



# Zevin Asset Management

## IMPACT UPDATE



**MARCELA PINILLA**, DIRECTOR OF SUSTAINABLE INVESTING

This quarter, our work continued in earnest, focused on international and domestic advocacy across some of our largest holdings. Despite setbacks in this season's proxy voting results, driven mostly by right wing opposition to sustainable investing, we are empowered by our partners and stakeholders.

### RUSSIA'S PERSISTENT VIOLENCE IN UKRAINE AND CORPORATE COMPLICITY

As a fiduciary and long-term investor, we believe companies contributing to or linked with an aggressor state's violations of international law including human rights abuses, war crimes, and crimes against humanity, present significant legal, regulatory, operational, and financial risks.

As Russian aggression persists, American businesses and investors have a responsibility to undertake assessments of the human rights and financially material risks associated with continued operations in, and relationships with, Russia. We press on despite many investors' lack of resolve to act. *Read more in our Public Policy Action section (page 2).*

### PROXY SEASON 2023 IS A BELLWETHER FOR MESSY POLITICS

Despite a record-breaking year of shareholder proposals going to a vote at company annual meetings, overall support for them declined, with about half the proposals receiving majority support compared to 2022. Antipathy toward sustainable investing has grown fierce in Washington as the fossil fuel industry has bankrolled campaigns against it. Further, shareholder proposals submitted by right-wing groups and their state level, nonprofit cronies have muddled the proxy season results with puffery. Bowing to pressure, many large asset managers took a step back from exercising their investment beliefs through proxy voting, bringing down overall results.

We do not view the uptick in anti-ESG proposals as representative of investors' attitudes toward corporate efforts to diversify the workplace and mitigate climate change. Shareholder vote results indicate that these proposals are highly unpopular with investors.

Last quarter our shareholder resolutions went to a vote at some of our largest holdings: AbbVie, Amazon, UPS, and

Alphabet. We were pleased by **AbbVie's** announcement that it would not renew its membership to influential trade groups who were advocating for price hikes, such as the Pharmaceutical Research & Manufacturers of America (PhRMA), the top individual lobbying spender in the industry in 2022. The resolution continued to a vote, garnering 36.3 percent of support, the highest vote in over six years.

As we face the urgent challenge of climate change, we sent a signal to the **UPS** board of directors to adopt executive compensation structures linked to meeting their greenhouse gas (GHG) mitigation targets. The proposal garnered low support (18 percent). Likewise, shareholder support for our climate lobbying proposal with **Alphabet**—seeking to learn how the company aligns its ambitious climate strategy with its public policy activities—declined by nearly 20 points with the outside shareholder vote (36.5 vs. 55.6 percent in 2022 and declined with the overall vote (14.2 vs. 19 percent this year).

Although dual class share structures give inside stock-owners greater voting power at Alphabet and UPS, these results point to the general trend of disappointing proxy voting decisions made by large institutional investors who unfortunately wavered as a result of anti-ESG efforts.

Finally, **Verizon** released the results of an independent **racial equity audit**. We had made an agreement with Verizon in 2022 to withdraw our shareholder proposal after they agreed to undertake an independent racial equity audit. This process is an analysis of products, policies, procedures, and the workforce conducted by a third-party expert to determine focus areas to further corporate racial equity. As a start, Verizon has updated its practices, including developing hiring programs for formerly incarcerated people and eliminating degree and GPA requirements in job applications.

We will seek follow through on the key recommendations of the audit, including analyzing DEI-related data to identify demographic patterns of concern and tracking workforce retention and promotion rates. The true impact we hope to see over time will be improved pay and benefit equity, and inclusion through retention and promotion for its BIPOC workers.

## PUBLIC POLICY ACTION

**Vanguard**, the world's biggest mutual fund manager, seems to have buckled under pressure from political interference by withdrawing from a global initiative encouraging fund managers to reach net zero emission targets by 2050 and limit the rise in global temperatures. Concerned about this backwards step, we sent a letter to Vanguard and held a dialogue with senior leadership. We questioned their proxy voting decisions, which did not reflect the impacts of climate change that will affect the economy as a whole.

Today, hundreds of American businesses continue to operate in the Russian market, either overtly or via distributors, fueling the ongoing aggression in **Ukraine**. We wrote a letter to the U.S. Departments of State and Commerce seeking a business advisory, as has happened for other conflict zones, and delivered expert testimony before the State Department along with the advocacy organization Heartland Initiative.

## SIGN ON LETTERS

Any approach to standard-setting for Artificial Intelligence (AI) should be grounded in fundamental human rights principles. We signed on to our partner OpenMIC's letter to the National Telecommunications and Information Administration of the U.S. Department of Commerce in response to their **AI Accountability Policy Request for Comment** calling for more transparency as generative AI models continue to be integrated across sectors despite a lack of guardrails.

Corporate political spending puts undue pressure on our democratic institutions given their focus on short-term profits instead of the long-term public interest. We joined an ICCR-led **letter to the CEO members of the Business Roundtable** to get answers on how they evaluate how their political activities may reinforce or undermine democratic principles including free and fair elections and healthy civic engagement.

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

**DISCLOSURES:** Registration with the SEC should not be construed as an endorsement or an indicator of investment skill, acumen or experience. Investments in securities are not insured, protected or guaranteed and may result in loss of income and/or principal. This communication may include opinions and forward-looking statements. All statements other than statements of historical fact are opinions and/or forward-looking statements (including words such as "believe," "estimate," "anticipate," "may," "will," "should," and "expect"). Although we believe that the beliefs and expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such beliefs and expectations will prove to be correct. Various factors could cause actual results or performance to differ materially from those discussed in such forward-looking statements. Unless stated otherwise, any mention of specific securities or investments is for hypothetical and illustrative purposes only. Zevin Asset Management's clients may or may not hold the securities discussed in their portfolios. Zevin Asset Management makes no representations that any of the securities discussed have been or will be profitable. Certified B Corp status is, at least in part, based on responses provided to B Lab by Zevin Asset Management. Zevin Asset Management pays annual membership dues to B Lab, which is a requirement for eligibility in B Lab results. Certified B Corp status requires an assessment of companies' positive impact on workers, community, customers, and environment (Criteria: <https://bcorporation.net/certification/meet-the-requirements>).

