



Shareholder Proposal Review

Shareholder proposals continued to rise in 2023 following the unprecedented number of proposals in 2022. Though proponents have brought forth a greater volume of proposals, in many cases, they are also seeing less shareholder support. While the total number of shareholder proposals presented in the first half of each year rose from 539 to 584 year-over-year, the number of proposals that passed dropped from 73 to 27.

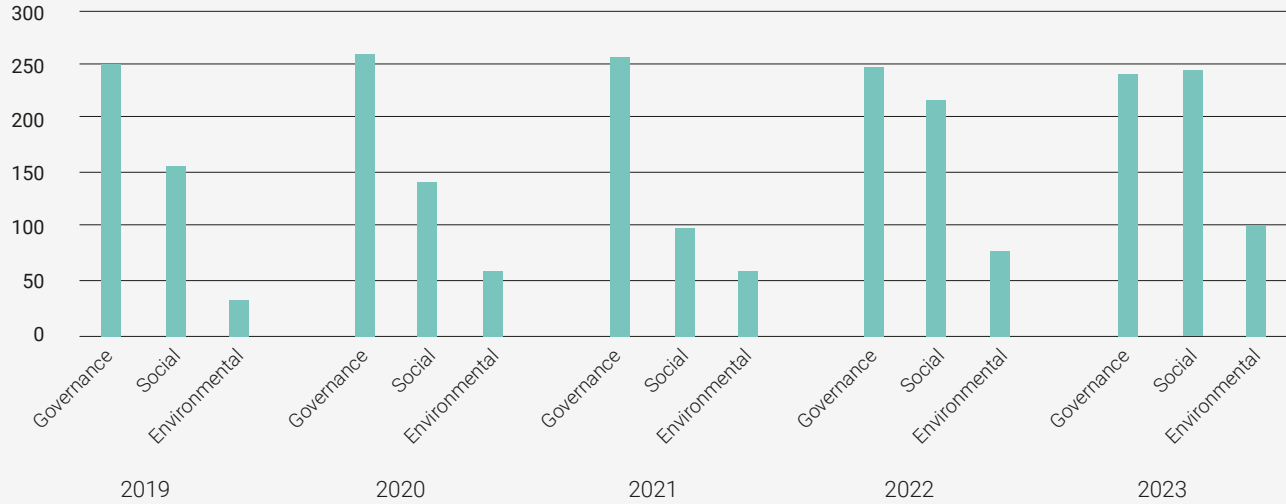
As has been the case for several years, volume of Governance proposals remained constant, making up 241 of the total in 2023. While Environmental and Social proposals continue to rise. Combined, E&S proposals accounted for 343 proposals this year, up from 293 last year. Shareholders were less supportive of proposals in all categories, but especially opposed E&S at a greater rate than previous years. Only 2 total Environmental and 5 total Social proposals have passed in the first half of 2023.

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Below is a breakdown of some of the notable shareholder proposals so far this year. We discuss how both proponents and shareholders have altered their approach towards these specific proposals.

TOTAL SHAREHOLDER PROPOSALS 2019-2023



Governance

Call Special Meetings:

Allowing shareholders to call a Special Meeting Proposals only appeared 38 times in 2023. This is a significant drop from 109 last year. About ~13% of these proposals passed in 2023 compared to ~8% in 2022. The average FOR vote also dropped year over year from 36.57% to 32.03%. Even the proposals that passed only did so narrowly, as % the highest percentage of votes cast FOR across all proposals was only 52%.

Severance Packages:

Prior to 2022, Severance Package Proposals rarely appeared or passed. However, last year there were 14 proposals that passed at a rate of ~28%. In 2023, the total more than doubled to 39, however, only passed at a rate of ~10%. The average FOR vote has obviously also dropped, from 45.6% to 24.83% year over year. A total of 2 were also withdrawn this year.

Independent Board Chairman:

A total of 79 independent board chairman proposals came to a vote in 2023. This is a notable increase from 37 in 2022. Despite this increase, the results remained unchanged, as zero passed in both years. In 2023, the average FOR vote was 29.93%, a slight bump year over year from 28.68%. It is worth noting that 9 proposals this year received a FOR vote between 40-49%, just below the threshold of passing.

Reduce Supermajority Voting:

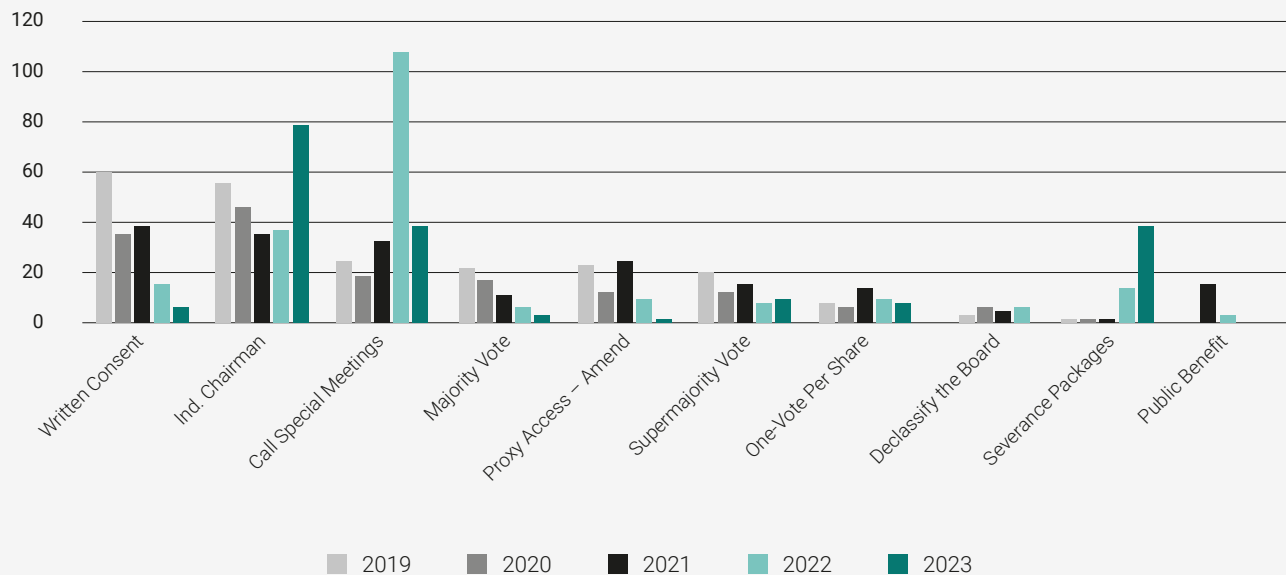
One of the more successful Governance proposals in 2023 was on reducing supermajority voting. Of 9 total, 5 passed and the average FOR vote was 52.10%. This tracks year-over-year, as all 8 reduce supermajority proposals passed in 2022, averaging 79.06% support. It is worth noting the 2023 results are skewed by two companies that did not oppose

these proposals in their Management Recommendations. **The Carlyle Group Inc.** (CG) recommended a vote FOR and their voter turnout was 99.80% in favor. **Skyworks Solutions, Inc.** (SWKS) did not issue a management recommendation and saw 80.40% support. Most of the other proposals saw mixed support. Outside the non-opposed proposals, the highest shareholder turnout in support was 53.5%.

Adopt Simple Majority:

Proposals to Adopt a Simple Majority passed 3 out of 4 times so far in 2023. Unsurprisingly, the average support was also high at 71.03%. Part of the support here is because not all boards recommended a vote AGAINST. **American Airlines Group Inc.** (AAL) recommended shareholders vote FOR this proposal, and 97.8% of votes were cast FOR. Last year, only 2 simple majority proposals were voted on and one passed. The average support between the 2 was 37.65%.

GOVERNANCE PROPOSALS



Social

Political Spending Congruency:

Proposals requesting companies to issue a report on the congruency of the political spending continued to be submitted this year. These proposals aimed to get companies to report on how their spending aligned with their political values and statements. This appeared 13 times and was withdrawn once. None of these proposals passed and the average FOR vote was 24.29%.

Racial Equity:

Proposals to conduct a racial equity and civil rights audit received less shareholder support year over year. In 2022, 9 of 26 proposals passed with an average FOR vote of 44.14%. In 2023, 0 of 15 proposals passed and the average FOR vote dropped to 22.27%.

Charitable Contributions:

Only two proposals related to Charitable Contributions came to a vote in 2023. Both failed, however, and received little shareholder support. The average FOR vote was only 7.05%. These types of proposals appeared many more times in 2022. However, shareholder support did not change much year over year. Of 13 total proposals last year, 0 passed and the average FOR vote was 4.13%.

Improve Human Rights Standards:

This year there was an uptick in proposals related to improving human rights standards. A total of 12 appeared this year compared to 4 in 2022. Average support dropped slightly year-over-year from 33.13% to 29.54%. Most of the proposals this year were specific to freedom of association and collective bargaining. The others include topics like indigenous people’s rights and restricting child labor. Interestingly, the freedom of association proposals received relatively high support, at an average of 35% of votes FOR. Only one passed, but there were clearly many shareholders who were supportive.

Environmental

Restriction of Fossil Fuel Financing:

A total of 11 proposals were issued relating to underwriting and lending for new fossil fuel development, approximately

consistent with 2022. Most called for a time-bound phasing out of this financing, specifically setting 2030 as a goal. Proponents mainly targeted large financial institutions such as Bank of America, Wells Fargo, Citigroup, JPMorgan and Morgan Stanley. None of the proposals passed and were met with significant shareholder opposition. The average vote FOR was only 9.10%.

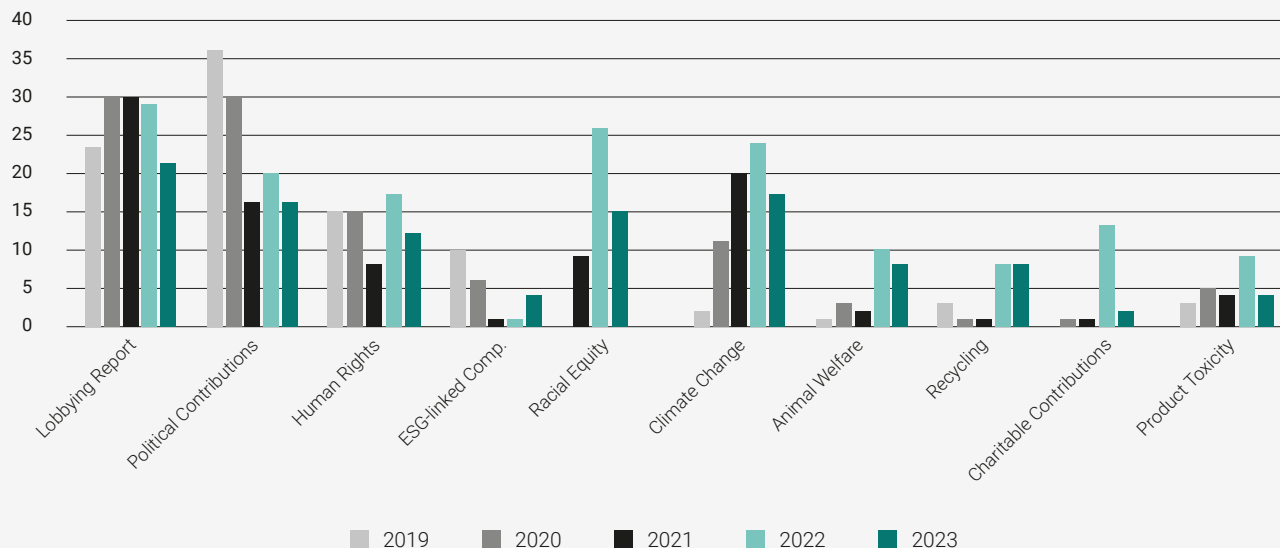
Greenhouse Gas Emissions:

Proponents brought forth a similar volume of GHG-related proposals year over year. However, shareholders were not nearly as supportive in 2023. Zero of the 25 GHG proposals passed this year and average support was at ~26%. This is a lower voting outcome compared to 2022. The majority of GHG proposals in 2023 requested companies align their reduction targets to the Paris Agreement Goal. This Paris goal was mentioned in 15 GHG proposals this year.

Climate Change Lobbying:

Climate lobbying proposals continued to be submitted this year, with the proposal appearing 10 times in 2023 and 1 having passed. The average FOR vote was 34.85%. The one proposal that passed was at **New York Community Bancorp, Inc.** (NYCB), after management recommended a vote FOR. This is the only environmental proposal in 2023 that received a supporting management recommendation. Voter turnout at NYCB was also extremely supportive, as 95% of shareholders voted in favor.

ENVIRONMENTAL & SOCIAL PROPOSALS



Anti-ESG Proposals:

This year there was an increase in the number of proposals that were explicitly anti-ESG. These were brought forth to counter or rescind previously established ESG policies, climate and diversity-related issues. For example, there were 7 proposals to restrict spending on climate change-related analysis or actions. These saw very little support – only about 1.67% of votes FOR on average.

The bulk of the other anti-ESG proposals pertained to racial equity and diversity issues as well as proposals targeting corporate involvement in politics. Nearly all of these proposals received low single digit support.

Conclusion

Shareholder proposals generally received less support in 2023 than in previous years, despite it being a record-breaking year in the volume of shareholder proposals. The waning support towards ESG proposals generally took place after many ESG

proposals received relatively higher support in recent years. Environmental and Social proposals particularly saw less support in 2023 and are clearly receiving some pushback from shareholders. This can be seen not only in the lower favorable voting returns, but also in the rise of anti-ESG proposals in 2023. Certain shareholders brought forth proposals to counter or rescind ESG initiatives. All of these anti-ESG proposals saw very little support, generally in the low single digits FOR on average.

Based on the volume of proposals in 2023, shareholders continue to submit proposals at an increasing rate and we don't expect that to slow down in 2024. Next year will be an interesting year, as the E&S landscape continues to change, E&S proposals seem to have lost some of their traction in 2023 and the anti-ESG proposals are on the rise (in number, not necessarily support).