



June 29, 2023

State Treasurers and Financial Officers Listed
as Signatories of the May 15, 2023 Letter
c/o The Honorable Marlo Oaks
Treasurer
State of Utah
350 N State Street, Suite 180
Salt Lake City, UT 84114-2315

Re: Letter of May 15, 2023

Dear State Treasurers and Financial Officers:

Thank you for your letter of May 15, 2023. As a leading proxy advisor, Glass Lewis is deeply committed to serving its institutional shareholder clients by, among other things, helping them to vote their proxies. Proxy voting is a critical component of the corporate governance system and we are proud of the long-standing work we continue to do to help our clients, which include pension funds in your states, fulfill this responsibility in a manner that benefits and safeguards their beneficiaries' investments.

Your letter asks a series of questions about Glass Lewis' proxy advice on shareholder proposals on environmental and social issues at U.S. companies. Before responding to your questions, we would like to clarify a few points about our role and shareholder proposals.

The Role of a Proxy Advisor

Your letter asks about our analyses and recommendations on certain shareholder proposals. In doing so, many of the questions assume that there is one Glass Lewis recommendation on a given proposal we make to all our clients. This is not so, however.

As a proxy advisor, Glass Lewis' role is to assist its institutional clients, who typically either own or manage shares with voting rights, in implementing their chosen proxy voting policy. Our 1,300+ clients have a broad range of views on proxy voting issues,¹ as well as different investment strategies and time horizons. Accordingly, our investor clients will select a policy that reflects their investment approach and views and, once they have done so, Glass Lewis applies the selected policy to the facts presented in each company's proxy statement and provides tailored vote recommendations on each proposal based on that policy. It is then up to the client to decide how to vote its shares. Put simply, Glass Lewis does not determine its clients' proxy voting policies or their votes.

¹ As the SEC has long recognized, "Of course, much commentary concerning corporate performance, management capability or directorial qualifications or the desirability of a particular initiative subject to a shareholder vote is by its nature judgmental. As to such opinions, there typically is not a 'correct' viewpoint." U.S. Securities and Exchange Commission, Regulation of Communication among Shareholders, Release No. 34-31326 (Oct. 22, 1992), 57 Fed. Reg. 48,276 at 48,278 (internal quotations omitted).



The Glass Lewis Benchmark Policy is one voting option our clients can choose. It generally reflects the current, predominant views of our institutional investor clients on corporate governance best practices. Benchmark Policy recommendations frequently align with management recommendations. Focusing just on the S&P 500, Glass Lewis' Benchmark Policy supported 96% of all management proposals last year. For all U.S. companies, Glass Lewis' Benchmark Policy supported over 85% of management agenda items relating to director elections and executive compensation last year.

Alignment of Glass Lewis Benchmark Policy and Management Recommendations on Common Management Proposals

Proposal Type	2020	2021	2022
U.S. Directors	90%	89.5%	86.2%
U.S. Say on Pay Proposals	84.3%	85.7%	84.7%
U.S. Equity Plan Proposals	77.9%	76.4%	85.7%

Sources: Glass Lewis' 2022 U.S. and Shareholder Proposal Proxy Season Reviews

As noted above, however, our clients have differing needs and views. For that reason, Glass Lewis offers its clients a menu of voting options, from a Climate Policy for investors focused on mitigating risks associated with climate change to a Catholic Policy that reflects the unique fiduciary responsibility of Catholic institutions and that is informed by the voting guidelines of the Conference of Catholic Bishops.²

In particular, we are proud to have recently introduced an updated and enhanced version of our Governance-Focused Policy.³ The Governance-Focused Policy was designed with input from our clients that want recommendations that focus on the most commonly-accepted components of corporate governance without taking strong positions on other issues, such as environmental and social considerations. This policy, in fact, is used by retirement plans in some of your states.

Apart from these policy choices, a significant majority of our clients have elected to simply not follow any Glass Lewis policy and instead have their own custom voting policy. Indeed, the use of a custom voting policy is a common approach leveraged by many public pension funds in the United States and abroad to ensure proxy votes are executed according to their unique needs and views on corporate governance issues.

² See Glass Lewis, Proxy Voting Policy Options, available at <https://www.glasslewis.com/proxy-voting-policy-options/>.

³ Id. Glass Lewis seeks to continually refine and improve its voting policies and formally updates them at least once a year. We will, of course, continue to do so as practices, laws, and other circumstances change. In addition to being made available to all Glass Lewis voting clients, we are pleased that some of our asset manager clients have made our Governance-Focused Policy available to their clients as part of their efforts to pass through more voting decisions to their end clients. See, for example, BlackRock, "Empowering Investors Through BlackRock Voting Choice," available at <https://www.blackrock.com/corporate/about-us/investment-stewardship/blackrock-voting-choice>.



What this means, in practice, is that Glass Lewis clients, with the aid of Glass Lewis' research and vote execution services, can and routinely do vote differently than our Benchmark Policy. Our role is to provide objective research and other tools to help our clients vote as they see fit.

Shareholder Proposals

Your letter focuses on shareholder proposals and, in particular, shareholder proposals on environmental and social topics.

Shareholder proposals represent approximately 1.3% of the approximately 35,000 agenda items that come to a vote each year at U.S. shareholder meetings.⁴ A subset of these shareholder proposals raise environmental and social issues. Historically, the largest categories of shareholder proposals in the United States – where the majority of all shareholder proposals are submitted and voted -- have related to governance and compensation, such as proposals to appoint an independent board chair or allowing shareholders to call a special meeting. Virtually all shareholder proposals in the United States are “precatory,” meaning they are not binding on companies’ boards and management even if supported by a majority of a company’s shareholders.

Glass Lewis does not file shareholder proposals, nor does it determine which shareholder proposals must be included on companies’ ballots for shareholder vote. Under applicable Securities and Exchange Commission (“SEC”) rules, companies can exclude proposals, among other reasons, if they relate to their “ordinary business” operations. If the proposal presents a “significant social policy issue,” however, the proposal may be excepted from this inclusion (i.e., have to be included in the company’s proxy statement). In November 2021, the SEC published a Staff Legal Bulletin that effectively narrowed the bases on which a company can exclude a shareholder proposal from its proxy statement as “ordinary business” (as well as the “economic relevance” exclusion). In the wake of these changes, approximately 30% more shareholder proposals went to a vote in the 2022 proxy season than in the previous year, including over 100 more environmental and social proposals. While the 2023 proxy season is just nearing its conclusion, it appears that we will see an additional 12% increase in shareholder proposals this year.⁵

As discussed further below, Glass Lewis’ Benchmark Policy evaluates such environmental and social shareholder proposals on a case-by-case basis. This approach is reflected in the rate at which that policy recommends in favor of them.

⁴ *Morningstar Proxy-Voting Insights: 2022 in Review* (“Morningstar tracks all resolutions across all ballots that come to a vote at U.S. companies—an average of 35,000 items a year over the last three proxy years, reaching a high of 37,000 items in 2022. Around 1.3% of these are shareholder proposals.”).

⁵ To meet your response deadline of June 29, 2023, this letter mostly uses data from 2022 and, where feasible, 2023 to date. Once the 2023 proxy season in the U.S. comes to an end, we will be compiling statistics for the 2023 proxy season and will make those available in our 2023 Proxy Season review and other publications.



Alignment of Glass Lewis Benchmark Policy and Management Recommendations on Environmental and Social Shareholder Proposals

Proposal Type	2020	2021	2022
Environmental Shareholder Proposals	48%	40%	40%
Social Shareholder Proposals	50%	50%	47%

Sources: Glass Lewis' 2022 U.S. and Shareholder Proposal Proxy Season Reviews

Again, however, it is important to remember that Glass Lewis clients choose their own voting policy, as well as their ultimate vote. In fact, most Glass Lewis clients have not adopted our Benchmark Policy. Accordingly, the recommendation Glass Lewis clients receive on an environmental or social shareholder proposal will vary based on their chosen proxy voting policy. For example, a shareholder proposal asking a company to adopt an emissions reduction target is far more likely to be supported under our Climate Policy than our Governance-Focused Policy. We have answered all questions below based on our Benchmark Policy, but that, of course, does not mean that all Glass Lewis voting clients would have received the benchmark recommendation discussed. Moreover, in our experience, our clients will focus more individual attention on — and more frequently depart from our provided recommendation on — shareholder proposals than other, more routine voting matters. Since there are relatively few such votes, compared to management proposals, and these issues often require significant judgment, it is not uncommon for our clients to evaluate these issues differently than Glass Lewis, even if they vote under a custom or thematic policy.⁶

Because of the overlapping nature and number of questions in your letter, we have grouped them below, using the section headings in your letter, for purposes of responding to them. We would, of course, be pleased to discuss any of these issues in more depth at any time.

1. Evaluating Shareholder Proposals Generally

Your letter begins with a number of questions about the factors we consider in evaluating shareholder proposals, as well as the processes by which we develop our voting policies and recommendations.

Our Benchmark Policy considers shareholder proposals on environmental and social issues as they relate to mitigating risk and promoting the long-term economic interest of shareholders. We seek to help our

⁶ Compare U.S. Securities and Exchange Commission, Commission Guidance Regarding Proxy Voting Responsibilities of Investment Advisers, Release No. IA-5325 (Aug. 21, 2019) (“Where the investment adviser utilizes the proxy advisory firm for either voting recommendations or voting execution (or both), with respect to matters where the investment adviser’s voting policies and procedures do not address how it should vote on a particular matter, or where the matter is highly contested or controversial, it could consider whether a higher degree of analysis may be necessary or appropriate to assess whether any votes it casts on behalf of its client are cast in the client’s best interest.”) (footnote omitted).



clients understand the basis of the proponent’s issue(s) and whether the proposal would help promote or protect shareholder value. As the Benchmark Policy clearly explains –

Glass Lewis evaluates all environmental and social issues through the lens of long-term shareholder value. We believe that companies should be considering **material** environmental and social factors in all aspects of their operations and that companies should provide shareholders with disclosures that allow them to understand how these factors are being considered and how attendant risks are being mitigated. (emphases added)⁷

Our Benchmark Policy’s focus on long-term shareholder value is also evidenced in practice. Under our Benchmark Policy, we routinely recommend against shareholder proposals on environmental and social issues that — however worthwhile as an environmental or social goal — have not demonstrated a nexus to shareholder value.

In general, we look for this nexus by evaluating whether the specific issue is material to the company in question. As our Benchmark Policy explains:

Glass Lewis evaluates shareholder resolutions regarding environmental and social issues in the context of the financial materiality of the issue to the company’s operations. We believe that all companies face risks associated with environmental and social issues. However, we recognize that these risks manifest themselves differently at each company as a result of a company’s operations, workforce, structure, and geography, among other factors. Accordingly, we place a significant emphasis on the financial implications of a company adopting, or not adopting, any proposed shareholder resolution. To assist us in determining financial materiality, Glass Lewis will also consider the standards developed by the Sustainability Accounting Standards Board (SASB).

As noted in our Benchmark Policy, the SASB framework plays a key role in this analysis. That framework was developed based on a rigorous and transparent process that included evidence-based research, as well as broad and balanced participation from companies, investors, and subject matter experts, including some 79 industry working groups. By following this deliberative process and using industry experts, the SASB framework has achieved widespread acceptance in the United States. It has been used by thousands of public companies in their operations or sustainability reporting since 2021.

The specific factors we consider in evaluating whether a shareholder proposal will protect or promote shareholder value are explained in our Benchmark Policy itself, which is available on our website, and in the individual analysis of each shareholder proposal we include in our Benchmark Policy research reports. On the issues focused on in your letter, our Benchmark Policy on ESG Initiatives has sections explaining its approach to shareholder proposals on climate reporting (p. 29), setting GHG reduction targets (p.31), gender/racial pay equity (p. 34), racial equity audits (p. 37), and a host of other

⁷ Glass Lewis' current benchmark voting guidelines for the meetings of U.S. companies are contained in our “2023 Policy Guidelines - United States,” which addresses common management proposals at U.S. companies, and our “2023 Policy Guidelines — Environmental, Social & Governance Initiatives,” which addresses common shareholder proposals at both U.S. and non-U.S. companies. We make both documents available on our website at <https://www.glasslewis.com/voting-policies-current/>. For simplicity, in this letter we collectively refer to the documents as our “Benchmark Policy.”



governance, compensation, environmental, and social issues. In addition, we often supplement these benchmark policies with publicly-available reports that delve deeper into our approach to individual proxy voting issues.

You also ask about the information we make available to our clients about our voting policies and recommendations. As noted above, our benchmark policies and supplemental reports are available on our website. In addition, our voting and research clients receive our Glass Lewis Benchmark Policy research reports, called a Glass Lewis “Proxy Paper,” which contain detailed analyses of shareholder proposals to be voted on at companies’ meetings. Of course, we often have additional, less formal back and forth with our clients to help them understand our policies and approaches to various issues, as well as to better understand their perspectives on those issues.

You also ask how we develop our voting policies. Our Benchmark Policy on ESG Initiatives explains that it was “developed based on Glass Lewis’ experience with proxy voting and corporate governance issues, engagement with clients and issuers, and review of relevant studies and surveys.” More specifically, Glass Lewis voting policies are formulated via a “bottom-up” approach that involves extensive discussions with a wide range of market participants, including institutional investor clients, public companies, public company organizations, academics, and subject matter experts, among others. Ongoing dialogue with the various industry players and active participation in panels, working groups, and industry conferences allow Glass Lewis to keep abreast of and respond to industry developments. In addition, Glass Lewis accepts feedback about our policies throughout the year via a dedicated mechanism on our public website.

Changes to voting policies are driven by such engagement, as well as by in-depth internal discussions involving the various research teams and focusing on any gap between existing guidelines and market developments. Changes may also be made in response to voting outcomes of the previous proxy season and review of academic literature and regulatory body reports, among other sources.

This process is also supported by global and/or regional policy initiatives and processes, including:

- The Glass Lewis Research Advisory Council (“RAC”): An independent external group of prominent academics and practitioners that provides feedback on proposed areas of policy development.
- Global policy calls: A series of policy-focused meetings occurring in Q3 at which policy-focused analysts discuss best practice developments and stakeholder feedback in their regions.
- Regional product and policy weeks: Week-long regional events focused on product enhancement and policy development.
- Regional policy committees: Policy-focused committees consisting of a range of analysts across the region. Tasks of the committees include considering stakeholder feedback on policies, reviewing analyst policy interpretation and application, assessing guidelines for inconsistencies and obsolete provisions, and initiatives to improve the readability and clarity of policy guidelines.
- Client roundtables/calls: Policy-focused roundtables and calls to elicit feedback on Glass Lewis policies and to gain deeper understanding of key areas of clients’ own policy development.



- Corporate issuer engagements: Meetings for companies to share their perspectives on corporate governance best practices and to provide feedback on our policies.
- Close market assessment: Ad hoc working groups, consisting of senior members of the research team and supported by leads from other departments, to assess policy impacts of systemic events (e.g., Covid-19; Russian invasion of Ukraine) and develop and communicate a coherent policy approach in a timely manner.

Your letter also asks about whether we consider various factors in evaluating shareholder proposals. First, you ask whether we consider the short-term costs involved in implementing a shareholder proposal, in addition to considering long-term risks to the company. If complying with a shareholder proposal would present significant costs to the company, that would be considered in our Benchmark Policy analysis. Many shareholder proposals ask that a report be prepared by the company “at reasonable cost.” While such costs are rarely quantified by companies and often pale in comparison to the potential financial consequences to a company of not properly managing or mitigating a material risk to the company, if we conclude that such costs are greater than the benefits of a shareholder proposal, our Benchmark Policy would recommend against the shareholder proposal.⁸

Several of your questions touch on whether and how we consider the effect of “noneconomic factors” on shareholder value. While we are not certain what you mean by this phrase, our Benchmark Policy approach would analyze any relevant factor that could affect long-term shareholder value in the same basic way. Whether the risk to the company’s long-term value is posed by a macro-economic factor, climate change, geo-political developments, cybersecurity risks, employment practices, or anything else, our Benchmark Policy would assess whether the company is appropriately disclosing how they are managing the risks and opportunities associated with that issue.

You also ask how we evaluate a proposal when a board with a majority of independent directors has recommended against it. While the board’s perspective and recommendation are always important considerations in our evaluation of a shareholder proposal, we do not defer to recommendations of the company’s board, even if that board is composed of a majority of independent directors. Under state corporate law (and, to a lesser extent, exchange listing standards and federal law), shareholders have the right to vote on certain issues that are essential to safeguarding the capital they have provided the corporation. Our clients – who often have their own legal responsibilities to safeguard pensioners’ and other individuals’ investments – retain us to provide them with objective, expert advice on these matters. By doing so, we help them serve as prudent stewards and fiduciaries.

You also ask about our controls related to the production of our research reports, including the degree of discretion our analysts have in making recommendations and how our analysts’ work is supervised. Glass Lewis’ Benchmark Policy, particularly with respect to shareholder proposals, is largely principles-

⁸Several of your questions ask whether our processes include “economic analysis,” “forecasts,” and “back-testing.” While we certainly consider any quantitative information or economic analyses provided by shareholder proponents or company management on a proposal, in most cases the arguments for and against a shareholder proposal are primarily qualitative discussions of the issue. Accordingly, our analyses are also typically narrative discussions of the issue, informed by any relevant data. The issues posed by shareholder proposals, which often seek to avoid potential, long-term risks to the company, do not typically lend themselves to the sort of quantification that is necessary to make a forecast or perform a quantified cost-benefit analysis.



based. That is, the policy is generally designed to allow analysts to exercise bounded judgment in order to make a recommendation that serves the best interests of shareholders. This approach provides consistency, while still allowing for consideration, as appropriate, of the unique circumstances of a company, including performance, size, maturity, governance structure, responsiveness to shareholders, and place of listing and incorporation. To ensure that clients are able to take a case-by-case decision or apply custom policies, Glass Lewis also provides clients with the context of the analysis as well as necessary data in its reports.

Glass Lewis has a detailed research process that involves several levels of review and approval prior to publication of research and recommendations. The authority to issue Glass Lewis Proxy Paper research reports, thereby making them available to clients, is limited based on the issues covered in the report as well as the analyst's specialty, seniority, and expertise.⁹

You also ask whether we always engage with companies before recommending in favor of a shareholder proposal. While Glass Lewis, absent exceptional circumstances, does not initiate engagements, it is open to engaging with public companies that wish to do so outside of the peak-season periods (March through June in North America). To that end, Glass Lewis has developed an Engagement Policy to guide this process.¹⁰ In 2022, Glass Lewis conducted approximately 1,300 engagement meetings and calls with public companies, dissident shareholders, and shareholder proponents globally.

In addition, Glass Lewis' innovative Report Feedback Statement ("RFS") allows companies that purchase our research report to have a statement responding to Glass Lewis' research on a shareholder proposal, or any other proposal, transmitted to Glass Lewis clients so they may consider its content when making their voting decision. Public companies and shareholder proponents alike are eligible to participate in this service and have their unedited statements appended to Glass Lewis research reports and distributed to clients within Glass Lewis' research and voting platforms.¹¹

You also ask whether Glass Lewis has "an established set of ESG goals against which you measure shareholder proposals." Our Benchmark Policy does not have established ESG "goals," but rather evaluates each proposal through the materiality framework discussed at the beginning of this section.

Finally, this section of your letter asks whether we agree with the views of certain asset managers on investing strategies or positions taken in their voting policies. As noted above, Glass Lewis has clients with a range of investing goals, strategies, and time horizons, as well as a range of proxy voting policies and stewardship approaches. Glass Lewis does not take positions on the merits of these different approaches. Instead, our role is to provide objective research and other tools to help our clients vote as they see fit, whatever their investing and stewardship approaches.

⁹ A fuller description of the Glass Lewis research process and our quality controls can be found in our Best Practice Principles Compliance Report, which is available at <https://www.glasslewis.com/best-practices-principles/>.

¹⁰ Glass Lewis' engagement policy, along with additional information on how to engage with Glass Lewis, is available at <https://www.glasslewis.com/public-company-overview/>.

¹¹ For more information on the RFS, see <https://www.glasslewis.com/report-feedback-statement/>.



2. Conflicts of Interest

The next section of your letter concerns our conflicts policies.

Glass Lewis understands and takes seriously the potential for conflicts of interest to affect the independence and integrity of our research and analysis. Accordingly, Glass Lewis has always taken a rigorous approach to identifying and seeking to prevent conflicts. At the same time, possible conflicts can arise in all businesses and, where conflicts cannot be eliminated, they must be managed and mitigated. Glass Lewis believes that, in such circumstances, proxy advisors must proactively and explicitly disclose those conflicts in a manner that is transparent and readily accessible to clients.

Glass Lewis maintains strict policies and procedures governing personal, business, and organizational relationships that may present a conflict in independently evaluating companies. Glass Lewis' Policies and Procedures for Managing and Disclosing Conflicts of Interest, which also contain a Conflict of Interest Statement, are available on Glass Lewis' website and are reviewed and revised annually by Glass Lewis' Compliance Committee. These policy documents describe in detail how Glass Lewis avoids, manages, and discloses potential conflicts of interest. Glass Lewis also provides its clients with specific transparency on its engagement with issuers and any conflicts on the front page of its research reports and through its vote execution platform.

As a signatory to the Best Practice Principles for Shareholder Voting Research Providers, Glass Lewis provides detailed and robust annual disclosures on its conflicts policies and procedures. The Best Practice Principles reporting process is overseen by the Independent Oversight Committee ("IOC"), which provides an expert, objective, and critical review of signatories' reports on an annual basis to assure compliance and encourage continuous improvement. Since its founding in 2019, the IOC has had investor, issuer, and academic representatives. We were pleased that the IOC, in its last annual report, recognized our practices and reporting as best in class on a number of topics related to conflicts management.

Under this heading, your letter asks whether Glass Lewis provides consulting services to corporations seeking to improve their ESG ratings, whether our internal policies prohibit our analysts from seeking to advance their personal views, and about our affiliations with certain organizations.

First, Glass Lewis does not provide consulting services to corporations seeking to improve their ESG ratings.

Second, Glass Lewis' Code of Ethics strictly forbids any Glass Lewis professional, including our research analysts who review shareholder proposals, from making recommendations based on their personal social or political preferences. Specifically, the Glass Lewis Ethics Code states –

All Supervised Persons are expected to adhere to the high standards associated with Glass Lewis' fiduciary duty, including care and loyalty to clients, competency, diligence and thoroughness, and trust and accountability. **This includes conducting all affairs in such a manner as to avoid: (i) serving their own personal interests, including advancing their own social and political preferences, ahead of clients; (ii) taking inappropriate advantage of their position with Glass Lewis; and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility. (emphasis added)**



Glass Lewis' Code of Ethics binds all individuals performing work on behalf of Glass Lewis. All employees and contractors must certify their compliance with the Ethics Code upon starting work for Glass Lewis and on an annual basis thereafter. Violations of the Ethics Code will, depending on the circumstances, subject the violator to an appropriate disciplinary action, up to and including termination of the person's relationship with Glass Lewis.

Third, Glass Lewis is not a signatory to the Glasgow Financial Alliance for Net Zero, the Net Zero Investment Consultants Initiative or any other organization that, to our knowledge, is related to these organizations. Glass Lewis is a signatory to the UN Principles for Responsible Investment ("PRI"),¹² as well as maintaining affiliations and participating in the events of a number of other respected membership organizations in our field, such as the Council of Institutional Investors, the International Corporate Governance Network, and the Society for Corporate Governance. By joining and participating in these organizations, Glass Lewis has not endorsed or adopted every statement these organizations may make. And we do not coordinate our research or recommendations with these groups or any other external group. Our research and recommendations are made independently, based on the best interests of our clients. None of Glass Lewis' benchmark or other voting policies request or recommend that companies seek to join the organizations cited in your letter or any other ESG-related organization.

3. Evaluating Shareholder Proposals on Specific Topics

A. Shareholder Proposals Relating to Climate Reporting

Your letter asks about our general approach to shareholder proposals on climate reporting and our recommendations on three specific shareholder proposals.

Climate risk – how companies are managing the risks and opportunities presented by climate change – is widely recognized as a material risk-return factor today. Increased storm activity and changing weather patterns have and will likely continue to result in business disruption, loss of property, damage to critical infrastructure, and difficulty surrounding certain commodities. In addition, many companies with global operations will need to comply with strengthening regulations concerning greenhouse gas emissions and other environmental impacts. As a result, investors with over \$130 trillion in assets under management have requested that companies disclose their climate risks through just one of the current platforms in use.¹³ Faced with this market demand, corporate climate reporting has become a common practice. Even in the United States, where such reporting is a newer development, some 96% of the companies in the S&P 500 now publish sustainability reports using various third-party standards, which include information about climate risks.¹⁴

¹² According to its website, the PRI has 5,381 signatories, representing \$121 trillion in assets under management.

¹³ See CDP, About Us, available at <https://www.cdp.net/en/investor/request-environmental-information#d52d69887a88f63e15931b5db2cbe80d>.

¹⁴ See G&A Institute, "2022 Sustainability Reporting in Focus," available at <https://www.ga-institute.com/research/ga-research-directory/sustainability-reporting-trends/2022-sustainability-reporting-in-focus.html>.



Glass Lewis' Benchmark Policy on climate reporting reflects this reality, while being carefully tailored to provide a company-by-company assessment of the issue's importance. That policy thus generally supports shareholder requests for enhanced company-specific climate disclosure, but also notes that –

we will closely evaluate the request of each resolution in the context of a company's unique circumstances and will evaluate the following when making vote recommendations: (i) how the company's operations could be impacted by climate-related issues; (ii) the company's current policies and the level and evolution of its related disclosure; (iii) whether a company provides board-level oversight of climate-related risks; (iv) the disclosure and oversight afforded to climate change-related issues at peer companies; and (v) if companies in the company's market and/or industry have provided any disclosure that is aligned with the TCFD's recommendations.¹⁵

In addition to the case-by-case factors articulated above, our Benchmark Policy explicitly states that we may recommend against these proposals “if we do not believe that adoption of the resolution, as written, is consistent with **long-term shareholder value creation.**” (emphasis added)

Based on these guidelines, Glass Lewis' Benchmark Policy recommended in favor of 57% of the shareholder proposals requesting additional climate reporting in 2022.¹⁶ In the situations where the Glass Lewis Benchmark Policy recommended in favor of a shareholder proposal requesting additional climate reporting, it was because we believed that such additional reporting would help mitigate material risks or otherwise help protect or promote long-term shareholder value.

For example, a 2022 shareholder proposal at a natural gas producer and distributor asked the company to “issue a report at reasonable cost and omitting proprietary information describing how it is responding to the risk of stranded assets of planned natural gas based infrastructure and assets as the global response to climate change intensifies.” The company's board took no position on this proposal, noting that it believed it was already disclosing the requested information in various places, but that it was “willing to consolidate [that information] into one report, should shareholders believe that it is necessary.” Under our Benchmark Policy, Glass Lewis concluded that compiling such a report would allow the company's shareholders to better understand the significant, climate-related risks the company faced given its industry and operational profile, as well as the steps the company was taking to mitigate those risks. The proposal passed with over 80% of the company's shareholders supporting it.

Your letter asks whether we are aware of any “empirical evidence that any climate report or audit that your firm recommended supporting has in fact increased shareholder value.” While, to our understanding, the empirical evidence on this issue cannot determine the effect of climate reporting on an individual company, we have considered and discussed available empirical evidence on climate

¹⁵ The TCFD, or Task Force on Climate-Related Financial Disclosures, was established by the Financial Stability Board and offers a framework that is commonly used by companies and investors for communicating information about climate-related risks that companies may face.

¹⁶ This was a slight increase from the rate at which we recommended in favor of these proposals in 2021. This increase is likely due to better targeting of climate reporting proposals and the growing expectation from investors that companies will provide decision-useful information concerning the climate-related risks and opportunities, along with a growing desire on behalf of investors to incorporate such information in their investment decision making.



reporting in developing our policies on this issue.¹⁷ For example, our In-Depth report on Climate Change quotes academic research concluding that –

[I]t appears that strong regulation on mandatory and high-quality corporate climate change disclosure – resulting in more standardized disclosure – would not only help increase market efficiency... but result in better investment decisions in the real economy¹⁸

Finally, this section of your letter asks about our recommendations on shareholder proposals at Chevron, Chubb, and Dollar Tree and whether and how we considered some of those companies' boards reasons for opposing these proposals. In each case, we acknowledged and discussed the points quoted in your letter, as well as other arguments the boards made in opposing the requested reporting. Ultimately, in each case, our Benchmark Policy determined that the requested reporting would be in shareholders' best interests and supported the proposals. Rather than trying to summarize how we balanced the competing and, at times, complex issues involved in each of these proposals, we are separately transmitting to Treasurer Oaks' office a complete copy of the three research reports you question, with our full analysis of those issues, as well as the other management and shareholder proposals at issue at those companies' meetings. We believe the analysis in our research reports fully explains in each case how our benchmark policies' recommendations considered the cited concerns and still came to their recommendations.

B. Shareholder Proposals Relating to Actions to Reduce Greenhouse-Gas Emissions

Next, your letter asks about our general approach to shareholder proposals on greenhouse gas ("GHG") emissions, our recommendations on four specific shareholder proposals, and for our views on certain statements made by the Chairman and CEO of a large asset manager.

As to shareholder proposals specifically requesting emission reduction targets, our Benchmark Policy provides –

On a case-by-case basis, we will consider supporting well-crafted proposals requesting that companies report their greenhouse gas (GHG) emissions and adopt a reduction goal for these emissions. Particularly for companies operating in carbon- or energy- intensive industries, such as those in the basic materials, integrated oil and gas, iron and steel, transportation, utilities and construction industries, we believe that managing and mitigating carbon emissions are important to ensuring long-term financial and environmental sustainability. As such, we will carefully review these proposals on a case-by-case basis, taking into account: (i) the industry in which the company operates; (ii) the existence of robust risk management of environmental issues as evidenced by material fines, lawsuits or reputational damage; and (iii) the disclosure and GHG reduction targets adopted by the company's peers.

¹⁷ See, for example, Glass Lewis In-Depth Report: Climate Change, at 12 (discussing academic studies on this issue). As that report noted, because climate reporting is a relatively new phenomenon, it may take time before the consequences of such disclosure, even on an aggregate basis, can be empirically studied.

¹⁸ Id. (quoting Andrea Liesen, Frank Figge, Andreas Hoepner, Dennis M. Patten. "Climate Change and Asset Prices: Are Corporate Carbon Disclosure and Performance Priced Appropriately?" *Journal of Business Finance & Accounting*, Vol. 44(1-2), pp.35-62. January/February 2017.).



Our approach is not contingent on any set of assumptions about the timeline, technologies, or consequences of a global transition to net zero or a low-carbon economy and we recognize the uncertainties around those issues. Instead, when faced with such proposals, we focus on whether companies are disclosing sufficient information and managing the climate-related risks and opportunities associated with their particular industry and other circumstances. Our Benchmark Policy will support such proposals when we believe that the establishment of certain GHG targets would result in practices that would serve to mitigate certain financially material risks, or when increasing disclosure would allow shareholders to better understand the risks facing the company and how the company is monitoring and managing the climate-related risks associated with its business.

Although our Benchmark Policy generally recommends support for shareholder requests to improve disclosure on material sustainability issues, Glass Lewis typically believes that shareholders should not be involved in the day-to-day management of a company's business. Given this belief, we have found that shareholder proposals requesting that companies set emissions reduction goals occasionally overstep the boundary between the purview of shareholders and that of the board. However, Glass Lewis' Benchmark Policy reviews these proposals on a case-by-case basis, taking into account the materiality of emissions to the company in question, as well as the specific wording of the resolution and what it requests. In certain circumstances, particularly when emissions present a material issue for companies, setting GHG emissions reduction targets can significantly affect the way a company operates.

Glass Lewis' Benchmark Policy has generally opposed shareholder proposals requesting that energy companies set Scope 3 emissions reduction targets, as, given the nature of energy companies' operations, they likely necessitate scaling back operations. For example, in 2021 and again in 2022 we analyzed a shareholder proposal at a major U.S. fossil fuel company requesting that the company set Scope 3 emissions targets consistent with the Paris Climate Agreement. Based on the facts presented, including the company's other actions and the nature of the company's business, our Benchmark Policy recommended shareholders vote against the proposal. Our analysis noted that the "[c]ompany and others like it are at a significant disadvantage relative to others in its industry in its setting of these emissions reduction targets, as setting a Scope 3 emissions reduction target in many ways would be setting a sales reduction target, given the Company effectively sells emissions."

Your letter asks about a 2022 shareholder proposal at Phillips66 asking the company to set and publish medium and long-term emissions reduction targets consistent with the Paris Agreement. Our Benchmark Policy supported a similar proposal at Phillips66 in 2021, largely due to the fact that the company, at that time, significantly lagged its peers on these issues.¹⁹ Notwithstanding this, our Benchmark Policy recommended against the GHG reduction proposal at Phillips66 in 2022. Our benchmark report noted the complexity of setting targets for this industry. In light of that, and the company's recent adoption of targets for its Scope 1, 2, and 3 emissions and a 2050 reduction target for its Scope 1 and 2 emissions, our benchmark report recommended against the shareholder proposal.

Your letter also asks about our recommendations on GHG emission reduction proposals at DTE Energy, Chevron, and Exxon in 2022 and how we considered certain of those companies' boards' concerns in our analyses of these proposals. Consistent with our company-by-company approach, our Benchmark Policy

¹⁹ The 2021 shareholder proposal received 80.3% support from the company's shareholders, excluding abstentions and broker non-votes.



recommended against the shareholder proposals at DTE Energy and Exxon, but supported the one at Chevron. Again, rather than trying to summarize how we balanced the competing and, at times, complex issues involved in each of these proposals, we are separately transmitting to Treasurer Oaks' office a complete copy of the three research reports you questioned, with our full analysis of those issues, as well as the other management and shareholder proposals at issue at those companies' meetings. We believe the analysis in our research reports fully explains our Benchmark Policy's recommendations and, in the case of the cited proposal at Chevron, how we considered the cited concerns and still came to our recommendation.

Finally, in this section, you ask for our views on two statements attributed to the Chairman and CEO of the Vanguard Group. We have no views on whether Vanguard, or any other asset manager, should or should not be a member of the Net Zero Asset Managers Initiative. As noted above, we have clients with a range of investing goals, strategies, and time horizons. Our role is to provide objective research and other tools to help our clients vote as they see fit, whatever their investing and stewardship approaches. Your second question quotes the Chairman and CEO of Vanguard and then quotes the author of an op-ed in the *Wall Street Journal*. We agree with the statement attributed to the Chairman and CEO of Vanguard about the role of government in climate policy without commenting on the quoted statement from the op-ed contributor or any of the other opinions expressed in the Wall Street Journal op-ed.

C. Shareholder Proposals Relating to Diversity or Racial Equity

Next, your letter asks about our general approach to shareholder proposals on diversity and racial equity issues, as well as our recommendation on a shareholder proposal at the Travelers Company.

Our Benchmark Policy recognizes the "importance of ensuring that the board is composed of directors who have a diversity of skills, thought and experience, as such diversity benefits companies by providing a broad range of perspectives and insights." To that end, our Benchmark Policy provides that "in cases of egregious oversight lapses or behavior seriously detrimental to **shareholder value**, we will consider supporting reasonable, well-crafted proposals to broaden a board's composition including, for example, to increase board diversity where there is evidence a board's lack of diversity led to a **decline in shareholder value**." (emphases added)

Consistent with this policy, we have recommended in favor of some, but not all, such proposals that have been presented for a vote. In the 2022 proxy season, we recommended in favor of two of the six proposals requesting that companies disclose information concerning their efforts to enhance board diversity.

Our approach to racial equity audits is also company-specific and grounded in considerations of shareholder value. As our Benchmark Policy explains, we will undertake a company-by-company assessment of such proposals, including considering whether the company has been the subject of "any relevant controversies, fines, or lawsuits." Our Benchmark Policy notes that, "[a]fter taking into account these company-specific factors, we will generally recommend in favor of well-crafted proposals requesting that companies undertake a racial or civil rights-related audit when we believe that doing so could help the target company identify and mitigate potentially significant risks."



Consistent with this policy, in 2022, we recommended in favor of half of these proposals.²⁰

Your letter asks whether we are aware of any empirical evidence that the types of shareholder proposals “that your firm recommended supporting [have] in fact increased shareholder value.” While, to our understanding, the empirical evidence on this issue cannot determine the effect of these shareholder proposals on an individual company, we have considered and discussed available academic evidence on board diversity in developing our policies on this issue.²¹

Your letter also asks about our recommendation on a shareholder proposal requesting the board of the Travelers Companies conduct a racial equity audit in 2022 and how we considered one of the Travelers’ board’s concerns in our analysis of the proposal.

Our benchmark report analysis specifically acknowledged and discussed the board’s concern cited in your letter. After acknowledging the company’s statement that it is not able to take race into account in its underwriting and pricing decisions, as well as the company’s other efforts to address racial equity issues, the analysis noted that Travelers had previously paid \$450,000 to settle a Fair Housing Act lawsuit based on whether the company’s policies or practices inadvertently or disparately impacted certain communities. In light of this prior settlement and other considerations, we concluded “that an independent review of the Company’s external impacts could shed light on areas that could result in further fines and/or reputational harm.”

We also note that Travelers sought and failed to have this shareholder proposal excluded on the basis that it would cause them to violate the law.²² After considering Travelers’ legal submissions, the SEC staff determined that it was “unable to conclude that the Proposal, if implemented, would cause the Company to violate state law.”²³ Travelers did not, to our knowledge, seek to have the Commission review that determination or challenge it in court.

We also note that this shareholder proposal was precatory, meaning that it would not have been binding on the company’s board and management even if it was supported by a majority of the company’s shareholders. Nor does Glass Lewis policy insist on companies implementing majority-supported precatory shareholder proposals that would be impractical to implement or where doing so would, for some other reason, be contrary to the company’s best interests. In this case, even if the shareholder proposal had passed and the company then determined not to fully implement it due to a legal or other concern, our Benchmark Policy and practice would have called for us to consider that

²⁰ This rate would have been higher if one proponent had not submitted racial equity audit shareholder proposals in 2022 with stated rationales that departed significantly from the reasons many shareholders have supported these proposals. These specific proposals are discussed in more detail below.

²¹ See, for example, Glass Lewis In-Depth Report: Board Gender Diversity, at 11-14 (discussing academic studies on this issue). Because racial equity audits are a relatively new phenomenon, it may take time before the consequences of this practice, even on an aggregate basis, can be empirically studied.

²² Under applicable SEC rules, U.S. companies can exclude from the ballot any shareholder proposal that would cause them to violate the law. See 17 C.F.R. 240.14a-8(i)(2) (company can exclude a proposal from the ballot “[i]f the proposal would, if implemented, cause the company to violate any state, federal, or foreign law to which it is subject.”).

²³ See Letter of SEC Division of Corporation Finance 14a-8 Review Team to Yafit Cohn, The Travelers Companies (March 30, 2022), available at <https://www.sec.gov/divisions/corpfin/cf-noaction/14a-8/2022/trilliumfriendstravelers033022-14a8.pdf>.



concern, along with the company's engagement with its shareholders, disclosures, and other relevant circumstances, in evaluating the board's overall responsiveness to the issue.

4. Your Recommendations on Proposals by Specific Proponents

The final section of your letter asks about our recommendations on shareholder proposals advanced by certain proponents. Specifically, you ask about our recommendations on shareholder proposals submitted by the National Legal and Policy Center ("NLPC"), the National Center for Public Policy Research ("NCPPr"), and Steven Milloy.²⁴

All three proponents named in your questions are known for seeking to advance a conservative viewpoint on ESG issues. Generally, these proponents seem to have political, rather than shareholder value, goals and are frequently critical of companies' efforts with respect to environmental and social issues. For example, we understand that Mr. Milloy is one of the leaders of Burn More Coal, an activist group that promotes the increased use of coal as a fuel for energy generation. While their shareholder proposals at times mirror resolutions that have received significant shareholder support, their stated rationale for their proposals and other statements often suggest their intention is to curb companies' efforts to address environmental and social issues in the manner supported by other company shareholders.

In 2022, 45 proposals were submitted to company annual meetings by these types of activist groups, more than in the prior three years combined. Historically, these proposals have received minimal shareholder support. In 2021, shareholder support for these proposals ranged from 0.6% to 5.2%, or 3% on average. In 2022, overall support for these resolutions rose to 9%, largely as a result of the composition of the proposals submitted. Glass Lewis' Benchmark Policy recommended that shareholders support management's recommendation on 39 of these proposals submitted for a vote during the 2022 proxy season and that shareholders abstain on six others.²⁵ To date in 2023, Glass Lewis' Benchmark Policy has continued to not recommend in favor of most of these proposals, although it has recommended in favor of seven shareholder proposals (and to abstain on one other) submitted by NLPC requesting that companies appoint an independent chair.

Your letter also asks about the rate at which Glass Lewis supported shareholder proposals put forward by NCPPr and other shareholder proponents on the same topic. NCPPr describes itself as a "conservative think tank and public policy institute covering Congress, insider political information, global warming and the environment, legal reform, Social Security, and campaign reform." As reflected in your questions, some of their shareholder proposals in 2022 were on topics that have received some degree of support from institutional shareholders, such as racial equity audits and reporting on

²⁴ In the U.S., companies are not required to disclose the identity of shareholder proponents in their proxy filings. In 2022, approximately 17% of proposals were submitted by proponents for which companies failed to provide any identifying information. Accordingly, we do not always know the identity of the proponent of a shareholder proposal and therefore cannot give complete and accurate statistics on how often we supported any particular proponent's proposals. The statistics used in this section are based on identified proponents. Glass Lewis believes that disclosing the identity of the proponent provides investors with important information about the nature and intention of the proposal being submitted to a vote and encourages companies to make such disclosures.

²⁵ The recommended abstentions were on independent chair proposals submitted by NLPC.



companies' political spending. NCPPR's stated rationale for proposing such resolutions, however, often differed in significant ways from the reasons such proposals have been supported by other company shareholders.

For example, NCPPR proposed a resolution at a pharmaceutical and medical device company in 2022 requesting that the company's board conduct a racial equity audit. In its supporting statement, NCPPR contended that "there is much disagreement about what non discrimination means," and expressed concern about companies "promoting overtly and implicitly discriminatory employee-training programs." NCPPR further argued that "if [the company] is, in the name of racial equity, diversity and inclusion, committing illegal discrimination against employees deemed 'non-diverse,' then the Company will suffer in myriad ways - all of them both unforgivable and avoidable."

Based on NCPPR's stated rationale, Glass Lewis' Benchmark Policy did not support its shareholder proposal. While our report noted the importance of companies whose operations heavily rely on their customers' trust and loyalty addressing issues of equity and inclusion, as well as our support for another shareholder proposal at the same meeting requesting a racial impact audit,²⁶ the benchmark report's analysis concluded that "the supporting statement and intention behind [NCPPR's] proposal vary enough [from the other proposal] to warrant shareholder opposition." The NCPPR proposal received 2.7% shareholder support; the other shareholder proposal passed with 62.6% approval. On average, the proposals submitted by NCPPR in 2022 received 2.7% support.

* * *

We appreciate the opportunity to explain our role in the proxy voting process and to respond to your questions about our Benchmark Policy's approach to certain types of shareholder proposals. We would be happy to discuss any of these issues further with any of the individual signatories of your letter.

Sincerely,

Kevin Cameron
Executive Chair

²⁶ A proposal at the same meeting requested a similar audit, while providing more detail on the company practices that warranted it and without NCPPR's focus on criticizing employee training on diversity, equity, and inclusion and "illegal discrimination against employees deemed "non-diverse.""