

## Amplifying Client Impact Through Shareholder Engagement

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Investing for impact requires the thoughtful selection of investments that align with your desired positive impact. But how can you ensure that the companies in which you have invested are meeting your expectations? And how do you engage with companies you may have invested in for other reasons, when their environmental, social and governance (ESG) practices need improvement? As an investor, you have unique power to use your voice and influence to encourage the companies in which you invest to improve in ways that matter to you.

At LNW, we believe that active ownership and investment stewardship – e.g., voting proxies and shareholder engagement – are core to impact investing and present important avenues for supporting our clients in achieving their impact goals without modifying their investment portfolios.

In addition, we believe that many of the issues addressed by shareholder engagement have material financial implications for companies and, by extension, our clients. When companies fail to recognize the broader impacts of their policies and practices on their stakeholders, they create risk for their shareholders.

Shareholder advocates can increase shareholder and broader stakeholder value by helping companies identify and mitigate such risks, increase operational efficiency and strengthen their brand reputation and market positioning. For example, according to recent research, 76% of consumers said they would stop doing business with companies that treat employees, communities and the environment poorly<sup>1</sup>. However, only 50% of companies believe they perform very effectively against environmental metrics, and less than 40% believe they perform well on governance and social issues.<sup>2</sup>

**By working with key organizations that are experts in the shareholder engagement field, LNW's shareholder engagement offering makes it easy to use your voice as a shareholder to support meaningful initiatives that promote positive and material change in corporate practices.** The ease of participation and variety of initiatives supported by our approach accommodates a wide range of client interests, allowing you to selectively participate in engagement activities without constraining your investment decisions.

### What is Shareholder Engagement?

Broadly speaking, shareholder engagement is the process through which investors in publicly traded companies use their position as shareholders to create a constructive dialogue in order to promote change in corporate practices.

Shareholder engagement can range from complex multi-year campaigns to brief but significant conversations. Approaches include writing letters, holding meetings, building coalitions, filing resolutions and voting proxies at annual meetings. Done well, the process can be collaborative and productive as both corporate management teams and shareholders find common ground in supporting best practices for long-term financial success.

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<sup>1</sup> PWC. "[How much does the public care about ESG?](#)" June, 2021.

<sup>2</sup> NAVEX. "[Global Survey Finds Businesses Increasing ESG Commitments, Spending.](#)" February 23, 2021.



**Historically, large institutional investors and a select group of nonprofit advocates have dominated this arena.** These stakeholders often have resources to skillfully orchestrate various engagement approaches, navigating nuances to build productive and successful relationships with the companies they approach. Since 2016, LNW has been proactively partnering with these advocates to provide support in offering these services to interested clients.



Within the larger shareholder engagement process, the involvement of individual investors like you can be the most impactful in certain areas, specifically the submission of shareholder resolutions for action at a company's annual meeting within the proxy process.

**Filing and supporting resolutions offers you an opportunity to drive meaningful change with companies.**

For example, you can push companies that need significant improvement forward -- such as urging fossil fuel companies to disclose their climate-related risks or commit to accelerating their transition to a low-carbon economy. You can also encourage companies with strong existing commitments around issues like diversity, equity and inclusion (DEI) or carbon emissions reductions to share their progress and to further deepen or expand those commitments.

**The Shareholder Resolution Process**

**Shareholder resolutions are brief, 500-word proposals suggesting a change in corporate practices submitted by shareholders to be listed on a company's annual proxy statement.** These resolutions are formally presented and voted on by shareholders at the company's annual meeting.

The U.S. Securities and Exchange Commission (SEC) requires that resolutions address a specific material concern for the company - i.e., they cannot be simply/strictly ideological or philosophical or too broad to be actionable. Otherwise, investors have broad flexibility in the issues their resolutions can address. In recent years, LNW clients have supported resolutions addressing issues as diverse as carbon emissions reductions for fossil fuel companies, DEI disclosures for some of the biggest corporations in the U.S., and understanding the downstream environmental impacts of industrial farming on predominantly Black and poor rural communities.

Individual shareholders, including LNW clients like you, typically work with shareholder advocacy organizations such as *As You Sow*, *Open Mic* and *Reproductive Health Investors Alliance (RHIA)*, which specialize in the shareholder resolution process.

Every year, experts at these organizations identify strategic engagement opportunities to support progress and launch customized engagement approaches for each company and initiative. These experts specialize in both the issue areas that the resolutions address as well as in the process of engaging with companies to work towards a positive outcome. At times, these organizations may find it difficult to connect with company management or reach an impasse in the dialogue with a company. For such engagements, the organizations will often decide to draft shareholder resolutions that require shareholders, such as LNW clients, to authorize them to file on the client's behalf and to vote in support of the resolution. Companies are often motivated to come to an agreement with shareholders in advance of the proxy vote, based on the merit of the proposal and the desire to avoid public exposure of poor practices. Shareholder advocacy organizations often maintain a continuous and constructive dialogue for years to reach an eventual consensus on shared interests.



If there is successful engagement resulting in an agreement with and a commitment from the company, the resolution can be withdrawn. If not, the resolution will be presented during the company's annual meeting and will go to a vote of shareholders.

The results are publicly reported and calculated as “votes for” divided by the total votes cast for and against the proposal; abstained votes are not counted. Typically, results of greater than 10% in favor can send a clear signal of shareholder support to a management team.

Results greater than 20% indicate a strong desire for change on the part of shareholders that many companies find difficult to ignore. Resolutions can also be re-filed in subsequent years, subject to resubmission thresholds, allowing shareholder awareness and education to build over time. There are also occasions where a company may challenge a proposal based on SEC standards in an effort to disqualify it from inclusion on the proxy statement; a determination from the SEC could result in the omission of the resolution.

**Although non-binding, resolutions represent a powerful tool for voicing concern and proposing changes to both management and other investors.**

### How You Can Get Involved with Shareholder Resolutions

**At LNW, we notify all eligible clients of opportunities to participate in the shareholder resolution process.** You can decide to support any of the proposals in which you are eligible to participate by signing a letter authorizing the shareholder advocacy organization to file the resolution on your behalf. This authorized shareholder support ensures that the resolutions can be considered for inclusion at the annual meeting. Participating clients are notified of progress and the results of the engagement.

Every resolution must have one lead filer to be included on a proxy ballot. Lead filers may be asked to participate in a meeting or call with the involved company but, in our experience, this is relatively rare. Resolutions can also include several co-filers. Co-filers may be asked to act as a backup for a meeting or call. In such meetings or calls, lead and co-filers can defer to the shareholder advocacy experts and are not required to speak.

**Typically, the vast majority of the direct engagement with companies is handled by the shareholder advocacy organizations with whom we work.** Filers and co-filers are also restricted from selling any of their shares in the company until the resolution is either voted on or withdrawn.

If you prefer not to legally sponsor a resolution due to privacy or other concerns, we enable you to sign a letter to companies as an “endorser,” expressing your support for the resolution. While the direct involvement required is not typically onerous, there are different expectations of shareholders fulfilling each role.

If you endorse a resolution, your name will be included in a separate letter to the company that accompanies the resolution, notifying the company that you are voicing your support for the resolution in advance of the annual meeting; restrictions on selling and buying shares are not required for endorsers and there are no meeting requirements.

### Who Can File/Co-File?

**To be eligible to participate in shareholder resolutions, you must directly hold shares of the relevant company's stock** -- i.e., the shares are held in your name or in the name of an entity that you control. You must hold \$25,000 of the company's shares for at least one year prior to the resolution filing date; or \$15,000 of the company's shares for at least two years prior to the filing date; or \$2,000 of the company's shares for at least three years prior to



the filing date. These rules have changed in recent years and may change in the future, so individual eligibility can change year to year even if your holdings haven't changed significantly. For LNW clients, we screen your holdings on your behalf to determine which resolutions you would be eligible to support each year.

Regardless of your eligibility to file, co-file or endorse resolutions, we review our managers' proxy voting records and shareholder engagement practices in our due diligence and portfolio management processes because we believe they are important indicators of their commitment to ESG integration and the underlying material implications.

### Highlights of Recent Resolutions

In 2024, LNW clients supported 77 different shareholder resolutions involving 77 companies. Some examples of the resolutions supported by clients in 2024:

- **Regenerative Agriculture:** Mindful of the harms caused by industrial agriculture's reliance on conventional farming practices – including monocropping, tillage, and substantial use of synthetic pesticides and fertilizers – LNW clients supported a resolution to JM Smucker Co., a food conglomerate. The resolution called for JM Smucker to consider the benefits of increased use of regenerative agricultural practices across the company's supply chain for priority ingredients in order to reduce climate impacts, protect human safety and mitigate environmental harm. The resolution was successfully withdrawn after engagement with the company by As You Sow.
- **Climate and Energy:** Despite ongoing progress in the green energy transition and emissions reductions, many energy companies' net zero targets address only Scope 1 emissions that originate directly from electricity generation and other company operations, while failing to address the significant Scope 3 emissions associated with their value chains, such as emissions from the production and transportation of coal and natural gas and end customers' combustion of natural gas. LNW clients supported a resolution requesting that Southern Co., the second largest utility company in the U.S., issue short- and long-term targets to meet net zero emissions by 2050 for the full range of its Scope 3 emissions. The resolution was voted on at the company's annual meeting and was supported by 20% of voting shareholders.
- **Diversity, Equity and Inclusion:** Research has consistently shown that diverse teams are more effective and that companies with more diverse workforces have better long-term financial results. Cintas Corp, a major supplier of industrial cleaning and safety supplies and uniforms, lags behind its peers in the disclosure and transparency it provides to investors on the effectiveness of its diversity and inclusion programs. The company does not currently make public its EEO-1 report, which details the diversity of a company's workforce, and has stated that it has chosen not to align its data with EEO-1 reporting requirements. Investors have particular reason to be concerned as Cintas has faced allegations of biased and discriminatory hiring practices. LNW clients supported a resolution requesting a report on the effectiveness of the company's diversity, equity and inclusion program including workforce diversity, hiring, promotion, and retention of employees. The resolution is currently pending a vote at the company's annual meeting.

## Conclusion

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Investing for impact need not stop at selecting investments to include in your portfolio. As shareholders, you have the power to proactively steward your assets and use your influence to drive positive change and improve long-term financial performance through shareholder resolutions and other shareholder engagement initiatives. At LNW, we are in a unique position to facilitate your involvement in shareholder engagement initiatives, enabling you to address



social and environmental challenges that are most important to you and derive greater intangible and tangible value from your wealth. As always, we encourage you to reach out to your LNW advisory team for more information.

We share the results of our client-supported shareholder initiatives each year in our [Annual Shareholder Resolution Impact Report](#). We look forward to sharing our 2024 report with you in the coming weeks.



## ABOUT THE AUTHOR



**Justina Lai** is Chief Impact Officer LNW. She leads the firms' impact investing strategy, guides efforts to create shared value for all stakeholders (clients, owners, employees, communities and the environment) and spearheads diversity, equity and inclusion initiatives. Justina also supports the client service teams as they develop effective impact investment strategies and integrate impact investments across client portfolios. Justina holds an MBA with certificates in Global and Public Management from Stanford University's Graduate School of Business and a B.S. in Finance and International Business, summa cum laude, from New York University.

The investment team at LNW is comprised of 11 analysts and strategists working together to design and implement investment solutions for client portfolios. Six analysts at the firm hold the Chartered Financial Analyst® designation, with expertise spanning macroeconomics, public and private asset classes across the global capital markets, and impact investing. Collaborating with each other and with client advisors, the investment team's overarching goal is to help clients and their families preserve and grow their wealth over many generations.

## ABOUT LNW

Laird Norton Wetherby (LNW) serves exceptional families and individuals seeking to activate the full potential of their wealth. To help turn lifelong ambitions and multigenerational aspirations into reality, LNW brings to each client relationship a high level of care combined with deep expertise in wealth and legacy planning, investments, and trust and estate services.

Offering both RIA (Registered Investment Advisor) and trust services, LNW is committed to providing clients with unbiased, independent guidance and solutions. LNW has offices in Seattle, San Francisco, New York, Los Angeles and Philadelphia, as well as an affiliated trust company in South Dakota, empowering clients across the U.S. and around the world.

LNW is owned by employees and majority owned by Laird Norton Company, one of the longest-sustained family enterprises in the United States. To learn more, please visit [LNWAdvisors.com](https://LNWAdvisors.com)

## DISCLOSURE

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The information in this presentation describes an investment strategy that is not suitable for all investors. This presentation is not intended as investment advice; LNW offers investment advice only on a personalized basis after understanding the client's individual needs, objectives, and circumstances. The information presented herein does not constitute and should not be construed as an offer to buy or sell any investment product or service. Any opinions or investment planning solutions herein described may not be suitable for all investors nor apply to all situations. All opinions expressed are those of LNW and are current only as of the date appearing on this material.

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Impact investing is associated with the broad consideration of actual and potential non-financial risks of Environmental, Social, and Governance (ESG) factors, and how those factors may affect the financial performance of a company and its securities. For example, environmental changes and extreme events associated with climate change could increasingly affect companies' financial performance. Similarly, poor labor relations or discriminatory practices could lead to financial liability, employee turnover and understaffing, and damage to companies' reputation.

ESG investing generally seeks to avoid these risks, and increasingly also aims to achieve certain positive impacts through investing in key areas believed by the investment manager to be positively impacted by corporate investment and, in some cases, related shareholder advocacy. Avoiding risk and achieving positive impact are different objectives. Since the field of ESG/impact investing continues to develop, it remains to be seen how effective investment managers will be,



especially in the area of impact. ESG ratings of companies are often based on subjective measures, and may include corporate self-reporting, different and inconsistent third-party rating systems, as well as data points that are associated with positive or negative outcomes but where causation has not been established. It is also possible that companies that do have positive impact in the areas identified, or that successfully avoid some or most of the ESG risks noted, will not have favorable financial returns. Accordingly, their stock prices could underperform their peers despite alignment with ESG objectives.

LNW will generally use third-party managers, including mutual fund or exchange traded fund managers, in constructing portfolios focused on impact consideration. While LNW will review these managers' own policies and practices with respect to ESG/impact investing, LNW is highly dependent on their self-reports. As noted above, these managers are, in turn, likely relying on corporate self-reporting, as well as evolving industry standards. No investment approach or strategy can guarantee a positive return or that losses will be avoided.

Certain information herein has been obtained from public third-party data sources, outside funds, and investment managers. All data presented is current only as of the date shown. Although LNW believes this information to be reliable, no representation or warranty, expressed or implied, is made, and no liability is accepted by LNW or any of its officers, agents, or affiliates as to the accuracy, completeness or correctness of the information herein contained.

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