting framework.

## Renewable Energy and Energy Efficiency

Renewable energy production is taking off around the world with the EU planning to achieve 100% renewable production by 2050. Technological advances are making renewables more efficient and affordable; the cost of wind energy has dropped by 70% and the cost of solar photovoltaics has decreased by 89% in the last decade.<sup>8</sup> This is catalyzing the shift of over 260 businesses in the United States including major utilities and top technology firms to source 100% of their energy from renewables.<sup>9</sup> Today, unsubsidized renewables can undercut any fossil fuel option and corporate renewable energy procurement has more than tripled since 2017.

Energy efficiency is at the core of climate change mitigation strategies, as it is often the most cost-effective and immediate way to reduce greenhouse gas emissions. The greatest opportunities to improve energy efficiency are unique in each of the five major areas of U.S. emissions. For energy generation and distribution, heat capture and smart grids may unlock the greatest potential; for buildings, improvements to lighting, appliances, insulation and weatherization significantly reduce carbon intensity; for transportation, fuel-efficient and electric vehicles may drive down emissions the most; and for heavy industry, innovations are needed to reduce emissions from chemical, metallurgical, and mineral transformation as well as waste management. For more details on reducing carbon emissions in agriculture, see the section on Regenerative Agriculture.

### **We SUPPORT:**

- Proposals that request reporting on realistic but ambitious goals for renewable energy production and energy efficiency measures at utilities.
- Proposals that request reporting on realistic but ambitious goals for renewable energy consumption and energy efficiency measures at companies.

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<sup>7</sup> <https://www.fsb-tcfid.org/>

<sup>8</sup> <http://proxyimpact.com/assets/docs/Proxy%20Preview%202020.pdf>

<sup>9</sup> <https://environmentamerica.org/feature/ame/renewables-rise-2020>

- Sector-specific proposals that request reasonable reporting on how the company plans to align its operations and business model with the Paris Agreement goal of limiting temperature rise to 1.5°C, such as requests of car manufacturers for disclosure of fuel economy standards and electric vehicle production.

## Fossil Fuels

The world's dependence on fossil fuels is the primary driver of the current climate crisis. Oil and coal, which have powered two centuries of industrialization and development, emit deadly pollutants and carbon dioxide when burned, and pose grave risks to ecosystems including oil spills, strip mining and hazardous wastes. These fuels are losing steam; permanently depressed oil prices could strand fossil fuel assets worth about US\$1 trillion to US\$4 trillion, which especially threatens companies in the United States where production costs are higher — a financial reality that industry leaders recognize as they write down the value of their assets.<sup>10</sup>

Hydraulic fracturing or “fracking” has driven a boom in U.S. shale oil and natural gas, a cleaner compound that will smooth the transition to renewables. However, fracking poses its own set of environmental risks at all stages in the development of shale gas extraction, including still-significant greenhouse gas emissions, human health problems, and pollutants in groundwater.<sup>11</sup>

To hasten the transition to a low-carbon economy — and remain competitive within it — coal, oil, and natural gas companies must set emission reduction targets, pivot to alternative energy sources, and even cap conventional production.<sup>12</sup> Further, good actors align capital expenditure and investment strategy with a low demand future of limited temperature rise under the Paris Agreement,<sup>13</sup> and provide transparency by reporting on Scope 1, 2, and 3 emissions and corporate climate change lobbying (see Political Activity section of guidelines).<sup>14</sup>

### **We SUPPORT:**

- Proposals that request the creation and disclosure of long-term energy transition plans, including emissions reduction targets, reporting on stranded or devalued assets or the viability of capital projects in low-demand scenarios, and workforce retraining programs.
- Proposals that request reasonable disclosure on environmental impacts, beyond legal requirements when necessary, and that provide important services or limit environmental destruction by methods such as mountaintop removal mining, near sensitive areas (e.g. riparian zones).

<sup>10</sup> <https://www.nature.com/articles/s41558-018-0182-1>

<sup>11</sup> [https://www.sciencedirect.com/science/article/pii/S0048969716327322?casa\\_token=WdENip2K5ycAA:AAA:R07AyB-LO\\_ipVpS1H7E049Zs3KAKWwnj4MUZvOQv-EeasXg4IaWdojo9vO9-YFCCBwAyZENIC6Q](https://www.sciencedirect.com/science/article/pii/S0048969716327322?casa_token=WdENip2K5ycAA:AAA:R07AyB-LO_ipVpS1H7E049Zs3KAKWwnj4MUZvOQv-EeasXg4IaWdojo9vO9-YFCCBwAyZENIC6Q)

<sup>12</sup> <https://www.afr.com/companies/mining/glencore-waves-the-white-flag-on-coal-20190220-h1bi2u>

<sup>13</sup> <https://climateaction100.files.wordpress.com/2019/10/progressreport2019.pdf>

<sup>14</sup> <https://www.glencore.com/media-and-insights/news/Furthering-our-commitment-to-the-transition-to-a-low-carbon-economy>



- Proposals that request the appointment of a board member or committee, or creation of a task force, with accountability for climate policy.

## Climate Finance

Banks and investors have a critical role in the transition to a low-carbon economy because they finance the large-scale infrastructure and industrial activity driving global emissions. Globally, private banks lent or underwrote US\$1.9 trillion in fossil fuel projects between 2016 and 2018.<sup>15</sup> They have drawn intense public criticism for financing the most visible projects, including the Keystone XL pipeline, the Dakota Access pipeline, and other carbon-intensive activities such as burning the Amazon rainforest for cropland.<sup>16</sup> Proposals have requested that these financial institutions report the carbon footprint of their lending/investment, how such activity aligns with the Paris Agreement goal of limiting temperature rise to 1.5°C, and how they assess climate-related risk. Best practices include evaluating the carbon footprint of investing activities, using shareholder engagement to drive climate action, and considering attributes such as carbon-adjusted earnings per share.

### **We SUPPORT:**

- Proposals that request reporting on alignment with the Principles of Responsible Banking.
- Proposals that request additional disclosure on the carbon footprint of capital projects.
- Proposals that call upon banks and investors to incorporate ESG data into their process of diligencing recipients of funds, including reporting of climate data to CDP and TCFD, and emissions reduction goals, especially in alignment with the Paris 1.5°C goal.

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<sup>15</sup> [https://www.ran.org/wp-content/uploads/2019/03/Banking\\_on\\_Climate\\_Change\\_2019\\_vFINAL1.pdf](https://www.ran.org/wp-content/uploads/2019/03/Banking_on_Climate_Change_2019_vFINAL1.pdf)

<sup>16</sup> <https://www.globalwitness.org/en/campaigns/forests/money-to-burn-how-iconic-banks-and-investors-fund-the-destruction-of-the-worlds-largest-rainforests/>

# Environment, Animal Welfare and Circular Economy

## Conservation and Biodiversity

That post-industrial human activity threatens one million of the world's 8.7 million unique life forms with extinction<sup>17</sup> should alarm a species that depends fundamentally on the others' survival — whether firsthand as with fisheries, or through the balance of ecosystems and their life-supporting services. The point is more acute in less developed nations, where people often subsist directly on local biological resources.<sup>18</sup> Further, conserving and restoring forests, wetlands, croplands and grasslands can — and must — provide more than a quarter of the climate mitigation needed between now and 2030 to stabilize global warming.<sup>19</sup> For human health and well-being, preserving the world's biodiversity keeps intact cultural heritage and undiscovered medical applications, while limiting spread of disease from remote areas.<sup>20</sup> Going forward, business should seek out opportunities to steward the planet's natural resources, worth up to US\$6 trillion by 2050,<sup>21</sup> rather than continuing to operate under today's unsustainable economic model of extraction. Companies must embrace their essential role alongside governments in protecting biodiversity and ecosystems: establishing stronger environmental liability, developing new ecosystem property rights and trading schemes and encouraging increased public access to information through reporting and disclosure rules.

### **We SUPPORT:**

- Proposals that request reporting on the number and acreage of sites owned, leased or managed in or adjacent to protected areas and/or key biodiversity areas (KBA).
- Proposals that request reporting on significant impacts of businesses or its suppliers on protected areas or species, keystone species like pollinators, or areas that are sensitive or important for human use, and disclosure of policies for managing such impacts.
- Proposals that request reporting on companies' or their suppliers' impacts on specific fisheries, forests, rangelands and other natural resources when overuse is understood to threaten the ecosystem's stability, and disclosure of policies for managing the resource.

## Regenerative Agriculture

Agriculture and the food industry have rich opportunities to reverse environmental impacts through regenerative practices, including the capacity to draw carbon out of the atmosphere. Food production in the continental United States uses 51% of land area,<sup>22</sup> 16% of

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<sup>17</sup> <https://www.un.org/sustainabledevelopment/blog/2019/05/nature-decline-unprecedented-report/>

<sup>18</sup> <https://www.ecosystemmarketplace.com/articles/building-biodiversity-business/>

<sup>19</sup> <https://www.pnas.org/content/pnas/114/44/11645.full.pdf>

<sup>20</sup> <https://www.conservation.org/blog/why-is-biodiversity-important>

<sup>21</sup> <http://img.teebweb.org/wp-content/uploads/Study%20and%20Reports/Reports/Business%20and%20...>

<sup>22</sup> Nickerson, Cynthia and Allison Borchers. "How Is Land in the United States Used? A Focus on Agricultural Land." United States Department of Agriculture: Economic Research Service

all energy resources,<sup>23</sup> and 80% of all freshwater.<sup>24</sup> Consequently agriculture has enormous environmental impact; it is responsible for 346 million metric tons of greenhouse gas emissions, 4.4 billion pounds of nutrient loss to the environment, and 996 million metric tons of soil erosion, indirectly costing the United States economy US\$85 billion every year.<sup>25</sup> In addition, pollution has dire effects on both human and ecological health. Children living within one kilometer from use of sulfur-based pesticides are almost four times as likely to develop asthma,<sup>26</sup> and nitrogen fertilizers create algae blooms that irreversibly deoxygenate bodies of water. Consumers, increasingly mindful of these impacts, purchase more organic and meatless food products. The 4 per 1,000 initiative, launched through the Lima-Paris Action Plan in 2015, calls for public and private companies around the world to implement regenerative agriculture practices to improve food security, soil carbon storage, and sustainable development.<sup>27</sup>

### **We SUPPORT:**

- Proposals that request meaningful disclosure on pesticide, herbicide, chemical and waste pollution by food manufacturers and that threaten the safety of humans and ecosystems, especially when products are marketed as natural or eco-friendly.
- Proposals that call for the utilization of regenerative agriculture techniques, including well-founded limitations on pesticides, herbicides and chemicals when their mass usage has been shown to endanger human and ecosystem health.
- Proposals that request reasonable consideration or implementation of commitments to certified sustainable sourcing or cultivation methods, including USDA Organic.

## **Food Security and Food Waste**

The population of food-insecure people in the United States has hovered for decades around 11% – 12% of households, around 37 million people prior to the COVID-19 pandemic — and is expected to reach 54 million by the end of 2020.<sup>28,29</sup> Afflicted communities are disproportionately low income, non-white and “food deserts” geographically far from affordable and nutritious food options.<sup>30</sup> The United States has long overlooked these disparities and the overarching issue of why so many of its people (including children) go hungry. Consequently, the malnourished often rely heavily on a charitable feeding system of foodbanks, tantamount to a bandage on a bullet hole, as these institutions do not address the underlying policy and market failures.

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<sup>23</sup> Canning, Patrick et al. "Energy Use in the U.S. Food System." United States Department of Agriculture: Economic Research Service, 2010, p.33.

<sup>24</sup> <https://www.ers.usda.gov/topics/farm-practices-management/irrigation-water-use/background/>

<sup>25</sup> <https://www.nature.org/content/dam/tnc/nature/en/documents/rethink-soil-executive-summary.pdf>

<sup>26</sup> <https://www.environmentalpollutioncenters.org/news/pesticides-and-fertilizers-used-in-farming->

<sup>27</sup> <https://www.4p1000.org/>

<sup>28</sup> Coleman-Jensen, Alisha et al. "Household Food Security in the United States in 2017." United States Department of Agriculture: Economic Research Service, 2018, p. 44.

<sup>29</sup> <https://www.agandfoodfunders.org/event/from-charity-to-a-social-justice-funding-model/>

<sup>30</sup> Wolfson, J. A., Ramsing, R., Richardson, C. R., & Palmer, A. (2019). Barriers to healthy food access: Associations with household income and cooking behavior. *Preventive Medicine Reports*, 13, 298-305.

Meanwhile, 40% of all food produced in the United States is wasted.<sup>31</sup> Large contributions to food waste occur all along the supply chain, from the farm/grower level, to retailer/grocery stores, restaurants and food service establishments, to the consumer level. Considering chronic food insecurity and the environmental footprint of agriculture, such extreme food waste is unacceptable and must be avoided.

**We SUPPORT:**

- Proposals that motivate companies and/or their suppliers to implement food redistribution programs to the food insecure in their communities.
- Proposals that request companies report on the aggregate amount of food waste generated and the percentage diverted from landfills.
- Proposals that request companies set targets for food waste reduction and publish information on progress towards these goals.

## Animal Welfare

Humans wield significant control and power over animals and their welfare, defined as the overall state of the animal, both physically and behaviorally, and how the animal is managing in its current living conditions.<sup>32</sup> Significant movement has been made in the last 20+ years to halt inhumane treatment of animals for human gain. Notably, pressure has been put on the cosmetic industry surrounding harmful animal testing practices, sometimes outsourced to overseas laboratories, as advanced and reliable alternative methods become available.<sup>33</sup> The clothing industry has faced backlash over its use of fur and leather,<sup>34</sup> and the public increasingly has demanded stricter well-being standards for animals raised for human consumption, as factory farms gain notoriety for not only animal cruelty but their effects on human health and the environment.<sup>35</sup> One growing issue for stakeholders is overuse of antibiotics, which builds resistance in animals that transfers to humans, reducing the efficacy of our antibiotic medicines.

**We SUPPORT:**

- Proposals seeking public disclosure on companies' and/or their suppliers' animal welfare record, policies, standards and risks in cases where transparency is lacking, where compliance with the most current iteration of the US Animal Welfare Act is in question, or significant fines, litigation, or controversies exist.
- Proposals that request reporting on the living environment of animals in factory farms. We favor proposals that increase adoption and certification of best practices at companies and/or their suppliers such as animal-free, cruelty-free, open-range for poultry, and controlled-atmosphere killing (CAK) methods for livestock.

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<sup>31</sup> Gunders, Dana. "Wasted: How America Is Losing up to 40 Percent of Its Food from Farm to Fork to Landfill." vol. August, Natural Resources Defense Council, 2012, p. 26.

<sup>32</sup> <https://www.avma.org/resources/animal-health-welfare/animal-welfare-what-it>

<sup>33</sup> Taylor, K. (2019). Recent developments in alternatives to animal testing. In *Animal Experimentation: Working Towards a Paradigm Change* (pp. 585-609).

<sup>34</sup> <https://www.peta.org/about-peta/victories/>

<sup>35</sup> <https://www.humanesociety.org/farm-animal-welfare>

- Proposals that request reporting on companies' and/or their suppliers' animal testing practices, policies and any plans to limit animal testing and eliminate cruel product testing methods.
- Proposals that request food manufacturers report all instances of medically-important antibiotics being used for non-medical purposes on meat and poultry products, or that request developing supplier standards accordingly.

## Water Conservation and Efficiency

Despite water covering 70% of the earth's surface, less than 2% of the world's water is freshwater suitable for human use and irrigation<sup>36</sup>. It is estimated that 1.1 billion people globally have no access to water, and 2.7 billion people have water scarcity issues for at least one month of the year.<sup>37</sup> Based on the statistics from the Social Progress Index Scorecard, many emerging regions are facing the challenge of clean water supply. For example, 780 million people (approximately 10% of the world population) worldwide have no access to an improved water source. With growing stress on water resources due to population growth, climate change, water pollution through pesticides and fertilizers, untreated wastewater and industrial waste, it is crucial for businesses to support the human right to water, and to be cognizant users and stewards of its precious sources, which may deplete faster than expected.

### **We SUPPORT:**

- Proposals that call for reporting on excessive water consumption or pollution from the activities of a company or its supply chain, especially near areas that are already stressed, sensitive (e.g. riparian zones) or important for human use.
- Proposals that serve to encourage or incentivize water efficiency, innovation in water reuse, investment in local infrastructure for common-pool catchments, or engagement with relevant stakeholders to work towards water conservation goals.

## Product Design & Packaging

The linear make-use-dispose lifecycle of products commonplace today results in short-lived products in disposable packaging, often plastic that degrades (if at all) into harmful microplastics. This unnecessarily consumes valuable resources and pollutes bodies of water by the millions of tons, which will continue to grow exponentially unless industry transforms itself.<sup>38</sup> It also shifts the material costs to the consumer, upon purchase and again in the form of taxes to pay for disposal or recycling. Instead, businesses should adopt a more circular model of production that extends products' lifecycles, planning not for obsolescence but for durability and disassembly into modules that can be repaired or repurposed.<sup>39</sup> This reduces costs and

<sup>36</sup> [https://www.usgs.gov/special-topic/water-science-school/science/how-much-water-there-earth? qt-science\\_center\\_objects=0#qt-science\\_center\\_objects](https://www.usgs.gov/special-topic/water-science-school/science/how-much-water-there-earth?qt-science_center_objects=0#qt-science_center_objects)

<sup>37</sup> <https://www.worldwildlife.org/threats/water-scarcity>

<sup>38</sup> <https://asunow.asu.edu/20200925-global-engagement-scientists-sound-alarm-plastic-pollution>

<sup>39</sup> <https://www.mckinsey.com/business-functions/sustainability/our-insights/developing-products-for-a-circular-economy#>

environmental impacts associated with both production and disposal. Companies should also substitute synthetic and hazardous materials with ones that can be sourced sustainably, reused, recycled or easily biodegraded.

**We SUPPORT:**

- Proposals that request reporting on practices, impacts and goals around sourcing and waste management, including volume of single-use plastics, diversion rates, and other circularity metrics.
- Proposals that set achievable goals, policies or actions to reduce amounts of disposable products and packaging, in favor of reusable, recyclable or biodegradable materials.
- Proposals that serve to boost research that advances a circular economy and could reduce the use of hazardous or synthetic materials.

## Electronic Waste

Technology companies have a responsibility to properly manage electronic waste (e-waste), as do all companies throughout the increasingly tech-reliant economy. Historically, e-waste recycling rates have been problematically low — the International E-Waste Management Network found that only 20% of global e-waste was recycled in 2016.<sup>40</sup> Many of the metals and elements found in e-waste are recyclable for use in future electronics or other products, key to a circular economy. When developed countries and industry sell their waste to low- and middle-income countries, handling and disposal often go unregulated, potentially contaminating groundwater and exposing hundreds of thousands of people to hazardous substances.<sup>41</sup> As demand for rare, precious metals like platinum, indium, and ruthenium will continue to rise, their minimal naturally-occurring supply will drive up cost without recycling programs.

**We SUPPORT:**

- Proposals that request reporting on the recycling and sustainable management of electronic waste, and companies' plans to reduce e-waste.
- Proposals that impose stricter guidelines on who electronic waste is transferred to, with specific emphasis on preventing illegal dumping of waste and ensuring just working conditions in waste recycling and disposal plants.
- Proposals that request disclosure on concentrations of hazardous materials in products.

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<sup>40</sup> <https://www.epa.gov/international-cooperation/international-e-waste-management-network-iemn>

<sup>41</sup> Heacock, Michelle, et al. "E-waste and harm to vulnerable populations: a growing global problem." *Environmental Health Perspectives*, vol. 124, no. 5, 2016, p. 550. *Gale In Context: Opposing Viewpoints*

# Human Rights

## Universal Human Rights

In 2011, both the United Nations and the Organisation for Economic and Co-operation and Development (OECD) formalized institutional investors' responsibility to respect human rights.<sup>42</sup> These have attracted widespread attention, and the U.N. Guiding Principles on Business and Human Rights (UNGPs) Reporting Framework alone is backed by a coalition of 88 investors representing US\$5.3 trillion assets under management.<sup>43</sup> Moreover, there is growing global momentum for human rights due diligence<sup>44</sup> and remediation requirements for companies with adverse human rights impacts. Human rights due diligence reflects the "corporate responsibility to respect" defined in the UNGPs.

Simply identifying and ending adverse human rights impacts are not enough; the OECD Guidelines for Multinational Enterprises (2011) clearly state that enterprises must "seek ways to prevent or mitigate adverse human rights impacts that are directly linked to their business operations, products, or services by a business relationship, even if they do not contribute to those impacts," among other best practices. Adopting and carrying out human rights due diligence is not only required by law in some jurisdictions, but leads to better finance risk management and protects companies from risk and costly remediation. This is particularly relevant for companies whose supply chains have exposure to violent regimes or the production of weapons, defense technologies, surveillance systems and other possible instruments of grave, irreparable harm to human rights and dignity.

### **We SUPPORT:**

- Proposals that require corporations to develop and/or disclose policies and procedures to assess their human rights risks.
- Proposals that call for companies to monitor and disclose their compliance with international human rights standards, including the U.N. Declaration on Human Rights, UNGPs or the OECD Guidelines for Multinational Enterprises, especially with independent verification.
- Proposals that ask companies to report how they consider human rights risks when vetting potential contracts, whether contracts are with governments or private actors, and to avoid doing business with actors that systematically violate human rights.

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<sup>42</sup> <https://mneguidelines.oecd.org/2011HumanRights.pdf>

<sup>43</sup> <https://www.ungpreporting.org/about-us/why-reporting-matters/#Investors>

<sup>44</sup> Human rights due diligence is an ongoing risk management framework to identify, prevent, mitigate, and account for adverse human rights impacts; this process includes four steps: "assessing actual and potential human rights impacts; integrating and acting on the findings; tracking responses; and communicating about how impacts are addressed." Source: <https://www.ungpreporting.org/glossary/human-rights-due-diligence/>



## Indigenous Peoples and Free, Prior, and Informed Consent (FPIC)

The United Nations estimates that globally, there are over 370 million Indigenous peoples occupying 20% of the Earth's territory.<sup>45</sup> Although Indigenous peoples make up 5% of the world's populations, they account for 15% of the world's poorest population.<sup>46</sup> Threats to Indigenous peoples around the world include further encroachment on their lands<sup>47</sup>, targeted violence, and disproportionate impacts from climate change and industrial activity (particularly large dams, agribusiness, and mining).

The U.N. Declaration on the Rights of Indigenous Peoples establishes a universal framework of minimum standards for the survival, dignity and well-being of Indigenous peoples. Formal and practical recognition of land rights by customary landowners is key in protecting the rights of Indigenous peoples and local communities, and also protects critical ecosystems, waterways, and biological diversity. Companies can respect the rights of Indigenous peoples by obtaining *social license to operate*, which often requires companies to obtain community support beyond what is required by law.<sup>48</sup> Obtaining social license to operate requires the free, prior, and informed consent (FPIC) of potentially impacted Indigenous peoples. FPIC is protected under the U.N. Declaration on the Rights of Indigenous Peoples and the International Labour Organization Convention (ILO) 169. Companies can refer to the International Finance Corporation's Performance Standard 7 for further guidance.

### **We SUPPORT:**

- Proposals that ask companies to respect the U.N. Declaration on the Rights of Indigenous Peoples and/or develop policies and guidelines to address free, prior, and informed consent (FPIC) of potentially impacted Indigenous communities.
- Proposals that ask companies and their contractors to obtain and maintain free, prior, and informed consent of Indigenous peoples, and/or report how projects potentially harm or benefit affected Indigenous communities.
- Proposals that ask or require companies to consult with Indigenous communities and respect Indigenous knowledge, perspectives, and practices on environmental issues.

## Environmental Justice

Tragically, the world's poor and racial/ethnic minorities generally suffer the brunt of environmental damage, resulting in broad concerns of environmental justice. For example,

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<sup>45</sup> <https://www.un.org/development/desa/indigenouspeoples/mandated-areas1/environment.html>

<sup>46</sup> <https://www.dw.com/en/land-loss-threatens-indigenous-communities-worldwide/a-44997211>

<sup>47</sup> According to research by the Amazonian Geo-referenced Socio-Environmental Information Network <http://amazon.org.br/en/imprensa/raisg-study-reveals-that-amazon-deforestation-tends-to-decrease-but-remains-too-high/>

<sup>48</sup> Voting guidelines and definitions are informed here by proxy voting guidelines set forward by the Coast Conservation Endowment Fund Foundation ("Coast Funds"), an Indigenous-led conservation finance organization. Found at: <https://coastfunds.ca/wp-content/uploads/2020/09/CCEFF-Investment-Guidelines-Approved-Sept-2-2019.pdf>



industrial-scale activity stresses access to clean water more where people rely on traditional, less treated sources. Proposals that require corporations to disclose environmental impact in unregulated areas would protect human rights and mitigate destruction of the natural world.

**We SUPPORT:**

- Proposals that call for reporting of environmental impacts on local communities, at companies that face fines, litigation, controversy, or other significant risk associated with allegations of committing environmental injustice.
- Proposals that require the company to take reasonable steps to engage with local communities, including Indigenous leaders, to reduce the negative environmental impact of the company's activities.

## Workers' Rights

Paying workers a living wage, defined as "enough to meet basic needs and to provide some discretionary income," prevents employees from becoming bonded laborers, working excessive hours or additional jobs, and experiencing other social deprivations arising from poverty.<sup>49</sup> In the U.S., this issue grows more urgent as the gap between local and federal minimum wages and the cost of living widens unbearably.<sup>50</sup> The need for living wages is no less abroad, where workers may have even less protection. There is significant evidence that fuller compensation for low-wage workers not only alleviates poverty, but also improves productivity, reduces attrition, and lowers training costs.<sup>51</sup> Full medical coverage,<sup>52</sup> unemployment insurance, workforce development programs, and paid sick/family leave have similar positive effects on the labor force. Meanwhile, the evidence that living wages may reduce employment for the lowest-wage workers are modest and uncertain.<sup>53,54</sup>

Under current regulatory guidelines, workers who are classified as "Independent Contractors" as opposed to "Employees" in the Gig Economy are not entitled to the right to collectively bargain, minimum wage, anti-discrimination protections, and unemployment insurance, among other rights and protections. To circumvent the rights of workers, some companies have stressed classifying their workers as "Independent Contractors" instead of "Employees" even though they should be classified as such. This could lead to reduced pay, fear of termination, and exploitation of the worker.<sup>55</sup> In order to protect these workers, it is important that they are properly classified under the Fair Labor Standards Act and have their rights protected.<sup>56</sup>

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<sup>49</sup> <https://www.ethicaltrade.org/issues/living-wage-workers>

<sup>50</sup> [Living Wage Calculator \(mit.edu\)](#)

<sup>51</sup> <https://www.piiie.com/blogs/realtime-economic-issues-watch/higher-wages-low-income-workers-lead-higher-productivity>

<sup>52</sup> [https://www.researchgate.net/publication/46455638\\_Health\\_Insurance\\_and\\_Productivity\\_Evidence](https://www.researchgate.net/publication/46455638_Health_Insurance_and_Productivity_Evidence)

<sup>53</sup> <https://www.brookings.edu/research/living-wage-laws-how-much-do-can-they-matter/>

<sup>54</sup> <https://www.marketwatch.com/story/yellen-says-job-losses-from-raising-the-minimum-wage-to-15-an-hour-would-be-very-minimal-11611239650>

<sup>55</sup> <https://www.propublica.org/article/arise-department-of-labor-2010>

<sup>56</sup> <https://www.dol.gov/agencies/whd/fact-sheets/13-flsa-employment-relationship>

Under Principle Three of the United Nations Global Compact, “Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.”<sup>57</sup> Today, mass dismissals throughout prominent retailers’ supply chains stand in stark contrast to this global accord. A best practice that has emerged is the creation of memorandums of understanding between factory management, associated trade unions, and worker representatives to ensure that agreements are acknowledged and signed by all parties, delineating appropriate grounds for termination of employment.<sup>58</sup>

#### **WE SUPPORT:**

- Proposals that call for companies to guarantee a living wage and meaningful benefits to full-time employees and reasonably extend protections and benefits to their part-time workforce and contractors who depend upon the company for their livelihood.
- Proposals that require well-founded reporting and audits to demonstrate that current worker classification as full time, part time and contractors are ethical and compliant with the law.<sup>59</sup>
- Proposals that call for a policy or memorandums of understanding, where demonstrably needed, to protect workers’ right to self-organize without risk of employer backlash, or to end dismissals or intimidation against individual or collective exercise of basic rights.

For more discussion on health care benefits, see the section on Health and Well-Being.

## **Conflict Minerals**

The mining of four “conflict minerals,” gold, tantalum, tin, and tungsten, are grossly implicated in financing armed groups engaged in ongoing conflict in the Democratic Republic of the Congo (DRC), which has killed over 5.8 million people since 1998.<sup>60</sup> Passed in 2010, Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act mandates that companies listed on American stock exchanges disclose whether their products contain conflict minerals originating in the Democratic Republic of the Congo (DRC) or adjoining countries.<sup>61</sup> Yet a 2017 study found that only 1% of companies were able to declare their products were conflict-free beyond a reasonable doubt, and 80% admitted they were unable to determine the origin country of their raw minerals.<sup>62</sup> Many companies have identified this as a problem and have committed to certifying that their supply chains do not procure conflict minerals: “As of June 7, 2018, 78% of smelters/refiners worldwide for the four conflict minerals have passed independent, third-party audits by the Responsible Minerals Assurance Process.”<sup>63</sup>

<sup>57</sup> <https://www.unglobalcompact.org/what-is-gc/mission/principles/principle-3>

<sup>58</sup> <https://www.hrw.org/news/2019/03/05/bangladesh-investigate-dismissals-protesting-workers#>

<sup>59</sup> <https://www.mbopartners.com/blog/misclassification-compliance/how-to-avoid-an-independent-contractor-misclassification-audit/>

<sup>60</sup> [https://enoughproject.org/special-topics/progress-and-challenges-conflict-minerals-facts-dodd-frank-1502#\\_edn11](https://enoughproject.org/special-topics/progress-and-challenges-conflict-minerals-facts-dodd-frank-1502#_edn11)

<sup>61</sup> <https://www.govinfo.gov/content/pkg/COMPS-9515/pdf/COMPS-9515.pdf>

<sup>62</sup> <https://hbr.org/2017/01/80-of-companies-dont-know-if-their-products-contain-conflict-minerals>

<sup>63</sup> <https://enoughproject.org/special-topics/progress-and-challenges-conflict-minerals-facts-dodd-frank->

Tantalum and cobalt are also linked significantly to violence and human rights abuses, through the growing production of batteries, as is mica, used for electronics and pigmentation.<sup>64</sup> Meanwhile, reporting requirements have had the effect of putting artisanal miners out of work and increased the profitability of looting; companies should undertake measures to strengthen mining communities and mitigate unintended economic and political impacts of operating.<sup>65</sup>

**We SUPPORT:**

- Proposals that request reasonable reporting on companies' policies and efforts regarding their avoidance of conflict minerals and conflict mineral derivatives, or efforts to engage with suppliers and affected communities to promote sustainable development.
- Proposals that call for the adoption of international standards and certifications such as the Responsible Minerals Assurance Process.<sup>66</sup>
- Proposals that call for compliance with Section 1502 of the Dodd-Frank Act, SEC enforcement suspended in 2017.

## Human Trafficking

While globalization has enabled businesses to expand their global presence and produce products or services at lower costs, it has also created openings for human trafficking and labor exploitation. Human trafficking is defined as the recruitment, transportation, transfer, or harboring of people through the threat or use of force, fraud, abduction, or coercion for the purpose of exploitation of services such as sex, forced labor, slavery, or other practices. In 2017, an estimated 16 million individuals were trafficked for labor in a variety of industries such as construction, manufacturing, mining, and hospitality, often by third- and fourth-party suppliers meeting market pressures with little oversight from governments or the companies they supply.<sup>67</sup> Abuses in supply chains typically include, but are not limited to, isolation, debt bondage, no access to earnings, controlled movement, and withholding of identification and other legal documents.

**We SUPPORT:**

- Proposals that request the development or disclosure of a company's Terms of Engagement, or other contractual agreement with its third-party suppliers aimed at preventing child labor and human trafficking.
- Proposals that request the disclosure of working condition standards and expectations at a company and its third-party distributors and suppliers.
- Proposals that call for fair-trade certification or other proactive steps to combat human trafficking such as joining the Global Business Coalition Against Human Trafficking.<sup>68</sup>

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<sup>64</sup> <https://www.responsiblemineralsinitiative.org/minerals-due-diligence/>

<sup>65</sup> <https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0201783#sec016>

<sup>66</sup> <http://www.oecd.org/investment/mne/49111368.pdf>

<sup>67</sup> <https://humantraffickinghotline.org/type-trafficking/labor-trafficking>  
[https://www.unodc.org/unodc/en/human-trafficking/faqs.html#Which\\_countries\\_are\\_affected\\_by\\_human\\_trafficking](https://www.unodc.org/unodc/en/human-trafficking/faqs.html#Which_countries_are_affected_by_human_trafficking)

<sup>68</sup> <https://www.gbcat.org/>

## Prisons and Criminal Justice

Of the 11 million people around the world in prisons and jails, 2.3 million are incarcerated in the United States,<sup>69</sup> at an average rate of 698 per 100,000 people in January 2020, but more than five times higher for Black Americans than for white Americans.<sup>70</sup> Roughly 54% of U.S. federal and state prisons have work programs, and 6% of incarcerated people are in correctional industries that produce market goods and services. Incarcerated people are most often excluded from labor protections, which protect all other workers within their jurisdiction. Although wage data for many correctional industries is inaccessible, current data suggests the average minimum wage for incarcerated people working in state-owned businesses is between \$033 to US\$1.41 per hour before deductions or fees.<sup>71</sup> Even more people are detained within immigrant detention systems, often accused of civil infractions and without access to legal resources. Regardless of location, inmates and detainees must be treated with respect, both as workers and as individuals. Protecting their human and civil rights creates long-term value for companies responsible for overseeing detention.

### **We SUPPORT:**

- Proposals that call for disclosure on how companies identify and address alleged human rights violations of incarcerated and detained people, and how companies help them acquire the skills and savings needed to live independently upon release.
- Proposals that request disclosure of prison labor in a company's supply chain, and where present, report on compliance with aforementioned international human rights standards and principles.
- Proposals at detention companies that tie respect for inmate and detainee human rights into performance-based executive compensation arrangements,<sup>72</sup> when company strategies lack transparency or efficacy.
- Proposals that ask companies to report on the impacts of selling biometric recognition technology and data to government agencies with regards to violations of civil liberties, human rights, or privacy.

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<sup>69</sup> <https://www.prisonpolicy.org/blog/2020/01/16/percent-incarcerated/>

<sup>70</sup> <https://www.pewresearch.org/fact-tank/2020/05/06/share-of-black-white-hispanic-americans-in-prison-2018-vs-2006/>

<sup>71</sup> <https://www.prisonpolicy.org/blog/2017/04/10/wages/>

<sup>72</sup> [https://www.iccr.org/sites/default/files/page\\_attachments/immigr\\_corecivic.pdf](https://www.iccr.org/sites/default/files/page_attachments/immigr_corecivic.pdf)

# Justice, Equity, Diversity and Inclusion (JEDI)

## Diversity and Inclusion

Calls for diversity and racial justice have gained traction among corporations, leading to a range of public statements decrying race-based violence, recognizing systemic racism, announcing donations to anti-racist funds, and promising to release diversity data or adjust product offerings. Yet workforce diversity, arguably the first measure of progress on JEDI, has stalled at the highest level: White men have continued to receive promotions at higher rates in the U.S., such that women only hold 7% of CEO positions at Fortune 500 companies, and people of color hold only 5%, despite being 40% of the U.S. population.<sup>73,74</sup> This persists as diversity has emerged as financially material and advantageous — companies genuinely committed to respect attract employees from a wider talent pool and range of perspectives, and retain them at higher rates. A McKinsey study found companies are 35% more likely to exceed median industry financial returns if they are ranked in the top quartile for racial/ethnic diversity, and 15% more likely if ranked in the top quartile for gender diversity.<sup>75</sup>

Businesses, universities, and nonprofits alike must go beyond diversity and inclusion to understand and combat systemic inequities, and become anti-racist, anti-sexist organizations.<sup>76</sup>

### **We SUPPORT:**

- Proposals that require the company to disclose its EEO-1 data for U.S. workforces.
- Proposals that request the development and disclosure of diversity and inclusion reports, which should include, to the extent possible, anonymized statistical breakdowns of gender, race, age and (dis)ability at each professional level.
- Proposals that request disclosure of the company's goals, resources, policies, or steps to enhance (a) board diversity, and (b) workforce diversity, including initiatives or audits across recruiting, hiring, educating, retaining, mentoring, and promoting employees.
- Proposals that make well-founded requests for reporting on the impact of products on protected groups (e.g. lending, housing); or request the creation/disclosure of goals, statements, policies, task forces, committees or actions otherwise advancing equity.
- Election of board members who, by race and gender, represent the diversity of the company's stakeholders.

### **We OPPOSE:**

- Proposals that eliminate or curtail programs, initiatives, and policies aiming to promote diversity and inclusion by race or gender.
- Election of new board directors or executives who are selected from a pool of candidates that has no diversity across race or gender.

<sup>73</sup> <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/women-in-the-workplace>

<sup>74</sup> <https://fortune.com/2020/06/01/black-ceos-fortune-500-2020-african-american-business-leaders/>

<sup>75</sup> <https://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>

<sup>76</sup> <https://equityinthecenter.org/aww/>. Learn about [ASU's commitment to Black students, faculty and staff](#).

- Re-election of nomination or governance committee chairs who cannot show progress on board diversity or the recommendations above, on boards without diverse members.

For more discussion on Director Elections, see the section on Corporate Governance.

## Pay Equity and Mobility

At current rates of earnings growth, women around the world cannot expect equal pay for another 250+ years.<sup>77</sup> In the United States, where a woman takes home 80 cents on average for every dollar a man makes, improvement is gradual, up 2.6 cents from 2010 to 2018, and inconsistent between states.<sup>78</sup> Pay disparities also fall along racial/ethnic lines: data from the New York Times<sup>79</sup> indicate the wage gap between Black and white men is roughly as large today as it was in 1950, an abysmal 51 cents on the dollar, driven by systemic inequalities that have shaped the labor market. Steps companies should take include, not only equal pay for equal work, but inclusive hiring and promotion practices, better compensation for undervalued professions dominated by women or people of color, supportive benefits and job security for part-time workers, and greater representation in high-paying jobs—without “glass ceilings.”

### **We SUPPORT:**

- Proposals that request reporting on pay gaps by gender and race, and the development and disclosure of efforts to eliminate pay disparities for employees identified as female, people of color, or LGBTQ.
- Executive compensation packages that reward management for achieving diversity and inclusion goals, and that equally compensate minority and female executives.

For more discussion on executive compensation, see the section on Corporate Governance.

For more discussion on equitable benefits, see the section on Health and Well-Being.

## Equality and Disability

The U.N. estimates that nearly one in six people has a disability.<sup>80</sup> This large segment of the world’s population, spanning all races, cultures, religions, and gender identities, is underrepresented in positions of power and may be particularly vulnerable to abuse and discrimination. Even in nations where people with disabilities are protected by nondiscrimination laws, these statutes do not always deter employers from committing small-scale infringements that impact the day-to-day lives of individual employees. Reporting on rates of approval or denial of requests for protection under statutes like the Americans with Disabilities Act (ADA) and Family and Medical Leave Act (FMLA) may help to change corporate norms, and pressure other employers to maintain compliance with laws designed to protect workers.

<sup>77</sup> <https://www.weforum.org/agenda/2019/12/global-economic-gender-gap-equality-women-parity-pay/#:~:text=The%20World%20Economic%20Forum's%20Global,estimate%20in%20the%20previous%20edition.>

<sup>78</sup> <https://www.business.org/finance/benefits/gender-pay-gap/>

<sup>79</sup> <https://www.nytimes.com/2020/06/25/opinion/sunday/race-wage-gap.html>

<sup>80</sup> [https://www.un.org/sites/un2.un.org/files/sg\\_policy\\_brief\\_on\\_persons\\_with\\_disabilities\\_final.pdf](https://www.un.org/sites/un2.un.org/files/sg_policy_brief_on_persons_with_disabilities_final.pdf)

**We SUPPORT:**

- Proposals that request the development of comprehensive plans to address the needs of persons with disabilities in the workforce, including measures to ensure equal access to opportunities for promotion and consideration for leadership roles.
- Proposals that require corporations to report statistics related to compliance with nondiscrimination statutes like the ADA and FMLA, including the number of requests for accommodation received, granted, and denied per year.

## Anti-Discrimination and Harassment

The #MeToo movement that took off in 2017 revealed abhorrent sexual misconduct by some of the most powerful men in entertainment, media, business and politics, as well as the toxic cultures that repressed outcry. Sexual harassment, most frequently perpetrated by men, has affected 81% of women and 43% of men.<sup>81</sup> Meanwhile, according to Glassdoor's 2019 survey,<sup>82</sup> 61% of U.S. employees reported having seen or experienced discrimination in their workplace, whether due to age, race, gender, or LGBTQ identity. Proposals to bring down these numbers ask companies to report on their policies that prevent harassment or discrimination, particularly of at-risk employees, and any ongoing litigation at the company or their partners.

**We SUPPORT:**

- Proposals that request the adoption or disclosure of EEO policies to explicitly ban discrimination based on race, color, sexual orientation, gender identity, gender expression, national origin, disability or religion.
- Proposals that require the disclosure of any lawsuits or accusations of harassment and/or discrimination within the company.
- Proposals that request the preparation and disclosure of reports on the company's efforts to create an inclusive or non-hostile workplace for all employees regardless of their race, color, sexual orientation, gender identity, gender expression, national origin, disability or religion.

**We OPPOSE:**

- Proposals that protect other characteristics with the effect of discrimination by race, gender, or sexual orientation, or otherwise adversely impact protected classes.<sup>83</sup>

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<sup>81</sup> <http://www.stopstreetharassment.org/wp-content/uploads/2018/01/Survey-Questions-2018-National-Study-on-Sexual-Harassment-and-Assault.pdf>

<sup>82</sup> <https://www.glassdoor.com/blog/new-study-discrimination/>

<sup>83</sup> This is a response to "trojan horse" resolutions from the [National Center for Public Policy Research \("NCPFR"\)](#) and others that aim to protect anti-LGBT discrimination or promote ideological diversity as a substitute for racial or gender diversity. The [Rockefeller Brothers Fund](#) describes trojan horse resolutions as "Resolutions filed by faux-grassroots organizations [that] sometimes imitate the language of intentional proposals on environmental or social issues, but are actually in direct opposition to a company managing ESG risks or fostering an inclusive workplace for employees."



# Health and Well-Being

## Consumer and Worker Safety

Companies have primary responsibility for the safety of consumers and workers, which is important to their reputations and social license to operate. This entails compliance with requirements and the spirit of health and safety regulations. Shareholder proposals have cited concern with environmental hazards, unsafe ingredients and working conditions.<sup>84</sup> Fair hazard pay has grown more important as most states have slashed workers' compensation programs since 2002.<sup>85</sup>

In addition, the COVID-19 pandemic puts essential frontline workers at the greatest risk of exposure, oftentimes in jobs with the lowest wages and fewest protections. In a poll conducted by JUST Capital in May 2020, 77% of respondents agreed that companies should prioritize providing hazard or additional pay for employees working in essential jobs.<sup>86</sup> While industries have been hit differently by the pandemic, other important steps most companies can take are to provide PPE to staff and customers, and disclose employee infection statistics.<sup>87</sup>

### **We SUPPORT:**

- Proposals that request well-founded reporting on steps taken to mitigate the risks associated with consumer use of inherently dangerous products and consumer participation in inherently hazardous activities.<sup>88</sup>
- Proposals that request well-founded reporting on steps taken to mitigate the risks associated with the manufacturing, sale and distribution of inherently dangerous products and participation in inherently hazardous activities, at companies and suppliers.
- Proposals that request reporting on hazard or additional compensation for workers performing hazardous duty or work, including essential workers during the pandemic.
- Proposals that call for companies to report on their handling of the pandemic, including disclosure on the number of employees testing positive and provision of safety measures, in cases where negligence is evident.

## Health Care Benefits and Sick Leave

The United States is a country where health care is primarily employer-based, making employers the gatekeepers to essential health services for most of the workforce and their families (In 2019, employers provided 55% of the U.S. population with health insurance at some point in the year, compared with 34% for public coverage; as many as 21% of people paid out-

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<sup>84</sup> <https://www.proxypreview.org/2020/report-cover>

<sup>85</sup> <https://www.propublica.org/article/the-demolition-of-workers-compensation>

<sup>86</sup> <https://justcapital.com/reports/survey-what-americans-want-from-corporate-america-during-the-response-reopening-and-reset-phases-of-the-coronavirus-crisis/>

<sup>87</sup> <https://www.mercyinvestmentservices.org/article-details.aspx?article=8549&articlegroup=3647>

<sup>88</sup> Recommendations adapted from <https://www.calvert.com/media/25798.pdf>



of-pocket for private insurance or all medical expenses at some point in the year).<sup>89</sup> Companies are able to negotiate higher-quality, more consistent and affordable coverage than is otherwise available to workers, explaining why 55% of those with employer-sponsored health benefits cited health coverage as a key factor in deciding to stay in their current job.<sup>90</sup> Yet employers often provide little or no coverage to lower-income workers, jeopardizing their well-being and exacerbating economic immobility and racial disparities,<sup>91</sup> even though an association between greater coverage and labor productivity has been established.<sup>92</sup> Employers must instead provide equal access to health care options across their entire workforce, and offer comprehensive coverage that addresses all aspects of human well-being, from mental health services to preventive care to dental and vision benefits.

According to the Department of Labor, four out of 10 U.S. employees do not have paid sick leave, often compelling them to continue working during an illness.<sup>93</sup> This endangers the ill employees and those around them, and the COVID-19 pandemic has only heightened the significance of this problem. Investors with over US\$9.5 trillion in assets under management have urged companies to help sick employees stay home and “make emergency paid leave available to all employees, including temporary, part-time, and subcontracted workers.”<sup>94</sup>

#### **WE SUPPORT:**

- Proposals that call for companies to provide affordable and comprehensive health care options to all workers and their dependents.
- Proposals that call for companies to guarantee paid sick leave to workers, including both full-time and part-time employees.

## **Paid Family Leave**

Most wealthy countries have a national policy requiring employers to provide paid family or medical leave, but the U.S. is an outlier: while the Family and Medical Leave Act ensures that employees may retain their jobs after up to twelve weeks staying home with a new child or ailing family member, no federal mandate guarantees them pay during such an absence.

Growing evidence suggests that implementing paid parental leave drives cost savings, productivity, and retention.<sup>95</sup> A paid leave policy that includes paternity leave helps new mothers return to work even faster. It also dispels gender inequity and stigma by empowering fathers to be more involved in their children’s development, supporting the economy as a whole. While

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<sup>89</sup> <https://www.census.gov/library/publications/2020/demo/p60-271.html>

<sup>90</sup> <https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/health-benefits-foster-retention.aspx>

<sup>91</sup> [https://www.americanbar.org/groups/crsj/publications/human\\_rights\\_magazine\\_home/health-matters-in-elections/racial-and-ethnic-disparities-in-employer-sponsored-health-coverage/](https://www.americanbar.org/groups/crsj/publications/human_rights_magazine_home/health-matters-in-elections/racial-and-ethnic-disparities-in-employer-sponsored-health-coverage/)

<sup>92</sup> [https://www.researchgate.net/publication/46455638\\_Health\\_Insurance\\_and\\_Productivity\\_Evidence](https://www.researchgate.net/publication/46455638_Health_Insurance_and_Productivity_Evidence)

<sup>93</sup> <https://www.iccr.org/covid-spikes-investors-press-paid-sick-leave-frontline-retail-and-food-workers>

<sup>94</sup> <https://www.iccr.org/investor-statement-coronavirus-response>

<sup>95</sup> <https://equitablegrowth.org/the-economic-imperative-of-enacting-paid-family-leave-across-the-united-states/>

different researchers and fields have proposed different “ideal” parental leave lengths, leave on the order of three months adequately balances the needs of employers and employees.<sup>96</sup>

Parents of newborns and adopted children are not the only population that would benefit from paid family leave policies. As the baby boomer generation ages, workers will face increased responsibility to care for older family members. Paid family leave policies would help these workers to balance the roles of employee and caretaker more effectively.

**We SUPPORT:**

- Proposals that require corporations to provide an adequate period of paid leave for employees who are new parents or caring for aging or sick family members.

## Pharmaceuticals

Pharmaceutical companies and distributors have a pivotal and delicate role in health care, as they market and sell products that can uniquely raise the quality or length of life. How the small group of U.S. drug manufacturers sets prices has consequently evolved into an obscurely regulated and hotly contested issue, where prices have risen on average by 4% annually since the early 1980s (after adjusting for inflation and population growth), more than any other area of health care.<sup>97</sup> As the value these few companies provide to shareholders is rooted in public health, their duty to deliver quality, accessible medicine is a fiduciary one.

In particular, opioids provide vital pain relief to a third of working age adults in the U.S., and come with significant risk and potential for abuse: opioid overdose claimed 68,000 lives in 2018, a leading cause of injury-related death.<sup>98</sup> One estimate puts the cost of the opioid epidemic to the U.S. economy at US\$1 trillion since 2001, mainly in lost wages and public health costs.<sup>99</sup> Robust oversight and clear, transparent health information are needed to ensure business models align with the interests of patients and communities.

**We SUPPORT:**

- Proposals that ask companies to report on their goals, policies or plans to ensure their medicines are affordable and accessible globally, and that drug price increases do not have the effect of reducing access to lifesaving medicines.
- Proposals that ask companies to report on their role in limiting the epidemic of opioid abuse.

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<sup>96</sup> Galtry, Judith & Callister, Paul. (2005). Assessing the Optimal Length of Parental Leave for Child and Parental Well-Being How Can Research Inform Policy?. *Journal of Family Issues*. 26. 219-246.

<https://journals.sagepub.com/doi/10.1177/0192513X04270344>

<sup>97</sup> <https://www.ncbi.nlm.nih.gov/books/NBK493099/>

<sup>98</sup> [https://www.cdc.gov/injury/features/prescription-drug-overdose/index.html?CDC\\_AA\\_refVal=https%3...](https://www.cdc.gov/injury/features/prescription-drug-overdose/index.html?CDC_AA_refVal=https%3...)

<sup>99</sup> <https://altarum.org/news/economic-toll-opioid-crisis-us-exceeded-1-trillion-2001>

# Political Activity

## Lobbying and Political Spending

Corporate lobbyists on Capitol Hill<sup>100</sup> have earned scrutiny after decades of obfuscating climate change, health impacts of tobacco, and other material ESG concerns. Spending on direct federal lobbying, which reached an all-time high of \$3.51 billion in 2019,<sup>101</sup> often runs contrary to the company's stated public values, damages public image, and puts short-term gain before the long-term interests of investors or less powerful stakeholders.<sup>102</sup> While disclosure and spending limits for direct federal lobbying are firmly regulated, indirect lobbying (via membership in a trade association or other 501(c)(4) organization) and grassroots lobbying (appealing directly to the general public on particular legislative or regulatory issues) are more loosely regulated. Companies should be transparent about their involvement in influential trade associations and ties to industry-first model legislation.<sup>103</sup>

The situation is grimmer yet at the state, local, tribal and territorial (SLTT) level. While transparency is evenly enforced in the U.S. for direct federal political spending, transparency in direct and indirect lobbying — along with the ease of accessing disclosed information — varies among all 50 states. Thus, transparent, consistent and comparable disclosure regimes must often go beyond local requirements.<sup>104</sup>

Since the U.S. Supreme Court *Citizens United* ruling in 2010 allowed unlimited contributions to political action committees (PACs), the amount of untraceable money spent in political campaigns has risen dramatically not only in the national arena but in local politics. In Arizona, spending rose from just \$35,000 in 2006 elections to more than \$10 million in 2014.<sup>105</sup> Companies should be welcome to engage in the political system, but as with their operations, must account for their impact on the welfare of the communities in which they are embedded.

### **We SUPPORT:**

- Proposals that request timely and complete disclosure on federal lobbying expenses including professional grassroots lobbying; contributions to campaigns, parties, PACs; or other spending meant to influence elections or public policy.

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<sup>100</sup> Corporate political activity can be broken into two categories — lobbying and political expenditure — based on the structure of the [Internal Revenue Code \(IRC\) Section 162\(e\)](#). The [Lobbying Disclosure Act of 1995](#) (amended by the [Honest Leadership and Open Government Act of 2007](#)) also defines “lobbying” or “influencing legislation” separately from contributions to candidates etc.

<sup>101</sup> Data compiled by the Center for Responsive Politics: <https://www.opensecrets.org/federal-lobbying/>

<sup>102</sup> Language inspired by: <https://www.calvert.com/media/25798.pdf>

<sup>103</sup> [https://www.iccr.org/sites/default/files/iccr\\_2020proxyresolutionsandvotingguide\\_lr.pdf](https://www.iccr.org/sites/default/files/iccr_2020proxyresolutionsandvotingguide_lr.pdf)

<sup>104</sup> <https://www.weinberg.udel.edu/IIRCiResearchDocuments/2017/02/Corporate-Lobbying-in-the-States-FINAL.pdf>

<sup>105</sup> <https://www.brennancenter.org/our-work/research-reports/secret-spending-states>

- Proposals requesting a report assessing the alignment between a company’s membership in trade associations and other 501(c)(4) organizations, along with disclosure about political spending made through these organizations.
- Proposals that request reporting on the alignment between a company’s direct, indirect, and grassroots lobbying and its public policy positions, sustainability commitments, and long-term goals.
- Proposals that request timely, public disclosure on lobbying of state, local, tribal, and territorial governments, which must go beyond indicating compliance with state law and include aggregated data about total spending at the SLTT level.

## Equity Vesting for Government Service

Equity vesting intends to encourage industry professionals to enter government or even nonprofit service by giving them rough parity in equity vesting, relative to those who remain in private industry (a “golden parachute”), through stock options, restricted stock, and other stock awards.<sup>106</sup> There is concern among investors this may lead to conflicts of interest and biased judgments on industry issues.

### **We SUPPORT:**

- Proposals that request reports regarding the provision of vesting equity to executives who leave a company for government service.

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<sup>106</sup> <https://www.harvard.edu/sites/default/files/content/Harvard%20Proxy%20Guidelines...>

# Information Technology and Cybersecurity

## Personal Data, Digital Equity, and ICTs

The proliferation of Information and Communications Technologies (ICTs) has revolutionized access to and the spread of information, including sensitive personal information. Access to ICTs is increasingly integral to modern life, and communities without access to modern ICT infrastructure face “digital exclusion.”

The quick evolution of ICTs also raises concern about both the security and privacy of personal data. Some principles of the internationally recognized Fair Information Practice Principles (FIPPs),<sup>107</sup> including data minimization and notice-and-choice, are near-impossible to implement with Internet of Things (IoT) devices. These privacy issues, when combined with 5G’s reduction in latency and increase in capacity, will create complex challenges in data collection and data protection. Previous proposals have asked ICT companies to examine the integration of user privacy protections and report on digital equality initiatives, although these technologies and their corresponding challenges are still emerging.

### **We SUPPORT:**

- Proposals that ask ICT companies to report on digital equity initiatives, including reports on initiatives serving low-income and/or rural populations.
- Proposals that ask companies to develop and report on their ethical data management strategies, including policies that comply with the Fair Information Practice Principles or the OECD Privacy Principles.<sup>108</sup>
- Proposals that ask companies to prohibit the sale of personal data, particularly biometric data, to government agencies unless they are found not to harm civil and human rights.
- Proposals that ask companies to disclose what personal data is used in AI algorithms, where that data originates, and how that data is managed and secured. This is particularly important when these AI algorithms are used by government agencies and/or carry the risk of exacerbating racial bias.

## Data Privacy and Content Moderation

Other challenges surround the use of personal information and content moderation. Social media companies maximize the amount of user data they harvest for use in targeted advertisements, a primary revenue stream. As large content platforms and search engines offer specialized ad services for political products, and cognitive computing helps marketers understand “how retention, emotion, and attention are affected by the media we ‘consciously and subconsciously consume,’ ”<sup>109</sup> concern has arisen over who can obtain personal information

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<sup>107</sup> <https://privacy.cornell.edu/fair-information-practice-principles/>

<sup>108</sup> <http://www.oecdprivacy.org/>

<sup>109</sup> <https://ourdataourselves.tacticaltech.org/posts/upcoming-tech/>

originally collected by social media companies and how they may use it to micro-target consumers and voters.

Social media companies have also come under fire for allowing misinformation to remain on the platform and for inconsistent policies dealing with hate speech. Another content moderation issue is not removing child sex abuse material (CSAM) quickly enough. Conversely, social media companies face criticism for their role in removing content at the request of governments accused of human rights abuses.

Recent proposals have asked social media platforms to expand whistleblower protections, adequately address issues of hate speech and misinformation, and improve best practices in removing CSAM from social media platforms.

**We SUPPORT:**

- Proposals that ask a company to review and report on how their content management policies are balanced to respect users' security, privacy, and freedom from harassment.
- Proposals that ask a company to report on their information platforms' impacts on human rights and democracy, particularly in regions with widespread violence.
- Proposals asking a company to disclose a policy or create a task force to improve practices removing CSAM from social media platforms.
- Proposals that ask companies to report on the impacts of selling biometric recognition technology and data to government agencies with regards to violations of civil liberties, human rights, or privacy.

**We OPPOSE:**

- Proposals that seek to undermine content management policies that limit illegal activity, dangerous misinformation, harassment, or CSAM.<sup>110</sup>

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<sup>110</sup> This is a response to potential "trojan horse" resolutions from the [National Center for Public Policy Research \("NCPPR"\) and others](#) that aim to promote ideology and misinformation under the guise of free speech. The [Rockefeller Brothers Fund](#) describes trojan horse resolutions as "Resolutions filed by faux-grassroots organizations [that] sometimes imitate the language of intentional proposals on environmental or social issues, but are actually in direct opposition to a company managing ESG risks or fostering an inclusive workplace for employees."

# Corporate Governance

## Executive Compensation

Executive compensation or remuneration policies should be fair, competitive, reasonable, and directly reflect performance. It is important to have competitive remuneration policies in order to attract top-tier candidates for these positions; however, it is essential that the policies are done in a transparent fashion that result in clear business rationale. From 1978 to 2018, CEO compensation skyrocketed at the largest 350 U.S. companies by market capitalization, rising by 940.3%, while real wages grew merely 11.2% for typical workers.<sup>111</sup> Exorbitant executive compensation generally raises concerns of inequality and exploitation, and when it fails to produce long-term success, investors are right to be doubly alarmed. As shareholder inquiries mount and companies recognize the materiality of ESG factors, a growing number link executive pay to sustainability metrics — a quarter of U.S. large-cap companies, according to a 2013 EY survey.<sup>112</sup>

### **We SUPPORT:**

- Proposals that link executive pay to financial and sustainability outcomes in areas where the company has substantial positive or negative impact, such as carbon footprint for major corporate greenhouse gas emitters.
- Proposals that require companies to provide additional disclosure around the pay ratio between its highest-paid employee and the median wage it pays its employees, in instances when the minimum legally required reporting appears questionable.

### **We OPPOSE:**

- Remuneration policies or reports where there is clear misalignment between remuneration and long-term value creation.
- if the board received low shareholder support for its most recent pay-related proposal without satisfactorily addressing the concern.
- Proposals to increase compensation packages for the CEO, executives and/or board members during times of economic downturn.
- Remuneration policies or reports where we have significant concerns over one-off payments, including signing bonuses, golden parachutes and severance payments.<sup>113</sup>

## Oversight for Sustainability and Social Responsibility

Boards have a critical role in shaping the overarching goals and values of a company, holding management accountable for aligning with their mission while meeting financial

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<sup>111</sup> <https://www.epi.org/publication/ceo-compensation-2018/>

<sup>112</sup> [https://www.ey.com/Publication/vwLUAssets/Six\\_growing\\_trends\\_in\\_corporate\\_sustainability\\_2013/%24FILE/Six\\_growing\\_trends\\_in\\_corporate\\_sustainability\\_2013.pdf](https://www.ey.com/Publication/vwLUAssets/Six_growing_trends_in_corporate_sustainability_2013/%24FILE/Six_growing_trends_in_corporate_sustainability_2013.pdf)

<sup>113</sup> Several recommendations sourced from:

<https://www.nbim.no/globalassets/documents/governance/policies/global-voting-guidelines-2020.pdf>



objectives. How companies make their overarching social and environmental policy decisions — and who is on the board to do so — are key issues for the shareholders of any organization.

**We SUPPORT:**

- Election of directors with demonstrated expertise in social and environmental areas covered by this policy (e.g. climate change, human rights), as reasonably determined by the board, in which the company has substantial positive or negative impact.
- Proposals that organize a task force, board committee and/or corporate officer position responsible for managing impacts in such an area, if they publicly disclose their progress and/or objectives.
- Proposals that request consideration of establishing a corporate social responsibility policy or department, or other actions that bring profitable social enterprise into the core business strategy.

**We OPPOSE:**

- Election of directors without demonstrated expertise in social and environmental areas covered by this policy (e.g. climate change, human rights) in which the company has exceptionally significant positive or negative impact, as reasonably determined by the board, on boards that include no such member(s) already.

## Corporate Purpose and Accountability

Individual businesses and industry groups have made admirable, voluntary public commitments to their stakeholders. Notably the Business Roundtable, which exclusively includes CEOs of America’s largest companies, released an ambitious statement in August 2019 committing to lead member companies for “the benefit of all stakeholders — customers, employees, suppliers, communities and shareholders”<sup>114</sup> and pledging certain guarantees to each group.

While the Business Roundtable — whose focus is on creating quality jobs with good wages, strengthening the economy, and improving U.S. competitiveness by collaborating with communities, workers, and policymakers<sup>115</sup> — is to be commended for their redefinition of the corporation, it is unclear how the group or its members interpret, or plan to uphold, their stated obligations. Proposals have requested disclosure on such plans from Business Roundtable members, who collectively contribute tens of billions of dollars in charity and lobbying, and provide employment, health care, and retirement benefits to tens of millions of families, among other impactful activities.

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<sup>114</sup> <https://s3.amazonaws.com/brt.org/BRT-StatementonthePurposeofaCorporationOctober2020.pdf>

<sup>115</sup> <https://www.businessroundtable.org/about-us>



### **We SUPPORT:**

- Proposals that call for a company to sign onto the Business Roundtable's statement of corporate purpose or other statements that align with ASU's values, as conveyed in this document.
- Proposals that require companies to hold their suppliers, distributors and contractors to the same ESG standards to which the company itself is bound.
- Proposals that call for companies to clearly identify the stakeholders to whom they are responsible and accountable, including often overlooked stakeholders like the community and natural environment, and to develop specific plans or policies that ensure follow-through on guarantees to each stakeholder group.
- Proposals that require boards to consider all stakeholders in voting decisions.

## **General Board Governance**

Robust organizational and incentive structures can set up executives and directors to act in the best interest of the company as a whole, driving profitability and responsible corporate citizenship. We support the six corporate governance principles of the Investor Stewardship Group (ISG).<sup>116</sup> ISG is an investor-led effort that includes some of the largest U.S.-based investment firms and asset managers, along with several international counterparts.

1. Boards are accountable to shareholders.
2. Shareholders should be entitled to voting rights in proportion to their economic interest.
3. Boards should be responsive to shareholders and be proactive in order to understand their perspectives.
4. Boards should have a strong, independent leadership structure.
5. Boards should adopt structures and practices that enhance their effectiveness.
6. Boards should develop management incentive structures that are aligned with the long-term strategy of the company.

Here, we fully endorse the rigorous governance-related [2020 Global Voting Guidelines](#) of the Norwegian Sovereign Wealth Fund,<sup>117</sup> which we find well-aligned with these principles and our values. **Please see its document for specific recommendations.** Below we provide our reasoning for adopting each listed section of the recommendations, and make additions especially on employee representation and director and officer indemnification.

- A. Board Independence** - In order to guide and monitor the actions of a company in a fair, objective, and transparent way, it is important for members of the board to be free of financial conflicts of interest. We support formation of boards with a majority of members independent<sup>118</sup> of management, dominant shareholders, and related third-parties.

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<sup>116</sup> <https://isgframework.org/corporate-governance-principles/>

<sup>117</sup> <https://www.nbim.no/globalassets/documents/governance/policies/global-voting-guidelines-2020.pdf>

<sup>118</sup> [https://www.nyse.com/publicdocs/nyse/regulation/nyse/Director\\_Independence\\_Policy\\_of\\_New\\_York](https://www.nyse.com/publicdocs/nyse/regulation/nyse/Director_Independence_Policy_of_New_York)

- B. Independence of Main Committees** - In order to ensure that board decisions are free from conflicts of interest, especially on committees where they may be more susceptible to conflicts, it is crucial to ensure that proper safeguards are established to maintain independence.
- C. Separation of Chairperson and CEO** - In order to ensure that a board maintains objective and transparent judgement on corporate affairs, it is essential that decisions are made independently of management.
- D. Time Commitment** - We believe that in order to make decisions that are best for the shareholders, board members should be able to dedicate sufficient time to fulfill their responsibilities effectively.
- E. Industry Experience** - We believe that understanding the industry a company is operating in is vital for a company's success. Since the board serves as the guardians for a company, it is important they understand the industry sufficiently.
- F. Board Nomination and Election** - In order for the board to be accountable to their shareholders for the outcomes of their decisions, companies should have robust and transparent policies for establishing procedures to elect members to the board of directors. Furthermore, to be thoughtful and effective stewards of the company, these directors must bring to bear a broad and deep set of relevant viewpoints, experiences and qualifications.
- G. Board Decisions and Conduct** - It is imperative that the board of directors acts in the best interests of their shareholders and the company. As a result, shareholders should have the right to seek changes to the board when it fails to act in their best interests.
- H. Shareholder Rights and Protections** - We believe strongly that the rights of shareholders, even when they hold a minority stake in a firm, should be protected. Shareholders should be able to influence fundamental changes to the company, receive accurate information in a timely manner, and approve changes in the firm that affect shareholders' cash flow and/or voting rights no matter the amount of shares they own. All shareholders should be guaranteed equitable treatment.
- I. Company Reporting** - We believe that in order to maintain transparency and make the best decisions in line with our values, shareholders should receive complete, accurate, and timely information regarding the company. In regards to audits, we believe that external auditors should act in a fully independent manner. Additionally, annual financial reports should represent a fair, clear, and honest assessment of the firm's current standing.
- J. Capital Management** - Capital management, the financial strategy for ensuring maximum efficiency and effectiveness of the firm's cash flows, should create long-term

value and fairly benefit all shareholders. We believe that in the case of mergers, acquisitions, or other corporate transactions, the deals made should maximize shareholder value and align well with our values. Transparency around corporate transactions is required to make fully informed decisions and ensure that shareholders are treated equitably. In cases where there are related-party transactions, deals should be conducted on market terms and display clear benefit to all shareholders. For each material transaction, the board should disclose the transaction date, name of each party involved, their affiliation, business rationale, nature of the transaction, the deal's terms, and what value it will create for shareholders.

**K. Director and Officer Indemnification** - When board members or directors become involved in litigation while in the service of a company, that company may provide indemnification of legal expenses. Typically, these situations are decided on a case by case basis; however, it is standard practice to exclude indemnification for fraud or other wanton or willful misconduct or legal acts. Offering indemnification may indicate corporate support for board members and directors in their decision making, which can draw more qualified candidates to those positions

**L. Employee and Stakeholder Representation** - Co-determination, the concept of employee representation on corporate boards, is popular in Germany and other European countries but is highly unusual and unprecedented at most companies in the United States. In fact, in most cases, the only employee on a company's board is the CEO. Since employees are one of the most important stakeholders for an organization, directly linked to their success, but sometimes ignored when it comes to issues like gender discrimination or sexual harassment, we feel there needs to be more discussion and consideration from organizations on how best to involve employees in board selection and/or board representation processes.

**We SUPPORT:**

- Proposals that call for reporting on the diversity of directors' qualifications and expertise, including educational and professional background.
- Voting case-by-case on proposals related to director and officer indemnification and liability protection that do not include cases of fraud or other wanton or willful misconduct or illegal acts.
- Proposals that provide expanded coverage in cases when a director's or officer's legal defense was unsuccessful if the director was found to have acted in good faith and in a manner that the director reasonably believed was in the best interests of the company.
- Proposals that promote employee participation in selecting board members.
- Proposals that require the company to include qualified non-management employee representation on the board, or else to report on mechanisms for addressing employee demands at the executive and board levels.

**We OPPOSE:**

- Proposals that would eliminate directors' and officers' liability for monetary damages caused by violating specific fiduciary duties.
- Proposals that expand coverage beyond legal expenses to include liability for acts that are more serious violations of fiduciary obligation than carelessness.
- Proposals that would indemnify external auditors.