

*“Our clients believe there is a better way to invest.  
A way that benefits their portfolio, upholds the rights and dignity of people,  
and protects the environment from short-term folly.”*

When the world is a mess, it’s important to stick to your knitting. To engage in those tasks, routines, and practices that define, in large part, the mosaic and meaning of life. Personally, in doing so, I find resilience and I’m not so easily derailed by the war, suffering, and uncertainty that concerns us all. I’m able to recognize the profound impact these realities have on our global community, without losing myself or power within them.

One source of inspiration I return to often is the story of Arjuna—for whom our firm is named. Arjuna is a warrior from the epic Indian poem the Bhagavad-Gita who finds himself navigating immense moral complexity as he heads into battle. In the face of this uncertainty, Arjuna is paralyzed. And it is only through a moment of enlightenment—when he sees the larger picture—that he can move forward in action. And while I recognize war metaphors are grossly overused in our society, this one is different. It’s not about fighting. It’s about taking right action—steadfast in your role. And we all have a unique role to play. At Arjuna Capital, we have the honor of examining the role of money and helping our clients steward their capital through such moral complexity.

That said, we are sticking to our knitting this shareholder engagement season. In a world of widening inequality, fragile democracies, and increasing climate risk, it is not a time to stand on the sidelines. It’s time for investors to take right action, speak up, and spur positive corporate change. We are doing so on the following issues:

## UPHOLDING DEMOCRACY

A stable democratic government is foundational to a free society and functioning economy. Yet, within the last few years, we’ve seen how vulnerable our society is to democracy’s decline—from election distrust, to insurrection, to a House struggling to find a Speaker. As we approach an election year in 2024, we’re acutely aware of the risk posed by misinformation and disinformation that so effectively undermines an informed electorate and trust in our democratic process. This is not a new area of concern for our investors. In fact, we were the first investors to address the issue at Facebook (Meta) in 2016 and have been engaging social media companies ever since. But the game is rapidly

changing as nascent generative Artificial Intelligence (AI) technologies are widely introduced.

That’s why we are engaging with Google, Meta, and Microsoft this season, asking how they plan to address the mis- and disinformation generated through AI. In December, our clients’ proposal will go to a vote of shareholders at Microsoft’s annual meeting. Specifically, it will ask the company to assess the risks mis- and disinformation disseminated or generated via artificial intelligence pose to its business, how the company plans to remediate harms to public welfare, and the ongoing effectiveness of such efforts.

## CLIMATE CHANGE

Investors are increasingly concerned over how the catastrophic impacts of climate change will impact our society, financial system, and investments. The Intergovernmental Panel on Climate Change (IPCC) has advised that climate action must occur immediately and aggressively to avoid severe physical, transition, and systemic risks. Furthermore, at the world’s current climate trajectory, up to 10% of global economic value could be lost by 2050. That is why over \$64 trillion dollars in institutionally-managed assets have committed to the Net Zero Asset Managers initiative (NZAM), Arjuna included, supporting a net-zero-greenhouse-gas-emissions goal by 2050 or sooner in line with global efforts to limit warming to 1.5 degrees Celsius. Net zero is a state where GHGs going into the atmosphere are balanced by their removal out of the atmosphere. And NZAM supports just that—asking investors and companies alike to set near- and long-term science-based targets (SBTs) to produce close to zero emissions.

Given the urgency, we plan to actively engage six of our higher-emitting portfolio companies this season, asking them to set ambitious emission reduction targets and publish plans to achieve them. These companies include Broadcom, Texas Instruments, WW Grainger, Illinois Tool Works, Expeditors, and FedEx. These engagements are a part of our own net-zero commitment to invest in 100% net-zero-committed companies in Arjuna’s strategies by 2050.

And while, as fossil-fuel-free investment managers, we do not take big stakes in Big Oil, we do plan to continue to engage the

oil majors on our clients' behalf. Only a minority of clients directly hold legacy stock positions in these companies. Yet, all broad and diversified portfolios face the systemic risks associated with a rapidly warming planet. As such, we will continue to press ExxonMobil and Chevron to actively plan for the imminent climate transition and consider how to remain profitable in a world less dependent on fossil fuels. Because not only does our continued reliance on fossil fuels contribute to disastrous climate change, it poses significant business risk to those companies whose fossil-fuel reserve assets may become unburnable and uneconomic amid a climate transition.

## RACIAL AND GENDER PAY EQUITY

Over 8 years ago, Arjuna clients were the first investors to express concern over racial and gender pay gaps at publicly traded companies. And with good reason. The gender pay gap has narrowed a mere 2% over the last twenty years and the statistics for minorities are even more discouraging. Yet, in large part due to investor action, we are seeing more and more companies commit to narrow and transparently disclose these gaps.

Since 2016, Arjuna has successfully pressed 37 companies to assess, publish, and narrow racial and gender pay gaps. But this work has also had a ripple effect on dozens of other companies. While zero companies disclosed pay gap data 8 years ago, over 50% of the S&P 100 now assess and disclose this data. They do so because they recognize the financial value of cultivating a diverse workforce.

This upcoming shareholder season, we plan to engage 11 portfolio companies on pay gap disclosure: re-engaging Apple, Amazon, and Nike, and for the first time engaging Applied Materials, Charles Schwab, Chubb, Amgen, American Tower, Vertex, Procter and Gamble, and Cisco.

## REPRODUCTIVE HEALTH

As a result of the Supreme Court's devastating Dobbs decision last year, reproductive healthcare access is now restricted in 25 states. Not only does this limit basic human rights and freedom for women in our country, it poses challenges for companies operating across these restrictive states. Notably, abortion restriction has been shown to negatively impact companies' ability to hire and retain female talent, as more women are forced to leave the workforce.

Last year, we engaged UPS and Costco, asking how they plan to mitigate these hiring and retention risks by protecting female employees' reproductive health within restrictive states. We also pressed CVS, Meta, and Alphabet on how they can better protect client data, as law enforcement agencies seek its use to incriminate women pursuing abortions. And lastly, we engaged Comcast to assess the misalignment between its stated corporate values and political spending activity. We engaged on this topic after recognizing the company donated large sums of money to politicians actively working to weaken reproductive healthcare access, while espousing a company value of gender equity and inclusivity.

Through our dialogues, we learned that companies are operating on a learning curve, as they navigate fragmented state abortion laws. Which is why it's important that we continue to ask questions and press them to assess and mitigate employee and customer risks. This season, we plan to engage the travel company, Bookings, asking them to develop stronger data privacy controls for their clients who may travel across state lines for an abortion. We also plan to re-engage Comcast to seek greater alignment between its company values and political spending.

## SEXUAL HARASSMENT

With the rise of the #MeToo movement in 2017, awareness of systemic sexual harassment within Corporate America came into focus, as did investor concern. Since then, investors have pressed to end forced arbitration (a contract clause that required dispute resolution outside the courts and which has now been ended through a new law) and place more women in the boardroom.

At Arjuna, we have addressed the issue by sticking to a tried-and-true adage—that sunlight is the best disinfectant. As such, we asked Comcast/NBC and Microsoft to conduct independent investigations of sexual harassment, report on findings (publicly and annually), and implement best practices. And while our multi-year efforts at Comcast proved futile, our work with Microsoft represents a key success.

In 2021, following allegations that Microsoft executives, including founder Bill Gates, engaged in workplace sexual harassment, we filed a proposal that was supported by 78% of Microsoft shareholders. In response, Microsoft conducted the investigation and published a 50-page report on its results, including commitments to strengthen sexual harassment policies and practices. This action now stands as a best-practice

example of how to address the issue with accountability and transparency.

This year, we plan to bring the same proposal to Tesla. For years, the company has been riddled with allegations of rampant sexual harassment and racism within its Fremont factory, and as a result, has battled costly lawsuits and settlements. We'd like Tesla to follow Microsoft's lead by having a comprehensive and independent assessment of its workplace culture and strengthen sexual harassment policies and practices.

## A LESSON IN PERSISTENCE

As the above examples prove, change can be difficult. But it is the practice of persistence, of sticking to your knitting, that eventually gains traction. As a boutique firm, we are never the largest investor in the room. But we are steadfast in our conviction that our economic system is not a zero-sum game, built on the premise of "I win-you lose." Our clients believe there is a better way to invest. A way that benefits their portfolio, upholds the rights and dignity of people, and protects the environment from short-term folly. As such, we will continue to look for solutions that create a stronger, more resilient economic, social, and environmental system—one that benefits us all.

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