CASE STUDY

Warren Wilson College

ACTIVE OWNERSHIP IN THE ENDOWMENT

OCTOBER 2020

Intentional Endowments Network

IEN IS AN INITIATIVE OF THE CRANE INSTITUTE OF SUSTAINABILITY

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Executive Summary

Warren Wilson College (WWC), a liberal arts institution located in Swannanoa, North Carolina, has established itself as a leader in environmental and social sustainability. From building the first LEED Platinum certified building on a college campus in 2003 to experiential learning on its 110 acre organic farm, WWC has fully integrated sustainability into all sectors of campus life and college operations. These efforts have resulted in WWC receiving several sustainability awards including Sierra Club's 2007-2019 "Cool School" award and a Gold STARS rating from the Association for the Advancement of Sustainability in Higher Education (AASHE) in 2020.

> **Fiduciaries who assume their role as active owners wield an effective tool in the long term value creation of the companies they own.**

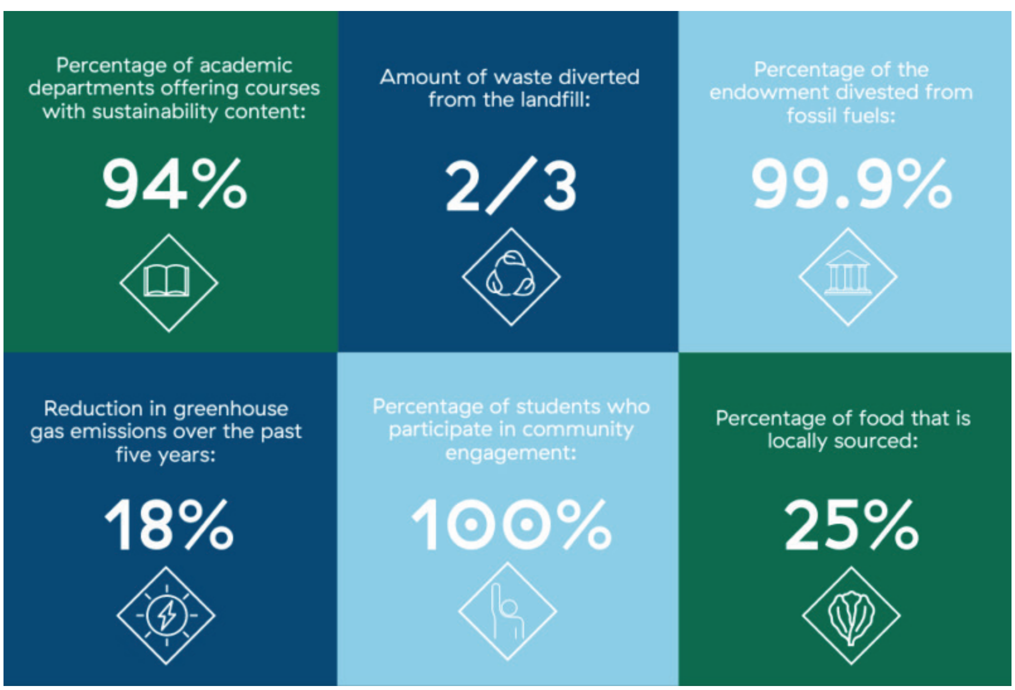
In the past 5 years, WWC has focused on intentionally applying environmental sustainability and social equity lenses to the management of its financial assets. In 2015, WWC's student fossil fuel divestment campaigns motivated the school to reevaluate its endowment portfolio. Recognizing a misalignment between its core values and investments, WWC publicly committed to divest from fossil fuels within five years and to begin fully integrating environmental, social, and governance (ESG) factors into the investment process.

In 2019, WWC began exploring active ownership as a way to expand the positive societal and environmental impact of its investments, while also reducing risks and maximizing returns in its endowment portfolio. Active ownership is one of the fastest growing responsible investment strategies. The Principles for Responsible Investing (PRI) defines active ownership as the use of rights and position of ownership to influence the activities or behavior of investee companies.[1] It is a form of stewardship that allows investors to influence companies on their management of environmental, social, and governance risks and opportunities. In addition to investors mobilizing capital for positive impact by driving responsible corporate practices, active ownership is integral to fiduciary duty as it considers businesses' long-term systemic risks.

In efforts to increase WWC's active ownership practices, WWC's ESG Advisory Committee engaged IEN to explore shareholder engagement strategies. With support from IEN's Shareholder Engagement Working Group members and staff, WWC was able to actively vote all its proxies in its separately managed equity accounts and co-file three shareholder resolutions in support of environmentally responsible and socially equitable corporate practices. This collaboration provided WWC with the necessary knowledge and experience to continue leveraging its shareholder voice to influence companies' practices. In the coming years, IEN plans to increasingly support endowments in embracing their role as active owners.

WWC's Shareholder Engagement Key Learnings:

- Establish an advisory committee with various campus stakeholders to learn and build consensus around responsible investing and monitor adherence to established responsible investment policies.
- Include at least one member of the Investment Committee on this advisory committee.
- Engage with collaborative initiatives and resource groups like Climate Action 100+ and IEN's Shareholder Engagement Working Group to leverage synergies and learn more about shareholder engagement.
- Invest in U.S. equities through separately managed accounts in order to enter into dialogue, file resolutions and vote proxies.
- Amplify your impact by joining other shareholders in engaging both companies and external managers of commingled funds who own companies on your behalf.
- Co-file resolutions before stepping into the lead filing role in order to learn more about the shareholder resolution process and reduce administrative burdens.
- Request proxy voting services from asset managers that align with your responsible investment policy to help streamline the proxy voting process, while increasing demand for these types of services.



Warren Wilson College and Its History of Sustainability

Warren Wilson College (WWC) is a liberal arts institution with a mission of integrating academics, work, and community engagement to cultivate curiosity, empathy, and integrity. WWC is intentionally focused on empowering graduates to become active citizens and pursue meaningful careers.[2] With about 750-800 enrolled students each year, WWC provides a robust curriculum and experiential learning opportunities focused on developing the next generation of responsible citizens committed to fostering an equitable and sustainable world.

Core Values:

COMMUNITY
Civic engagement and participatory governance

LIBERAL ARTS
Experiential and innovate education

SUSTAINABILITY
Environmental responsibility and social & economic justice

DIVERSITY
Inclusivity and international and cross-cultural understanding

WELLNESS
Personal growth and well-being

Originally founded as an agricultural school in 1894, WWC has a long standing commitment to environmental practices that promote sustainability. WWC has significantly invested in nature preservation and wildlife care on its 1,100 acres of campus, leading its campus to be named a National Wildlife Federation Certified Wildlife Habitat, NC Native Plant Sanctuary, and a certified Monarch Waystation. In addition to nature preservation efforts, WWC's campus-wide Zero Waste Initiative has significantly reduced its generation of waste with an overall goal to divert 90% of its waste from the landfill by 2032.[3] WWC also focuses on developing the next generation of leaders committed to environmental sustainability with extensive course offerings on environmental policy, education, sustainability and conservation. With a unique emphasis on experiential learning, WWC's 110 acre organic farm serves as an educational laboratory for students, while also providing sustainably produced food to dining halls on campus.

WWC recognizes that achieving sustainability not only requires a commitment to environmental responsibility, but also to social and economic equity. WWC has emphasized the importance of its core value of diversity on campus by providing students with opportunities to learn about and engage in social equity work. The Wilson Inclusion Diversity and Equity Office (WIDE) provides extensive programming focused on

2 https://www.warren-wilson.edu/academics/our-philosophy/
3 https://www.warren-wilson.edu/student-life/sustainability/

creating inclusive and equitable spaces, developing consciousness around racial and ethnic diversity, and providing opportunities for students to express multiple identities. WWC's study abroad program also focuses on developing greater cross-cultural understanding by offering international and domestic study away programs.

Over the last several decades, student activism has played a large role in furthering WWC's commitment to environmental sustainability and social equity. WWC's culture of student advocacy has led to the development of the first LEED Platinum certified building on a college campus, its public commitment to divest from fossil fuels within five years, and its endorsement of carbon pricing on college and university campuses. WWC values student organizing on campus, recognizing the accountability it brings for greater adherence to its core values and mission while also developing students' leadership.

Timeline of Sustainability Initiatives

1894
Asheville Farm School opens with 25 students and a staff of 3.

1967
Warren Wilson becomes a four-year liberal arts college.

1980
The Environmental Studies Department is established.

1997
The Environmental Leadership Center is founded.

2003
EcoDorm, the first dorm in the nation to receive LEED EB Platinum certification, is completed.

2006
WWC is recognized by the AASHE as the nation's leading sustainability college with under 1,000 students.

2007
WWC signs the American College and University Presidents' Climate Commitment to become a climate-neutral campus.

2011
WWC sets a goal of 80% reduction in campus emissions by 2032 for climate-neutrality.

2015
WWC's Board of Trustees commits to fully divest from fossil fuels by 2020 and establishes Responsible Investment Policy.

2018
WWC's academic building Myron Boon Hall receives LEED Gold Certification.

2019
WWC President Lynn Morton becomes the first college president in North Carolina to sign the Higher Education Carbon Pricing Endorsement Initiative. WWC partners with IEN to engage in shareholder advocacy practices.

2020
WWC achieves Gold Status through AASHE's Sustainability Tracking, Assessment, and Rating System. WWC co-files three shareholder resolutions and intentionally votes proxies according to its core values.

Path to Responsible Investing

Development of Responsible Investment Policy & ESG Advisory Committee

> **Prior to implementing a responsible investment strategy, endowed institutions should focus on building consensus among key stakeholders and decision makers on endowment investments' purpose and priorities in order to ensure long-term success. Once consensus has been reached, it's important to formalize this understanding into an investment policy that will serve as a living guideline for all involved in managing the endowments' assets.[4]**

In 2015, WWC committed to divest its $55 million endowment from fossil fuels over five years in response to student organizing.[5] Rather than making a one-off divestment decision, endowment leaders also pursued a broader, more intentional approach to ensure long-term alignment of WWC's core values and endowment management practices. The Investment Committee and the Board adopted a comprehensive Responsible Investment Policy, communicating the institution's commitment to integrate "environmental, social, and corporate governance (ESG) considerations into investment management strategies, processes and practices in the belief that these factors can benefit the endowment fund's performance, and provide a qualitative impact consistent with the values, culture and mission of Warren Wilson College." This policy upholds the institution's responsibility to fulfill its fiduciary duty by achieving risk and return objectives *and* achieving positive social and environmental impact by eschewing companies hindering necessary climate action and by integrating ESG factors into investment selection (**See the full Policy in Appendix A**).

WWC established the ESG Advisory Committee to oversee the Responsible Investment (RI) Policy's implementation and to serve as a liaison between students, staff, faculty, and the investment committee. The establishment of a committee on investor responsibility is a powerful way to build consensus amongst stakeholders and decision makers, draw on the intellectual capacity of the larger community, and support continued knowledge exchange and research on socially and environmentally responsible investment opportunities.[6] An important element of WWC's ESG Advisory Committee is the participation of the Investment Committee Chair. A direct liaison with the investment committee accelerates learning and action by the investment committee by addressing one of the hurdles to action by the investment committee—limited time resources. WWC's ESG Advisory Committee's goal is to "help the Responsible Investment Policy evolve on ESG issues that should be considered, incorporated, eliminated, reduced, or undertaken by the college regarding its endowment fund practices." It accomplishes this goal by sharing ESG news and trends and recommending screening criteria, impact investment opportunities, shareholder engagement strategies, and amendments to the RI Policy with WWC's Investment

4 See steps two and three of IEN's Roadmap (https://www.intentionalendowments.org/roadmap) for more resources on building consensus and establishing investment policies.

5 "Warren Wilson to Divest from Fossil Fuels." The Asheville Citizen Times, The Citizen-Times, 13 Oct. 2015, www.citizen-times.com/story/news/local/2015/10/12/warren-wilson-divest-fossil-fuels/73823192/.

6 See list of colleges and universities with Committees on Investor Responsibility. https://www.intentionalendowments.org/cir_list

WARREN WILSON COLLEGE LOOKS TO INVEST IN COMPANIES AND INVESTMENTS THAT DEMONSTRATE COMMITMENT TO:

1. environmental sustainability, including reducing greenhouse gas emissions and sustainable forestry
2. community / economic development and/or investment, particularly in communities of color or with low-income residents
3. social diversity in hiring, executives and boards with respect to race, ethnicity, gender, sexual orientation
4. transparency and accountability in corporate governance

Committee. While the ESG Advisory Committee does not have fiduciary responsibility for the oversight and management of the endowment fund, the RI Policy states it may make investment recommendations of up to 10% of the endowment fund's current portfolio value.

ESG Committee Composition & Decision Making

The ESG Advisory Committee is intentionally composed of a variety of college stakeholders to ensure representation across WWC's community. It consists of two investment committee members, two faculty, two staff members, two administrators, two current students, and two alumni. A representative from the college's investment consultant, Meketa Investment Group, attends committee meetings but does not vote on committee related issues. The committee meets three times per year and in sync with the triannual WWC Board of Trustees meetings- once in the fall, once in the winter, and once in the spring. All committee members have one vote and decisions have historically been made on consensus, although consensus is not required by the committee charter.

Implementation of the Responsible Investing Policy

Divesting from Fossil Fuels

At the time that WWC made the decision to divest from fossil fuels, WWC invested in public equities and public fixed through commingled funds, a common practice among colleges and universities in order to gain economies of scale. Without direct ownership of these funds, WWC was unable to pursue divestment or become more active shareholders. In the spring of 2016, the Investment Committee worked closely with the ESG Advisory Committee and made the decision to invest in public equities and public fixed income through separately managed accounts (SMAs) that optimize to a selected, traditional benchmark. The transition from commingled funds to customized separate accounts allowed WWC to have direct ownership, permitting greater divestment and shareholder engagement work.

WWC focused first on establishing fossil fuel free accounts for domestic equity and bonds. In February 2016, the endowment hired Breckinridge Capital Advisors to manage investment grade bonds in an account that excludes the Carbon Underground 200, the 200 companies with the greatest fossil fuel reserves. In August 2016, the endowment hired Rhumbline Advisors to manage domestic equity in an account that was optimized to match the performance of the S&P 1500 Composite Index after excluding companies with the greatest fossil fuel reserves.

The Investment Committee then directed Meketa Investment Group to identify international and emerging market equity managers that integrate ESG principles into fund management and could assist with WWC's process of divestment within these asset classes. In 2018, after reviewing international equity manager options provided by Meketa, the Investment Committee established a fossil fuel free SMA with Parametric Portfolio Associates for international equity and invested in a fossil fuel free commingled fund, using a quantitative approach, with Acadian Asset Management for emerging markets equity. The Investment Committee decided on a commingled fund vehicle rather than an SMA for the emerging markets portion of the portfolio to reduce excessive custodial and administrative burdens and fees oftentimes associated with emerging market SMAs.

As of March 31, 2020, WWC had divested 100% of its domestic and international public equities and public bonds and its cash from fossil fuels resulting in 99% of its overall portfolio being fossil fuel free. The passive investments have performed in line with their benchmarks, while the actively-managed fossil fuel free emerging market commingled fund has slightly outperformed its benchmark from inception in the portfolio through March 31, 2020.

Investing With Diverse Asset Managers

WWC recognizes the immense opportunity to invest in communities of color by working with diverse asset managers. Currently, firms owned by women and/or people of color manage only about 1.3% of assets in the $69 trillion asset management industry.[7] Investing with diverse asset managers provides opportunities for talented managers who have largely been overlooked within the asset management industry due to structural barriers. Additionally, investors benefit as diverse firms have increased levels of innovation[8], are more likely to report growth in market share[9], and attract high-performing talent.[10] In the process of establishing SMAs to advance divestment and shareholder engagement efforts, WWC also transitioned to working with more diverse asset managers as one way to promote diversity, equity, and inclusion through the endowment investment process. WWC's intention is formalized in their Responsible Investment Policy which states that the "investment committee and consultant will seek to utilize a diverse group of investment managers including investment management firms owned by women and people of color." With the establishment of this policy, WWC was in the forefront of institutional investors who choose to advance racial equity by increasingly working with diverse asset managers. This is one of several racial equity investment strategies outlined in IEN's recent Racial Equity Primer.[11]

In order to identify diverse asset managers across all asset classes, the Investment Committee expanded its

7 Lerner, Josh, et al. 2018 *Diverse Asset Management Firm Assessment*.

8 "How Diverse Leadership Teams Boost Innovation," Boston Consulting Group, January 2018.

9 Sylvia Ann Hewlett, et al, "How Diversity Can Drive Innovation," Harvard Business Review, Dec 2013.

10 Ani Turner, "The Economic Impact of Closing the Racial Wealth Gap," Mckinsey & Company, Aug 2019; "The Business Case for Racial Equity: A Strategy for Growth," W.K. Kellogg Foundation, Apr 2018.

11 Bogunjoko, Jochebed. Intentional Endowments Network, 2020, *Investing in Racial Equity: A Primer for College and University Endowments*.

Shareholder Engagement Timeline

DIALOGUE, INVESTOR SIGN ON LETTERS AND INVESTOR COLLABORATIONS

Proxy Voting Season

Most U.S. AGM's take place from March to June. Shareholders vote on resolutions by proxy or can attend meetings to vote.

April–June

Taking Stock and Making Plans

Request mutual funds to provide proxy voting record on specific proposals or types of proposals. Make plans to join or initiate proposals.

June–August

Writing and Filing Proposals

Companies set the deadlines for when they must receive a proposal which generally is 120 days before the date of the previous year's annual meeting..

September–December

Final proposals and Proxy Preview

Proposals for late in the season AGM's may be submitted in January. As You Sow, ICCR, Si2, CII and others provide previews of the upcoming proxy season

January–March

search process outside of just its investment consultant's pool of recommended managers by utilizing Investment Committee members' own social and professional networks. Currently, WWC works with 18 investment management firms, including: three managers of color, two managers that are women owned, and one manager whose collective ownership of the firm is majority owned by people of color and women. These investment management firms include: 5 Stone Green Capital, Gerding Edlin, K1, RhumbLine Advisors, DBL Partners and TSE. In the coming years, WWC plans to further its commitment to investing with diverse asset managers by adding additional asset management firms of color, particularly with African American and Latinx ownership, to its endowment fund manager lineup.

Path to Active Ownership

Collaboration with the Intentional Endowments Network (IEN)

While WWC has made significant progress on divestment from fossil fuel reserves and investing with diverse asset managers, it recognizes that climate change and inequality risks exist in every sector of the economy, exposing its portfolio in other industry investments. In order to address this additional risk, WWC decided to embrace its role as an active shareholder in the companies in which it invests. In April 2019, WWC entered into a contract with IEN to assist in developing its shareholder engagement strategies.

IEN focused on advancing WWC's shareholder activism with the implementation of five strategies:

1. Shareholder engagement education for the WWC ESG Advisory Committee on shareholder engagement strategies and best practices from IEN staff members and the Shareholder Engagement Working Group.

2. Investigation into and improvement of proxy voting practices of separately managed accounts so that they are aligned with WWC's Responsible Investment Policy.

3. Active involvement in the shareholder resolution process through collaboration with IEN members and IEN's Working Group on Shareholder Engagement.

4. Mutual Funds engagement through collaboration with IEN member endowments, other investor groups, and shareholder advocacy experts to support action from invested companies on ESG related shareholder proposals.

5. Sustainability Leadership by highlighting WWC's efforts and accomplishments, and serving as a catalyst in collaborative action in shareholder engagement.

Determining WWC's Focus Areas for Engagement

IEN first worked with WWC to identify focus areas congruent with WWC's core values, with which to align investments and shareholder activism efforts. In October 2019, IEN compiled sample proposal topics for shareholder resolutions from the previous year and administered a survey for the ESG Advisory Committee to rank topics in terms of top priorities. The survey included resolutions on lobbying and political spending, environmental sustainability, human rights and human trafficking, diversity and inclusiveness, corporate governance, and health. The ESG Advisory Committee completed the survey and selected its top focus areas that aligned with the school's mission and its Responsible Investment Policy:

- **Environmental Sustainability** focusing specifically on greenhouse gas reduction, disclosure in line with the Task Force on Climate-related Financial Disclosures (TCFD), and avoiding direct finance of oil and gas projects, climate change generally, and deforestation.
- **Diversity and Inclusiveness** focusing specifically on racial and gender pay gaps, racial and gender diversity on boards, and human rights policies.
- **Other Areas of interest** including gun manufacturing and control, political contributions disclosure, and advocating for independent board chairs.

Co-Filing Resolutions

> **Co-file resolutions before stepping into the lead filing role in order to learn more about the shareholder resolution process and reduce administrative burdens.**

The Committee decided to engage in the process of filing resolutions to advance invested companies' ESG practices and enhance their financial performance, in issues aligned with WWC's core values. Because this was WWC's first year engaging in shareholder resolution work, it decided to co-file resolutions that were drafted and presented by other investors. This provided WWC an opportunity for further education about the shareholder resolution process, while leveraging other shareholders' legal expertise and institutional knowledge. IEN's Shareholder Engagement working group members Interfaith Center on Corporate Responsibility (ICCR), Boston Trust Walden, As You Sow, and others provided significant support to WWC throughout the process by educating on filing shareholder resolutions, facilitating connections, and providing resolution options and template letters.

In order to file/co-file a resolution, the US Securities and Exchange Commission (SEC) requires the endowment to directly own $2,000 of shares for a full calendar year prior to submitting a proposal.[12] Because of its conversion to a separately managed account for its U.S. public equity investments, WWC directly owned the U.S stocks in the Rhumbline account. At IEN's request, WWC's consultant Meketa provided IEN with a spreadsheet of portfolio holdings in the Rhumbline account that IEN staff then sorted by investment size and initial investment date. After identifying companies in WWC's portfolio that fit the resolution filing requirements and reviewing filed proposals for these companies, WWC selected three

12 In November 2019, the SEC proposed to make changes to Rule 14a-8 that increases the threshold of stock ownership required to file a proposal. The proposed rule would require stock ownership to be $25,000 for one year to file a shareholder resolution. For shares held for two years, stock ownership required to file a proposal is $15,000 and for three years the level is $2,000. This rule was adopted on September 30, 2020. https://www.jdsupra.com/legalnews/sec-enacts-changes-to-14a-8-shareholder-72326/

shareholder resolutions to co-file in 2020 that aligned with its priority ESG risk areas:

Alphabet Inc.

Resolution requesting the Board Compensation Committee prepare a report assessing the feasibility of linking Senior Executives' compensation to sustainability metrics (**See Appendix B**).

> Noting research suggesting companies' reduced risk with the integration of ESG factors into business operations, WWC joined primary filer, Zevin Asset Management, and other investors in requesting company transparency and executive accountability to ESG and diversity and inclusion strategies. Specifically, this resolution requested the Board Committee of Compensation prepare a report assessing the feasibility of integrating sustainability and diversity metrics into performance reviews that may be tied to Senior Executives' compensation.

Amazon

Resolution calling Amazon to publish Human Rights Impact Assessment throughout the supply chain (**See Appendix C**).

> This resolution highlighted Amazon's significant reputational, business, and litigation risk in its consumer goods' supply chain, as public scrutiny of human rights' abuses has intensified in this industry. WWC joined filer, Oxfam America, and other shareholders in requesting Amazon publish a Human Rights Impact Assessment on one or more high-risk products sold by Amazon or its subsidiaries. This assessment would provide comprehensive data to shareholders about specific risks related to Amazon's products. Specifically, shareholders recommended the Assessment include information on the "human rights standards used to frame the assessment, actual and potential adverse impacts associated with the high-risk product(s), and an overview of how the findings will be acted upon to prevent, mitigate and/or remedy impacts."[13]

BlackRock

Resolution requesting BlackRock's review and assessment of their 2019 proxy voting record and policies related to climate change.[14]

> Filed by Mercy Investment Services, WWC and other investors co-filed this resolution requesting BlackRock to initiate a review assessing the 2019 proxy voting record "to evaluate its proxy voting policies and guiding criteria related to climate change, including any recommended future changes."[15] This resolution noted that BlackRock had only supported 6 out of 52 climate-related resolutions at company shareholder meetings, exposing inconsistencies between its voting record and statements about climate change. Investors recommended BlackRock review its climate change voting history to make a stronger commitment to emissions reduction.

Results of Resolutions

During proxy voting season in April-June, company shareholders have the opportunity to vote on proposed resolutions by proxy or by voting at the Annual General

13 Amazon. *Notice of 2020 Annual Meeting of Shareholders & Proxy Statement*. 27 May 2020.

14 "BlackRock Shareholder Resolutions." Shareholder Resolutions, Mercy Investment Services, Inc., 2020, www.mercyinvestmentservices.org/shareholder-resolutions-detail.aspx?bid=347840.

15 Dunshee, Liz. "TheCorporateCounsel.net." *TheCorporateCounselnet Blog*, 3 Jan. 2020, www.thecorporatecounsel.net/blog/2020/01/es-blackrocks-shareholders-tiring-of-quiet-engagements.html.

Meeting. The resolution must receive a majority vote to be adopted. If eligible shareholders do not participate, their votes automatically default to management's recommendation. While many resolutions do not receive majority votes in the first year, several are able to gain momentum by remaining on the ballot in subsequent years. Continued resolutions may be successful in future years by accruing additional votes over time and by continuing to apply pressure on management for a response. Additionally, resolutions that do not gain majority vote but receive a significant percentage of votes are oftentimes taken into serious consideration by management. For a resolution to remain on the ballot, it must receive at least 3% of the vote in the first year, 6% in the second year, and 10% in the third year and beyond.[16]

Proxy voting season concluded in June 2020 with the following results for the resolutions that WWC co-filed:

Alphabet Inc.

The Board of Directors recommended shareholders to vote "AGAINST" this proposal, referencing their current diversity and sustainability efforts. Their opposing statement highlighted Alphabet's progress in sustainability and noted that the Leadership Development and Compensation Committee already considers sustainability and diversity goals in Senior Executives' performance reviews.

The results of the proxy voting were 12% shareholder votes "FOR", 83% shareholder votes "AGAINST", and 5% non-votes that defaulted to management's recommendation of "AGAINST" the proposed resolution. Based on this vote, the shareholder resolution was not approved. This was the third time this resolution appeared on the ballot. Because it received more than 10% of the vote, under current regulation it will be able to be resubmitted next year with hopes to garner additional support and continue pressuring management for a response.[17]

Amazon

The Board of Directors recommended shareholders to vote "AGAINST" this proposal, stating that Amazon is working to assess and address human rights risks in the supply chain using a different approach than requested in the resolution. The Board outlined Amazon's plans in 2020 to perform an enterprise-wide due diligence assessment on human rights risks of specific products and regions that will be communicated to customers and stakeholders. The Board believed that Amazon is already working towards eliminating and mitigating human rights violations in its supply chain.

The results of the proxy voting were 30% shareholder votes "FOR", including abstentions, and 70% shareholder votes "AGAINST" the proposed resolution. Based on this vote, the shareholder resolution was not approved. This was the first time this resolution appeared on the ballot. Because it achieved more than 3% of the vote, it will be able to be resubmitted for next year's ballot in hopes to gain additional support.[18]

BlackRock

Mercy Investment Services withdrew the shareholder resolution after BlackRock made several new pledges on climate change and sustainability. In January 2020, BlackRock's CEO and Chair, Larry Fink, published

16 SEC's proposed updates to Rule 14a-8 would raise the thresholds to 5% in the first year, 15% in the second year, and 25% in the third year and beyond. https://www.intentionalendowments.org/opposing_sec_proposal_to_rule14a8

17 *Alphabet Investor Relations*, 2020, abc.xyz/investor/.

18 Mangual, Rafael A., et al. "Proxy Monitor 2020: Voting Results Are In: Amazon, Chevron, McDonald's, and More." *Manhattan Institute*, 8 June 2020, www.manhattan-institute.org/proxy-monitor-2020-voting-results-are-amazon-chevron-mcdonalds-and-more.

one letter to clients[19] and one letter to CEOs[20] outlining BlackRock's plan to combat climate change. BlackRock committed to disclosing votes quarterly instead of annually, with an accompanying explanation on key votes.[21] Additionally, BlackRock joined the Climate Action 100+ initiative, an investor initiative focused on ensuring companies take necessary action on climate change, and also committed to holding board members accountable for their actions on climate. Due to BlackRock's willingness to engage in conversation with Mercy Investments and its commitment to greater sustainability, the shareholder resolution was withdrawn and did not appear on the ballot. WWC's participation in this process allowed it to engage in important direct conversations with BlackRock's management regarding its proxy voting plans around climate change. WWC plans to continue monitoring BlackRock's progress in the coming years.

Proxy Voting

WWC also actively engaged in the 2020 proxy voting process in efforts to be responsible owners by advocating for companies to adopt environmentally, socially and operationally effective business practices. Proxy voting is integral to fiduciary duty because it allows shareholders to vote on a range of issues that affect companies' operations and profitablity as well as their environmental and social impact.

While all shareholders have the right to vote their proxies, it is an underutilized process among higher education endowments where 5-10% of higher education endowments voted proxies consistent with their responsible investing criteria according to the NACUOBO-TIAA Study of Endowments 2018. Although proxy voting has historically been a cumbersome process for endowments to do individually, increased participation and demand from colleges and universities will pressure asset managers to review their proxy voting proxies and align them with the goals of the institutional investors whom they serve.

In order to vote proxies at a company, the shareholder must have owned at least one share of stock on a "record date" selected by each company. If shareholders do not actively vote their proxies, their vote(s) automatically default to a vote for management. WWC focused on voting its proxies for companies in its public equity separate accounts with Rhumbline and Parametric where they are direct owners of the stocks.

Rhumbline Proxy Voting

At Rhumbline, WWC had the decision to either vote all proxies "in-house" or secure a contract through Rhumbline with third party provider Institutional

19 Fink, Larry. "Sustainability as BlackRock's New Standard for Investing." Letter to BlackRock Clients, Jan. 2020, www.blackrock.com/corporate/investor-relations/blackrock-client-letter.

20 Fink, Larry. "A Fundamental Reshaping of Finance." Letter to CEOs, Jan. 2020, https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter.

21 Verney, Paul. "Blackrock and JP Morgan Spared ESG Voting Proposals Following Sustainability Pushes." *Responsible Investor*, 10 Mar. 2020, www.bostontrustwalden.com/wp-content/uploads/2020/03/Blackrock-and-JP-Morgan-spared-ESG-voting-proposals-following-sustainability-pushes_.pdf.

With less than 10% of endowments actively voting their proxies, there is real opportunity for colleges and universities to increase their influence over companies' financial performance and sustainability by engaging in this process.

Shareholder Service (ISS) to vote proxies according to ISS's SRI Guidelines for an annual fee of $5,000. Voting in-house requires substantial time and resources to manually review and vote over 1,000 ballots electronically or by mail; therefore, WWC decided to move forward with ISS's services. ISS's SRI Policy guidelines have historically voted more than 90% of the time in favor of environmental and social shareholder resolutions (**See Appendix D**). ISS typically invoices the fee to the manager (in this case Rhumbline), and the manager passes this fee onto clients who wish to have proxies voted on their behalf using the policy. Because WWC was the first and only investor to request this policy at Rhumbline, WWC bore the full cost. IEN covered the payment as it was included in WWC's shareholder engagement contract.

There were 366 shareholder proposals filed for companies in WWC's Rhumbline account. WWC voted "FOR" 317 of these proposals, while company management voted "FOR" only 24 of these proposals. Without WWC's active role in deciding which ISS policy to use, 80% of its "FOR" votes may have automatically defaulted to management's oppositional votes. By using ISS's SRI Policy for the Rhumbline account[22], WWC was able to vote in favor of proposals focused on environmental, social, and governance issues including:

- Report on Gender Pay Gap
- Report on Lobbying Payments and Policy
- Require Majority of Independent Directors on Board
- Report on the Health Impacts and Risks of Sugar in the Company's Products
- Report on Political Contributions
- Report on Climate Change Initiatives
- Require Independent Board Chair
- Review and Report on Governance Measures
- Human Rights Risk Assessment

Parametric Proxy Voting

Parametric also uses ISS's services for all accounts and its voting policy is based on guidance from ISS's Public Fund Policy guidelines (**See Appendix F**). WWC was presented with the option to either use this third party services or vote all proxies manually. While ISS's Public Fund guidelines were not perfectly aligned with WWC's responsible investing guidelines, they were similar enough that WWC decided to move forward

22 "2020 Proxy Recommendations." *United States SRI Proxy Voting Guidelines*, Institutional Shareholder Services, 31 Dec. 2019, www.issgovernance.com/file/policy/active/specialty/SRI-US-Voting-Guidelines.pdf.

with this service in order to streamline the process and significantly reduce WWC's work. Using this policy, WWC proxy votes focused on issues such as climate risk, job security, and local economic development.[23]

Because the Parametric account is composed of international companies where the filing ownership threshold is higher than in the US, there were only 25 shareholder proposals filed within WWC's holdings.

Using ISS's Public Fund guidelines, WWC voted "FOR" three of these while Management voted "FOR" only one proposal. WWC voted in favor of:

- One proposal requesting an outline on how company business strategy aligns investments with Paris Agreement goals
- Two proposals on corporate governance measures

Next Steps

ESG Advisory Committee

While WWC plans to continue its fossil fuel divestment and shareholder engagement work this upcoming year, it plans to focus on implementing the Responsible Investment Policy through greater ESG integration into the investment analysis process. In order for WWC to make well informed ESG investment decisions, the ESG Advisory Committee must determine its sustainable investing objectives and understand the endowment's current ESG characteristics. The ESG Advisory Committee has already determined its responsible investing focus on climate change and diversity and inclusion, but will need to decide on the specific metrics within these broader categories with which to align its investments. Some potential metrics with which to evaluate prospective investments include:

- Racial and gender pay gap
- Percentage of people of color on Board
- Tying diversity, equity, and inclusion goals to financial compensation for senior executives
- Percentage invested in renewable energy strategies
- Percentage invested in oil and gas

With the use of online data tools like Sustainalytics[24], Your Stake[25], and As You Sow[26], the Committee will be able to review its current investments based on the climate change and diversity and inclusion metrics selected by the Committee. The current portfolio's ESG metrics will serve as a baseline as the committee strives to create greater environmental and social impact.

Additionally, this upcoming year, the ESG Advisory Committee plans to develop a more efficient decision-making process for shareholder resolutions and proxy voting. While shareholder resolution filing begins in the fall and proxy voting season ramps up in the spring, WWC's Investment Committee only meets triannually, typically in October, February, and May. In order to

23 "2020 Policy Recommendations." *United States Public Fund Proxy Voting Guidelines*, Institutional Shareholder Services, 31 Dec. 2019, https://www.issgovernance.com/file/policy/active/specialty/Public-Fund-US-Voting-Guidelines.pdf
24 https://www.sustainalytics.com/
25 https://www.yourstake.org/yourimpact/
26 https://www.asyousow.org/

ARE YOU INTERESTED IN JOINING CLIMATE ACTION 100+? HERE'S HOW!

1. Become a member of PRI or Ceres

2. Sign-on to Climate Action 100+'s statement **(See Appendix F)**

3. Commit to engaging with at least one Focus List Company through each year of the initiative

increase efficiency to become more active shareholders, WWC is considering the establishment of an ESG working group or scheduling additional meetings before and during proxy voting season.

Co-Filing Resolutions

The first co-filing attempt for WWC was largely a learning experience for the ESG Advisory and Investment Committee. While it successfully co-filed three shareholder resolutions, the internal committee process for filing these resolutions was inefficient due to the large learning curve. To ensure a smoother and more efficient process in subsequent years and educate other Investment Committees interested in the co-filing process, the ESG Advisory Committee outlined the process and established co-filing guidelines.

By mid-September at the latest, the ESG Advisory Committee will begin identifying co-filing opportunities through publicly available databases such as the Ceres shareholder resolution Climate and Sustainability Shareholder Resolutions Database and through interaction with IEN's Shareholder Engagement Working Group. The ESG Advisory Committee will also source co-filing opportunities from WWC's connections with activist investors, impact investing firms, and ESG advocacy organizations. After sourcing appropriate co-filing opportunities, the ESG Advisory Committee will meet to review shareholder proposals and select those it wishes to co-file.

After selecting resolutions, the ESG Advisory Committee will contact the lead resolution filer to ask for the original shareholder resolution text, the company point of contact, and the process for submitting the co-filing letter. WWC's CFO will then request a "confirmation of shares" letter from the account custodian to demonstrate ownership of at least $25,000 in shares in the company for the continuous 12 months prior to the date of filing/co-filing.

After connecting with the primary filer and receiving the "confirmation of shares" letter, the ESG Advisory Committee will write up the co-filing letters and provide them to the President and CFO so that they may have ample time to review and sign off on them. Finally, WWC will compile all relevant documents, including signed co-filing letters, verifications of shares, and original shareholder resolutions to the company, and send to WWC's college president and CFO for final submission. WWC plans for this process to take approximately eight to ten weeks from start to finish, with the process ending in December (**See Appendix E for full process**).

Proxy Voting

As direct owners of the stocks in its separately managed accounts, WWC was able to more easily engage in shareholder advocacy with its public equity holdings. WWC plans to explore different approaches to influence the proxy voting and dialogue of Acadian Asset Management with the companies in its emerging markets commingled fund. It may seek to coordinate these efforts with other investors in the commingled fund. With fixed income investments, investors are unable to file shareholder resolutions or vote proxies to influence companies' behavior. However, investors are able to engage in bondholder dialogue with companies through written correspondence and scheduled meetings. WWC hopes to invite Breckenridge Capital Advisors to one of their ESG Advisory Committee meetings to discuss how the fixed income manager engages in dialogue with the companies in its portfolio.

Climate Action 100+

WWC also plans to continue its shareholder engagement initiatives through participation in Climate Action 100+. As a member of this global initiative, WWC will be able to engage in coordinated, collaborative action to ensure the 100 largest greenhouse gas emitters and other companies that present greatest climate-related risk to investor portfolios take necessary action on climate change through engagement in three areas[27]:

1. Implementing a strong governance framework for climate action accountability

2. Taking action to reduce greenhouse gas emissions across their value chain

3. Providing enhanced corporate disclosure in line with the final recommendations of TCFD

Through this membership, WWC will also be able to access reports and guides on responsible investing, advisory committees and working groups, networking opportunities in the sustainable investing space, and reporting and assessment tools to measure and communicate ESG investing progress.

Appendix A—Responsible Investment Policy

RESPONSIBLE INVESTMENT POLICY

WARREN WILSON COLLEGE ENDOWMENT FUND

OCTOBER 8, 2015

I. **Statement of Responsible Investment Beliefs**

The Investment Committee (IC) believes it has a responsibility to manage the endowment fund's assets and underlying investments in a manner consistent with the values, culture, and mission of Warren Wilson College. As such, the Investment Committee feels the need and importance to specifically highlight and illustrate within the endowment fund's Investment Policy certain guiding principles and investment guidelines reflecting its responsible investing philosophy.

II. **Responsible Investing Philosophy**

The Investment Committee intends the integration of environmental, social, and corporate governance (ESG) considerations into investment management strategies, processes and practices in the belief that these factors can benefit the endowment fund's performance, and provide a qualitative impact consistent with the values, culture and mission of Warren Wilson College.

III. **Guiding Principles**

We will incorporate ESG criteria in the endowment fund's investment analysis and decision-making processes, particularly emphasizing profitable investments with positive social and environmental impacts aligned with the priorities and values of Warren Wilson College.

A. We will utilize positive screening as a way to proactively benefit the endowment fund's performance.

B. We will utilize negative screening to limit the endowment fund's involvement in those ESG issues which are antithetical to Warren Wilson College's values, mission, and culture.

C. We will seek appropriate disclosure on ESG issues by the investment managers and funds in which we invest.

D. We will work to continually enhance our effectiveness in implementing our responsible investment philosophy and practices.

E. We will report on the endowment fund's responsible investing activities and progress towards implementing its principles; and provide the necessary disclosures associated with our responsible investing efforts.

F. Transparency supports adherence to institutional policies and allows for increased stakeholder awareness of endowment fund activities. When institutional investors consider environmental, social and governance criteria, transparency about these processes increases their effects on social and environmental outcomes.

IV. Responsible Investment Guidelines

A. The IC's goals and intentions are to work towards implementing its Responsible Investing Policy across the entire endowment fund and across asset classes over time. Under the guidance of the endowment fund's Investment Consultant, a strategic approach will be undertaken selecting investment managers opportunistically in asset classes consistent with the endowment fund's overall Investment Policy.

B. The IC's Responsible Investment Guidelines shall apply only to investments in which the endowment fund's assets are invested in separately managed accounts and which the IC can exercise control of the investment guidelines.

C. With commingled funds and limited partnerships, the IC cannot exercise control of the investment guidelines because the investment manager or general partner is required to treat all investors and partners under the same set of investment policies. However, the Investment Consultant will strive to include managers or partnerships whose commingled funds or partnerships are invested under responsible investment guidelines as similar as possible to, and consistent with, the IC's Responsible Investment Policy. Further, the IC and the Investment Consultant will seek to utilize a diverse group of investment managers including investment management firms owned by women and people of color.

D. Responsible investing risk-factors and investment strategies shall span the following assets classes:

1. Fixed income – community development investing, government debt, and certain corporate debt ("green bonds");
2. Public Equities – positive or negative screening, ESG integration, and active ownership;
3. Private Equities – product-focused investments, process-focused investments, economically-targeted investments;
4. Real Estate – product focused investments, environmental, green and sustainable investments;

Although it reserves subjectivity in its assessment of the endowment fund's investment managers and underlying investments, the IC and the Investment Consultant expects minimum environmental, social and governance standards, as recognized in the industry by the Principles for Responsible Investment (PRI), will be adhered to by the underlying investment managers the Investment Consultant selects to manage portions of the endowment fund. The Investment Consultant will advise the Investment Committee of new responsible investing products that investment managers develop, which may be relevant for the endowment fund

V. Responsible Investment Strategies to be Employed

A. **Positive Screens:** Investment managers who are investing in companies involved in the industries and promotion of renewable energy, organic food, local food, sustainable agriculture, community development, diversity, and generally, invest in companies and investments that demonstrate commitment to:

1. environmental sustainability, including reducing greenhouse gas emissions and sustainable forestry;
2. community / economic development and/or investment, particularly in communities of color or with low-income residents;
3. social diversity in hiring, executives and boards with respect to race, ethnicity, gender, sexual orientation;
4. transparency and accountability in corporate governance.

B. **Negative Screens:** To the extent possible while protecting the endowment fund from excessive costs and maintaining adequate diversification, investments in companies involved in the production and distribution of oil, gas, and other fossil fuel sources will be avoided.

C. **Monitoring separately managed investments.** The IC and its Investment Consultant will monitor the endowment fund's investment managers and the underlying investments in the portfolio on an annual basis.

D. **Shareholder advocacy.** In cases in which there are concerns about issues of corporate responsibility, then the IC, acting on its own behalf or in concert with other investors, may engage corporations to change that behavior. An example of such engagement is the sponsoring of shareholder resolutions. The IC may participate with external organizations designed to advocate issues of corporate responsibility.

An ESG advisory committee established by the Investment Committee, and comprising students, faculty, staff and administrators, will assist the Investment Committee on issues relating to the endowment fund's Responsible Investing Policy.

VI. Reporting

On an annual basis, the IC and its Investment Consultant will provide a report illustrating the Responsible Investment Activities of the endowment fund's portfolio. The underlying separate account or all investment managers will be requested to provide information related to ESG characteristics for the underlying investments. Each investment manager will be asked to communicate openly about its implementation of environmental, social and governance criteria. The report will be made available to the Warren Wilson College Board of Trustees and the Administration. At the discretion of the WWC IC, Board of Trustees and Administration the report may be made public under the terms of the aforementioned endowment fund stakeholders.

VII. Reviewing the Responsible Investment Policy

On an annual basis, the IC will review the Responsible Investment Policy to measure the effectiveness of the endowment fund with the use of selective performance indicators. Specifically, the assessment will seek to determine: how well it is working; what progress towards goals have been made; how is the implementation working; what issues are we facing and need to address; what adjustments or revisions, if any, need to be made; has anything changed that requires the IC to make changes to the policy; are there new approaches to responsible investing that could be considered; are the policies consistent with the values, mission and culture of WWC.

VIII. Credits

Document contains narrative and information obtained from third party sources including, but not limited to, UN's PRI – Principles for Responsible Investment, Earlham College, and Harvard University.

Appendix B—Alphabet Resolution

Proposal Number 9 Stockholder Proposal Regarding Report on Sustainability Metrics

WHEREAS: Studies suggest that companies that integrate environmental, social, and governance (ESG) factors into business strategy reduce reputational, legal, and regulatory risks and improve long-term performance. Leading companies have integrated sustainability metrics into executive pay plans, among them Unilever and Walmart. The UN Principles for Responsible Investment (2012) state that considering ESG factors in compensation can help protect long-term shareholder value.

Diversity, inclusion, and equity are key components of business sustainability and success:

- McKinsey research shows that companies in the top quartiles for gender and racial/ethnic diversity were more likely to have above-average financial returns ("Diversity Matters," McKinsey & Company, 2015).
- In a 2013 Catalyst report, diversity was positively associated with more customers, increased sales revenue, and greater relative profits.

Yet technology companies have not seized this opportunity. Underrepresented people of color hold just 9 percent of technical roles in the sector (Intel/Dalberg, 2016). Women hold 36 percent of entry-level tech jobs and just 19 percent of C-suite positions ("Women in the Workplace," McKinsey, 2016).

The tech diversity crisis threatens worker safety, talent retention, product development, and customer service. These human capital risks are playing out as controversies and employee unrest at Alphabet:

- In 2018, approximately 20,000 workers walked out protesting Alphabet's mishandling of sexual misconduct cases.
- In 2019, "more than 2,000 Googlers … signed a petition to remove a member of the company's newly formed council on artificial intelligence ethics for alleged anti-trans and anti-immigrant views. The board was disbanded after only a week, in response to the outcry." ("Google loses diversity chief amid unrest over workplace issues," *CNET*, April 2019)

Alphabet has taken steps to address inclusion, but risks remain as our Company remains predominantly white and male. According to Google's 2019 diversity report, underrepresented people of color account for only 7.3 percent of Google's tech workforce and only 6.6. percent of leadership. In contrast, Silicon Valley's lower-wage subcontracted workforce (e.g. janitors, cafeteria workers, shuttle drivers) is 58 percent Black or Latinx, earning on average $19,900 yearly (UC Santa Cruz, 2016) and often facing housing instability.

Investors seek clarity regarding how Alphabet drives improvement and how that strategy is supported by executive accountability. Clearly disclosed, comprehensive links among sustainability, diversity, and executive compensation would enhance Alphabet's approach.

Peers such as Microsoft, Intel, and IBM have set diversity goals and begun linking parts of compensation to such goals. Alphabet should consider changing to keep pace with leaders and to strengthen human capital management.

RESOLVED: Shareholders request the Board Compensation Committee prepare a report assessing the feasibility of integrating sustainability metrics, including metrics regarding diversity among senior executives, into performance measures or vesting conditions that may apply to senior executives under the Company's compensation plans or arrangements. For the purposes of this proposal, "sustainability" is defined as how environmental and social considerations, and related financial impacts, are integrated into long-term corporate strategy, and "diversity" refers to gender, racial, and ethnic diversity.

Alphabet Opposing Statement

Our Board of Directors has carefully considered this proposal and, for the reasons set forth below, does not believe that it is in the best interests of the company and our stockholders.

Alphabet has long supported corporate sustainability, including environmental, social, and diversity considerations. Alphabet builds sustainability into everything it does from designing and operating efficient data centers, advancing carbon-free energy, creating sustainable workplaces, building better devices and services, empowering users with technology, and enabling a responsible supply chain. Google has been carbon neutral since 2007 and in September 2019, announced it had made the largest corporate purchase of renewable energy in the world. In 2018, for the second consecutive year, Google matched 100% of our electricity consumption with renewable energy purchases, as reported in its 2019 Environmental Report (https://services.google.com/fh/files/misc/google_2019-environmental-report.pdf).

Appendix C—Amazon Resolution

SHAREHOLDER PROPOSALS

ITEM 15—SHAREHOLDER PROPOSAL REQUESTING A SPECIFIC SUPPLY CHAIN REPORT FORMAT

Beginning of Shareholder Proposal and Statement of Support:

Human Rights Impact Assessment Shareholder Resolution

Whereas as shareholders, we look to companies to manage human rights risks and impacts to demonstrate sound corporate governance and risk oversight. This is an effective means for management to mitigate against significant operational, financial, and reputational risks associated with negative human rights impacts throughout its supply chain. Additionally, company efforts to align policies with human rights standards like the United Nations Guiding Principles on Business and Human Rights,[1] facilitate sustainable business planning, and improve relations with customers, workers, and business partners.

RESOLVED: Shareholders request that Amazon publish Human Rights Impact Assessment(s) ("Assessment"), at reasonable cost and omitting proprietary/confidential information, examining the actual and potential impacts of one or more high-risk[2] products sold by Amazon or its subsidiaries. An Assessment should evaluate human rights impacts throughout the supply chain.

Supporting Statement: Proponents recommend that Assessments include the following information:

- Human rights standards used to frame the Assessment;
- Actual and potential adverse impacts associated with the high-risk product(s); and
- Overview of how the findings will be acted upon to prevent, mitigate and/or remedy impacts.

Companies that cause, contribute to, or are directly linked to human rights abuses face material risks, including reputational damage, project disruptions, and litigation, which can undermine shareholder value. Public scrutiny is intensifying reputational risks for retailers selling goods produced with child or forced labor: the NY Times detailed slave labor in Southeast Asia's shrimp industry,[3] the Wall Street Journal revealed labor abuses in Malaysia's palm oil sector,[4] and CNN chronicled rampant labor abuse among U.S. tomato producers.[5] Amazon is not immune to these risks: as owners of Whole Foods and AmazonFresh, which sell these types of products, Amazon is exposed to significant risk. The Department of Labor has identified dozens of products that appear on Whole Foods's shelves, including palm oil, cocoa and bananas, as produced using forced or child labor in some countries.[6]

While human rights issues are addressed in Amazon's Supplier Code of Conduct, Amazon describes specific audits and does not indicate that it performs Assessments. Audits do not comprehensively evaluate actual and potential risks to human rights of stakeholders throughout supply chains. Human rights Assessments would allow Amazon to identify and take steps to prevent such impacts. Furthermore, while Proponents appreciate Amazon's Human Rights Policy assurance that they "implement plans to address issues and make improvements where necessary," this statement does not constitute an Assessment, nor provide shareholders with information about specific risks related to Amazon's products. By contrast, leading companies like Coca-Cola and Nestlé publish human rights Assessments on high-risk food products in their supply chains.

1 https://www.ohchr.org/documents/publications/GuidingprinciplesBusinesshr_eN.pdf

2 High risk products may be selected by: (1) identifying products that pose the most salient human rights risks, which refers to those that could have severe negative impacts; and then (2) prioritizing which products to assess, based upon actual or potential severity of adverse impact on human rights.

3 https://www.nytimes.com/2014/06/22/opinion/sunday/thai-seafood-is-contaminated-by-human-trafficking.html

4 https://www.wsj.com/articles/palm-oil-migrant-workers-tell-of-abuses-on-malaysian-plantations-1437933321

5 https://www.cnn.com/2017/05/30/world/ciw-fair-food-program-freedom-project/index.html

6 https://www.dol.gov/sites/dolgov/files/ILAB/ListofGoods.pdf

End of Shareholder Proposal and Statement of Support

Appendix D—ISS ESG Proxy Voting Plans

ISS GOVERNANCE

ISS MANAGES MULTIPLE POLICY PERSPECTIVES ON BEHALF OF ITS CLIENTS

	ISS Policy	Sustainability Policy	SRI Policy	Catholic Policy	Public Fund Policy	Taft-Hartley Policy
Policy Focus	Investment firms and large institutional investors	UN PRI Signatories or similarly aligned investment managers & asset owners	SRI investment firms, religious groups, charitable foundations & university endowments	Catholic faith-based investors, including dioceses & Catholic healthcare systems	Public pension fund managers & public plan sponsors/trustees	Taft-Hartley pension funds & investment managers (ERISA)
Orientation	"Best practice" standards that promote total shareholder value & risk mitigation	United Nations Principles for Responsible Investment (UN PRI)	The "triple bottom line" value creation	Economic gain, social justice, environmental stewardship, ethical conduct & teachings of the Catholic Church (USCCB)	Long-term best interests of public plan participants & beneficiaries	Worker-owner view of long-term corporate value based on the AFL-CIO proxy voting guidelines
Key Policy Highlights: **1. *Board***	Board competence, performance, and independence (50%)	Board competence, performance - including on ESG topics, and independence (50%)	Board competence, performance - including on ESG topics, diversity, and independence (50%)	Board competence, performance - including on ESG topics, diversity and independence (50%)	Board competence, performance, & independence (50%)	Board competence, performance, & independence (67%)
2. *Compensation*	Alignment of pay and performance, presence of problematic compensation practices, shareholder value transfer (SVT)	Alignment of pay and performance, presence of problematic compensation practices, shareholder value transfer (SVT)	Alignment of pay and performance including on ESG topics, presence of problematic compensation practices, shareholder value transfer (SVT)	Alignment of pay and performance - including on ESG topics, presence of problematic compensation practices, shareholder value transfer (SVT)	Alignment of pay & performance, presence of problematic compensation practices, voting power dilution (15%)	Alignment of pay & performance, presence of problematic compensation practices, voting power dilution (10%)
3. *Social & Environmental*	Consider shareholder proposals on social, environmental and labor/human rights issues on a case-by-case basis	Generally support shareholder proposals advocating ESG disclosure or universal norms/codes of conduct	Generally support shareholder proposals on social, environmental and labor/human rights issues	Generally support shareholder proposals on social, environmental and labor/human rights issues	Generally support shareholder proposals on social, environmental & labor/human rights issues	Generally support shareholder proposals on social, environmental & labor/human rights issues
Board Opposition	11%	12%	31%	54%	44%	37%
Auditor Ratification Opposition	0%	0%	6%	6%	67%	68%
Equity Pay Plans	25%	25%	25%	20%	90%	87%
Say on Pay Opposition	13%	13%	19%	18%	27%	27%
Gov. Shareholder Proposal Support	75%	90%	91%	91%	93%	93%
E&S Shareholder Proposal Support	74%	83%	94%	94%	94%	94%

* Recommendations for shareholder meetings in the Russell 3000 (2019)

ISSGOVERNANCE.COM

Appendix E—WWC's Internal Guidance for Co-Filing Resolution Steps

1. Identify Co-filing Opportunities (1 Week—Rolling Basis)

There are two primary options for identifying co-filing opportunities. First, opportunities could be identified through publicly available databases such as the Ceres shareholder resolution Climate and Sustainability Shareholder Resolutions Database.[1] The other option is to source co-filing opportunities from the Committee's connections with activist investors, impact investing firms, and ESG advocacy organizations. This option is more informal and involves directly emailing groups such as the IEN's shareholder advocacy working group and ICCR. The first option could be more holistic but time consuming. The second option could be quicker but could result in overlooking some co-filing opportunities.

2. Determine Co-filing's of Interest (1 Week)

Share all co-filing opportunities with the Committee for review and determine which resolutions to co-file. This will need to be conducted outside of the ESG Committee's typical triannual meeting times as the process for filing/filing shareholder resolutions begins in the fall (usually around late August or early September). Allow one week for the Committee to identify co-filing's they wish to pursue.

3. Request Information from Lead Filers (1 Week)

For co-filings the Committee wishes to pursue, contact the lead resolution filer to ask for:

- The original shareholder resolution text
- Company point of contact (who to address the co-filing letter to)
- Who to send the completed and signed co-filing letter, and verification of shares document. Often co-filers send all relevant documents to the company's secretary of the board. Occasionally lead filers ask for co-filers to send the relevant documents to the lead filer instead of the company.

1 Climate and Sustainability Shareholder Resolutions Database. (2020). Ceres. Retrieved 29 April 2020, from https://www.ceres.org/resources/tools/climate-and-sustainability-shareholder-resolutions-database

4. Acquire Verification of Shares (1 Week–Concurrent)

Email WWC's separately managed account manager (Rhumbline) to ask for the current point of contact for the WWC endowment account custodian (Wells Fargo). Ask the WWC CFO to request a "confirmation of shares" (letter) from the account custodian at Wells Fargo. In accordance with the Securities Exchange Act of 1934, WWC must demonstrate ownership of at least $25,000 in shares for the continuous 12 months prior to the date of filing/co-filing.[2] Allow a week for this process. This can be completed concurrently with step 3: request information from lead filers.

5. Prepare and Sign Co-filing Letter (2–3 Weeks)

Co-filing letters follow a template that can often be provided by the lead filer.. Generally, co-filing letters are addressed to the secretary of the board of the company. Co-filing letters must state how many shares are owned of the company. In WWC's case, co-filing letters must be signed by the college president. The Committee can prepare filing letter templates, but must allow ample time for the college CFO and President to review co-filing letters and resolutions. Allow one week to complete co-filing letter templates. Allow 2-3 weeks for college president and CFO approval.

6. Send Documents to Company (1 Week)

Compile all relevant documents including signed co-filing letters, verifications of shares, and original shareholder resolutions. Send compiled documents to the college president and CFO for final submission to each respective company (or lead the lead filer in some cases).

In all, the shareholder resolution co-filing process could take approximately six to seven weeks from beginning to end. Considering the shareholder resolution filings typically end in December, this co-filing process should begin by early November at the latest.

2 Rule 14a-8 of the General Rules and Regulations of the Securities Exchange Act of 1934.

Appendix F—Climate Action 100+ Sign-on Statement

Background

We, the institutional investors that are signatories to this statement, are aware of the risks climate change presents to our portfolios and asset values in the short, medium and long term. We therefore support the Paris Agreement and the need for the world to transition to a lower carbon economy consistent with a goal of keeping the increase in global average temperature to well below 2 degrees Celsius above pre-industrial levels.

Through this initiative, we aim to fulfill the commitment made in the "2014/15 Global Investor Statement on Climate Change" which stated that "…as institutional investors and consistent with our fiduciary duty to our beneficiaries, we will work with the companies in which we invest to ensure that they are minimising and disclosing the risks and maximising the opportunities presented by climate change."

Commitment

We believe that engaging and working with the companies in which we invest – to communicate the need for greater disclosure around climate change risk and company strategies aligned with the Paris Agreement – is consistent with our fiduciary duty and will contribute to achieving the goals of the Paris Agreement.

The initiative aims to secure commitments from the boards and senior management to:

***Implement a strong governance framework** which clearly articulates the board's accountability and oversight of climate change risk and opportunities.*

***Take action to reduce greenhouse gas emissions across their value chain,** consistent with the Paris Agreement's goal of limiting global average temperature increase to well below 2 degrees Celsius above pre-industrial levels.*

***Provide enhanced corporate disclosure** in line with the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and, when applicable, sector-specific Global Investor Coalition on Climate Change Investor Expectations on Climate Change [1] to enable investors to assess the robustness of companies' business plans against a range of climate scenarios, including well below 2 degrees Celsius, and improve investment decision-making.*

[1] The Global Investor Coalition on Climate Change Investor Expectations on Climate Change sector guides cover oil and gas, mining, utilities and auto manufacturers and provide additional sector specific disclosure recommendations, particularly regarding the oversight of public policy positions.

Working through partner organisations, Asia Investor Group on Climate Change (AIGCC); Ceres; Investor Group on Climate Change (IGCC); Institutional Investors Group on Climate Change (IIGCC); and Principles for Responsible Investment (PRI), we will together monitor the progress that companies make towards these goals. We are committed to working collaboratively through this initiative, using a range of engagement approaches to ensure fulfillment of the above-mentioned goals.

What are the goals of the Paris Agreement?

The Paris Agreement is an agreement within the United Nations Framework Convention on Climate Change (UNFCCC) which was drafted and agreed to by 195 countries in Paris in late 2015. The Paris Agreement sets out a framework for limiting dangerous climate change and deals with GHG emissions mitigation, adaptation, and finance. Its goals include the following:

- Article 2.1(a) states: "Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels."
- Article 4.1 states: "In order to achieve the long-term temperature goal set out in Article 2, Parties aim to reach global peaking of GHG emissions as soon as possible."
- These goals should be achieved "taking into account the imperatives of a just transition of the workforce and the creation of decent work and quality jobs."

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