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AN OVERWHELMING MAJORITY

November 30th was a remarkable day in the world of activist investing. Arjuna’s shareholder proposal asking Microsoft to address sexual harassment at the company received a 78% vote from investors. This was a rare outpouring of support, representing \$2 trillion dollars of stock in the 2nd largest company in the world. But even more remarkable was how Microsoft, after recommending a vote against our proposal, acknowledged and responded to our concerns—symbolizing a larger shift in shareholder democracy.

From our offices we watched the virtual meeting unfold—cheering when we heard the vote tally, but speechless when Microsoft President Brad Smith, along with CEO Satya Nadella, responded in real time, committing to change. That change will include an independent investigation into past sexual harassment allegations, including those against founder and former CEO Bill Gates, transparent reporting, and a commitment to implement best practices at the company. Smith acknowledged the importance of the vote and Arjuna’s proposal in bringing forth these workplace culture concerns. He also noted how shareholder activism is prompting corporate change widely:

“I think we recognize that in some ways the nature of the conversation is even changing, not just at Microsoft, but more broadly. We’re seeing more shareholder groups come forward, they have a broader range of proposals. It’s almost a sea change to some degree in the relationship between shareholders, and, I’ll say, especially large companies.”

A SEA CHANGE

We have long lauded the power of shareholder engagement—leveraging individuals’ stock ownership to crack open the echo chamber between corporate management and boards. Doing so allows a diversity of perspectives to come to bear on material environmental, social, and governance issues (ESG). And while we’ve

been in this battle for many years, more and more investors are recognizing this is a good idea—reflected by the overwhelming majority vote at Microsoft.

Big institutional investors, like Blackrock and Vanguard, are finally catching on, recognizing the important voice investors of all sizes have in holding companies accountable on ESG issues. They are increasingly engaging with firms like Arjuna and voting in numbers we’ve never seen before. And while they have hired staff to review and vote on proposals, like the one we submitted at Microsoft, some like Blackrock, are going further. In CEO Larry Fink’s annual letter to companies in January, he committed to increase the number of clients who can exercise individual control over their proxy ballots—further improving the democratic nature of the process for those invested in mutual funds and ETFs. This shift underpins a philosophy we have long held dear: That investors, as owners, have a voice at the table, and should exercise that voice. Even if that ownership is small.

SMALL BUT MIGHTY—FUN WITH NUMBERS

The number 4: Global financial assets make up a massive \$400 trillion in capital, \$4 trillion of which is now invested in more sustainable strategies. That’s 1% of global capital—still small, but impressive nonetheless—especially to those of us that have been investing with this “niche” approach for decades. To throw out another “4” number: Arjuna Capital manages \$400 million in assets. That’s one millionth of global assets, and one ten thousandth of sustainable assets. Tiny. Yet, our clients have a voice that is driving change at the largest US companies.

The number 2: Now how about the number “2?” I already mentioned Microsoft is the 2nd largest company in the world. And \$2 trillion in shares voted in favor of accountability and transparency at their annual meeting. Yet, our clients own only \$20 million of Microsoft stock—100,000 times less than the value of the \$2 trillion share

block that supported us. That's leverage. And in this case, the leverage to transform not only how Microsoft addresses sexual harassment, but to lay a foundation for how harassment should be approached across other industries.

Arjuna may be small compared to these large institutional investors, but our clients' shares are prompting important conversations in boardrooms and at annual meetings across the country. Because we exercised our clients' voice, Microsoft will be instituting new policies and practices that will positively impact thousands of employees, to ensure a safe, open workspace free of discrimination and harassment. That's the power of shareholder democracy. Our clients have a seat at the table—and it's one we will continue to occupy in service of positive change.

Natasha Lamb, Managing Partner

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