Zevin Asset Management

IMPACT UPDATE

MARCELA PINILLA,
DIRECTOR OF SUSTAINABLE INVESTING

This quarter, investors grappled with the long-awaited, but ultimately underwhelming, climate disclosure rule adopted by the Securities and Exchange Commission (SEC). The watered-down **rule** comes to the relief of corporate management and their trade associations, who lobbied to weaken it. The rule is not the last word on climate disclosure, as standards evolve, but the impacts of delayed action also bear a social and environmental cost.

While the SEC mandate on climate disclosure has languished for now, the European Union is setting the standard by forging ahead. These new rules will apply beyond EU-based companies to any company with more than 250 employees that operates in the EU, meaning U.S. companies operating in the EU will also have to comply with the new rule.

Meaningful progress is being also made in the U.S. at the state level. Notably, California became the first state to require reporting and disclosing greenhouse gas (GHG) emissions and climate-related financial risks. As a result, more companies operating in the state are compelled to assess and disclose their plans for reducing their climate footprint and transitioning away from fossil fuels. The litmus test is how California-based companies will rise to the challenge of long-term adaptation.

Ultimately, we expect corporate climate change mitigation plans to be ambitious road maps for managing and mitigating risks within the whole business, including supply chains. Zevin Asset Management continues to leverage our investor voice to urge companies to take swift and ambitious steps. This season, we successfully encouraged portfolio company **Danaher** to set GHG emissions-reduction targets. Although Danaher had previously taken steps to address its direct emissions, we urged the company to go further by setting targets for reducing emissions in its supply chain. On average these emissions account for **70% of companies' total footprints.**

CHAMPIONING DEMOCRACY, INVESTORS SEEK TRANSPARENCY ON LOBBYING SPENDING

Since the landmark decision of Citizens United in 2010, opening the floodgates for unlimited political contributions, more than one billion dollars have flowed from public companies and their trade associations to 527 groups (tax-exempt organizations that raise money for political candidates). In fact, corporations are the main source of funding for these organizations, followed by trade associations. A cause for concern, these groups have been known to use voter suppression as a tactic for influencing public policy.

Corporate direct and indirect lobbying and political spending are where the rubber meets the road. Corporate values are at stake when shareholder dollars flow to disingenuous acts that undermine democracy. In 2023, the pharmaceutical and health products industries in the U.S. spent about **$381 million** on lobbying efforts, the most of any industry. Industry lobbyists often work to prevent government efforts to lower drug prices and other legislative and regulatory efforts. That's why we've refiled a proposal seeking lobbying spending disclosure from **AbbVie**, which will go to a vote again at their upcoming annual shareholder meeting. While the company did not renew its membership to PhRMA and BIO — two influential pharmaceutical industry associations — AbbVie's lobbying spending via other groups remains opaque.

> ***Corporate values are at stake when shareholder dollars flow to disingenuous acts that undermine democracy.***

LIVING WAGES ARE A FUNDAMENTAL RIGHT

Wage growth is, by many measures, essential to ensuring an individual's ability to secure a stable home, and access transit, nutrition, and decent work, to name a few obvious benefits of higher pay. In the U.S. alone, **95 million** workers experience poor outcomes that are directly tied to low wages — limited workplace flexibility and mobility, low collective bargaining ability, and minimal (if any) health and financial benefits. These individuals also experience the **highest exposure** to workplace health and safety hazards, job stress, employment volatility, and exploitation. For context, a full-time employee earning $15 per hour earns about $32,000 USD per year. Despite recent wage increases and moderating inflation rates, the income needed to cover **basic needs** remains suppressed.

Since higher wages and benefits have clearly shown to improve workplace and employee **outcomes**, investors want to know how companies balance the benefits of higher pay — lower turnover, higher worker effort, and enhanced recruitment and retention — against the direct costs of higher compensation. In the 2024 edition of Proxy Preview, Zevin Asset Management Director of Sustainable Investing Marcela Pinilla presents two resolutions that our firm filed this year requesting living wage gap assessments from **Amazon** and **The Home Depot**. We also co-filed a resolution with **Kroger**, led by The Shareholder Commons, focused on the systemic risk of inequality. Our engagements build on the business case for corporate sectors setting their sights on a more resilient workforce. To this end, we're asking for sustainable wages that shift responsibility for worker wellbeing toward the company, rather than continuing to allow employees to rely on government assistance to bridge income gaps, as the UN Special Rapporteur on poverty said in a letter addressed to Amazon.

TECH GROWTH THAT GIVES INVESTORS PAUSE: RISKS EXACERBATED BY HYPERSCALERS AND AI

We are proud to frequently join and support collective action through new initiatives.

As an active member of the Valuing Water Finance Initiative, convened by Ceres to engage companies with high water footprints, Director of Sustainable Investing Marcela Pinilla participated in a panel for asset owners and institutional investors discussing risks posed by water scarcity. In particular, hyperscalers — large cloud service providers —and the growing use of data centers have an increasingly large water footprint. The loss of lakes, new lows in water reserve watermarks, and growing competition for potable water bring climate change impacts to a hyperlocal level. To house our ever-growing storage of data, Google Cloud, Amazon Web Services and Microsoft Azure are responding by building their own data centers. Corporate license to operate through community engagement needs to be ensured especially in communities experiencing chronic water shortages.

> ***The loss of lakes, new lows in water reserve watermarks, and growing competition for potable water bring climate change impacts to a hyperlocal level.***

As the internet-of-everything infuses daily life, we are joining efforts to encourage the thoughtful and inclusive governance of the deployment of artificial intelligence. A new initiative, led by the World Benchmarking Alliance, will convene with stakeholders and experts to identify social risks and impacts of AI on people. We will engage companies by collecting and presenting inputs from stakeholders as applications of AI continue to grow. As more opportunities for the application of AI models emerge, so will salient human rights risks and impacts, which must be accounted for when taking a whole-of-society approach to ethical AI design, training, and use.

Thank you for reading and sharing. For more on this work and our broader advocacy, visit our website, and join us on LinkedIn. And please don't hesitate to contact Marcela Pinilla, Zevin Asset Management's director of sustainable investing, at marcela@zevin.com with your questions, thoughts, and suggestions.

Zevin Asset Management

Certified B Corporation