

STRIVE

ASSET MANAGEMENT

2023 - 2024

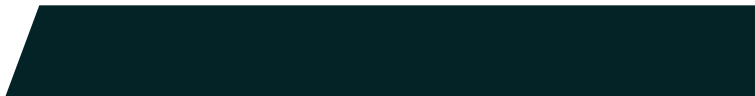
PROXY VOTING GUIDE

Effective for all 2023 and 2024 Shareholder Meetings

Prepared: January 2024
Strive Corporate Governance

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A Letter from Strive's Head of Corporate Governance



Dear clients,

Thank you for your continued loyalty to Strive. This proxy season, the Corporate Governance team looks forward to continuing to fulfill our fiduciary duties to you. At Strive, we start by getting every single proxy vote right. What does it mean to “get it right”? It means that each vote we cast is made with an “eye single” on our goal of maximizing shareholder value. But our work extends beyond the corporate ballot

box: Our votes guide our engagement strategy, ensuring that we address the issues that matter most to shareholders at the companies in which they’re invested. We regularly engage with corporate leaders on best governance practices—discussing topics such as executive compensation, geopolitical risk, and board composition—all while promoting shareholder primacy as the sole driver of corporate policy.

We are committed to steering companies towards excellence and away from stakeholder capitalism, which embraces concepts like ESG and DEI. We do so amid heightened political polarization, with both pro-ESG and anti-ESG asset managers staking their ground. While the two camps seek to push and pull companies along the political spectrum, Strive has taken a different approach: asking companies to set politics aside and focus on value creation alone.

Our record bears this out.

Last fall, Morningstar compared our voting record with that of BlackRock, State Street, Vanguard, and Engine No. 1 at America’s largest companies.¹ The results were telling. For example, among S&P 100 companies, Morningstar identified 47 shareholder proposals from anti-ESG proponents. BlackRock, Vanguard, State Street, and Engine No. 1. voted for zero of them. Strive, in contrast, supported thirty resolutions, voted against ten, and abstained from seven. These differences reflect how Strive’s nuanced, human approach to proxy voting differs from the more algorithmic-based approach of our competitors.

When you are voting as a fiduciary, nuance plays a role, as does taxonomy.

Unfortunately, the taxonomy for proxy voting generally lies in the hands of the proxy advisory duopoly of Institutional Shareholder Services (ISS) and Glass Lewis. Since these two organizations are major players in the ESG industrial complex, they label any proposal they deem right-of-center as anti-ESG—which is both lazy and illogical. In their view, a resolution seeking greater transparency regarding a company’s China-based operations is considered anti-ESG. They also believe that proposals calling for viewpoint diversity on boards are anti-ESG. And what about proposals asking companies to hire and promote based on merit? They’re labeled anti-ESG, too.

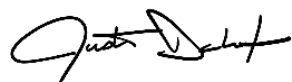
When we find that these proposals would likely drive shareholder value, we support them. When we find that they wouldn't, we vote against them. Determining which proposals fall into which bucket involves significant research, analysis, and discussion amongst our governance team, which sharpens our process. Mechanically voting against an entire slate of proposals that are labeled by another organization as anti-ESG suggests that our competitors don't apply similar diligence.

Voting based on labels that ESG proponents assign to proposals is not only indolent, but it also distorts the true vote. And it certainly is not acting as a proper fiduciary. At Strive, we understand that getting the vote right for shareholders means conducting research outside of the proposal itself. Since proponents are limited to 500 words, they often have more to say on a given topic than they can fit into a proposal. Many proponents also employ the tactic of writing rather anodyne resolutions to avoid giving away their true intent and to get through the Securities and Exchange Commission review process. However, independent research of a given proponent's website and public statements can quickly reveal the actual intent of a proposal. We also review what the company has to say about the proposal and draw on work produced by Strive's research team to determine whether the proposal is likely to help or hurt shareholders. In the end, it is the task of our governance team to go past the four corners, to make an independent assessment of whether each proposal is likely to maximize financial value.

We remain committed to radical transparency at Strive. Every proxy ballot we submit is available on our website within 48 hours.² For most asset managers, the only way to find their votes is when they file an annual form with the SEC. We want you and the public to have a full window into our lived commitment to voting a 100 percent pro-fiduciary slate.

Thanks again for your trust and loyalty. We won't let you down.

Sincerely,



Justin Danhof, Executive Vice President and Head of Corporate Governance

Introduction

This guide serves as an overview of Strive’s voting philosophy and our expectations for companies with which we engage.³ Through our engagements, we encourage companies to set and exceed high standards for corporate governance leading to greater resiliency and shareholder value. Through our proxy votes, we seek to restore every company to its rightful owners: its shareholders. In both practices, we aim to maximize long-term value by depoliticizing corporate America. Strive’s voting and engagement strategies direct businesses away from political mandates and towards excellence. Companies that exude excellence share the following traits:

- 1. Mission Driven.** Companies that remain true to their missions avoid costly and time-consuming distractions. Businesses that opine on fleeting social issues irrelevant to corporate performance become entangled in cultural controversies. Mission creep diverts a company’s focus away from its core competencies; businesses that avoid such distractions position themselves to achieve greater results through superior product and service output.
- 2. Customer Centric.** America’s most successful companies always put their customers first. Yet, many companies take politicized actions that their customers oppose or even find offensive. Businesses that focus on the needs and wants of their customer base drive performance and shareholder value.
- 3. Financially Disciplined.** Financial discipline is key to a company’s success. All decisions, especially investment and capital allocation decisions, should be based on financial consideration—not political factors.
- 4. Meritocratic.** Companies that fill vacancies with the most qualified applicants produce superior results. Hiring, compensation, and promotions should thus be exclusively based on merit with no regard to race, religion, gender, sexual preference, or any other politicized consideration.

Strive’s Approach to Proxy Voting

Strive’s proxy voting process stands apart from the industry standard, which is often automated or rules-based. These formulaic methodologies ignore differences between companies and proposals, leaving shareholders without a true advocate acting in their best financial interests. Strive, however, takes a decidedly manual approach to all proxy voting and analysis, employing our team to hand review each proposal with a human eye.

Generally speaking, the factors that we consider include:

- 1. Proponent:** We first determine whether the proposal was submitted by shareholders or company management. Because management has a legal obligation to act in the best financial interest of shareholders, we are generally more likely to vote in favor of management-submitted proposals—unless there is evidence that management or the board has been captured or unduly influenced by proponents of stakeholder capitalism, including other large asset managers.
- 2. Goal:** Another factor that we weigh heavily is the stated and apparent purpose of the proposal. Often, ESG proponents will not even attempt to argue that their proposal is aimed at increasing long-term financial value; rather, they admit that the proposal is

explicitly aimed towards forcing the company to adopt and reach political or social goals. In such cases, Strive will vote against the proposal unless there is demonstrable evidence that, despite the stated aim of the proposal, it is likely to increase long-term financial value to shareholders.

3. **Return on Investment Analysis:** If an ESG proposal claims that, if adopted, it will increase long-term financial value for shareholders, we will review the submission to determine whether the proponent has offered any evidence-based return on investment analysis to support such a claim. If they have not done so, we are unlikely to vote in favor of a proposal that on its face appears to have a “mixed motive.” That is, if it claims to pursue both ESG and financial goals but fails to provide compelling reasons that it will generate long-term financial returns, we will vote against the proposal.
4. **Research:** Strive also factors in any research that the proponent cites in support of the proposal, as well as any research or white papers that Strive has independently produced on the topic. Throughout the year, Strive’s research team studies common ESG-related topics and examines shareholder proposals in depth to determine whether or not they would likely lead to greater financial returns for shareholders. The governance team incorporates this research into their voting analyses in order to make informed judgments on how to vote to maximize financial return.

Strive’s Principles-Guided Voting

Boards of Directors

Directors have an obligation to oversee a company’s management to maximize long-term shareholder value. Where such oversight stewardship fails to meet this expectation, Strive votes against individual board members, committee chairs, or the entire board.

Board Members:

To evaluate director nominations, Strive researches each board nominee to determine whether, based on publicly available information, the nominee has any red flags warranting further investigation. Such red flags may include (1) taking public stances favoring ESG or stakeholder capitalism, (2) signing any pledges or joining any organizations devoted to ESG goals, or (3) any evidence that the nominee has steered the company, or any other company, towards stakeholder capitalism or away from shareholder primacy. If there are no red flags in a nominee’s background, Strive will generally vote according to the Board’s recommendation. If a nominee has a red flag, Strive’s governance team will conduct a deeper review to determine whether there is evidence that the red flags have affected, or are likely to affect, the company. If, in Strive’s judgment, the nominee is likely to harm long-term shareholder value, we vote against the nominee; if there is no evidence that the nominee’s personal beliefs or past actions will hurt long-term shareholder value, Strive will vote in favor of the nominee.

Committee Chairs:

Strive generally votes against committee chairs in the following circumstances:

- **Chairman of the Board:** Where the company has a history of taking strong positions or actions not in the long-term financial interest of shareholders.
- **ESG Committee Chair:** Where the company has an ESG or equivalent (e.g., Nominating Committee that oversees ESG) committee chair, as Strive believes such committees decrease long-term shareholder value.
- **Compensation Committee Chair:** Where there is evidence that executive compensation is linked to an ESG component.
- **Risk/Audit Committees:** Where the risk or audit committee's role goes beyond compliance and sets or promotes ESG policies and strategies.
- **Nominating Committee Chair:** Where the company has stated an intention to use racial or gender quotas or targets for their board of directors.

Strive's approach is distinct from other large asset managers. BlackRock, for example, withholds votes from nominating committee members if companies do not "have at least two directors on their board who identify as female and at least one who identifies as a member of an underrepresented group."⁴ Goldman Sachs votes against U.S. directors that don't "have at least 10% women directors and at least one other diverse board director."⁵ And Vanguard "will generally vote against the nominating and/or governance committee chair (or the director if needed) if a company's board is making insufficient progress in its diversity composition."⁶ Strive endeavors to bring a different, merit-based voice to this debate.

Executive Compensation Proposals

Strive views the advisory vote on executive compensation ("say-on-pay") as the single most important opportunity to use the shareholder voice on the proxy ballot. While say-on-pay votes are non-binding, the potential for misalignment between executives' and shareholders' interests focuses corporations and shareholders alike on incentives that will drive management in the coming fiscal year. The consequences of ESG-related incentives reach far beyond the compensation plans themselves: By implementing such immaterial targets for executives, companies discourage management from achieving strong financial results and avoiding risk—in other words, companies may sacrifice performance to pursue ventures that provide little value to the company and its investors. Accordingly, ESG-infused executive compensation plans are not only vague, but also counterproductive, as they motivate executives to focus on value-destroying ESG initiatives rather than value-accretive innovation, resulting in excessive pay to executives even in the wake of poor financial performance.

This past year, Disney, Wendy's, and Southwest Airlines were only a few companies Strive encountered that link ESG-related metrics to executive compensation. Of note, Southwest Airlines experienced a billion-dollar loss to shareholders in December of 2022 due to mass flight cancellations. Yet, the company's CEO, Bob Jordan, collected a record \$5.3 million in compensation, including an ESG-based discretionary bonus of nearly \$1 million.

Strive opposes all ESG-linked executive compensation packages, such as Southwest's, which inflate the paychecks of executives via factors unrelated to corporate performance. Such compensation packages are clear violations of the core tenets of shareholder

primacy, as they destroy value, rather than enhance value, and are therefore unlikely to generate long-term financial gains for our clients.

Frequency of “Say-On-Pay” Proposals

Because we believe executive compensation is critical to holding executives accountable to shareholders, investors should regularly be able to provide input on such packages. We therefore generally support annual say-on-pay votes, although we may consider supporting less frequent votes on a case-by-case basis so long as shareholders had an immediate opportunity to vote down any efforts to tie executive compensation to ESG metrics.

Environmental Proposals

ESG proponents file more proposals on environmental issues than on any other topic. Strive supports energy companies of all stripes: American oil companies should endeavor to be the best oil company, and solar energy companies should aim to be the best solar energy company. Strive will support resolutions that focus corporate behavior in ways that orient energy companies to stay true to their missions. Strive will generally oppose environmental and energy shareholder resolutions that would require a company to veer from its mission. Our approach to some of the more common types of climate-related shareholder proposals is outlined below.

Climate Disclosures and Net Zero Business Plan Proposals

In 2023, shareholders filed over a hundred proposals asking companies to make climate disclosures that include aligning their business plans with net zero, the Paris Agreement, or other decarbonization scenarios.⁷ These proposals force companies to assume, for instance, that the world will reach net zero carbon emissions by 2050 (however unlikely that outcome may be), and then plan accordingly.⁸ In doing so, proponents of such resolutions hope to accelerate the transition to net zero for environmental reasons, not financial ones, and do so without conducting a robust, financially-based cost-benefit analysis of whether such disclosures and business plans help or harm the companies that complete them. Despite the lack of persuasive evidence that such disclosures help long-term value, many large asset managers also seek to direct corporate behavior in such a fashion. BlackRock, for instance, has advised its portfolio companies that it “encourage[s] companies to demonstrate that their plans are resilient under likely decarbonization pathways, and the global aspiration to limit warming to 1.5°C.”⁹ Strive, in contrast, opposes such reports and asks companies to prepare business plans that are solely aimed towards maximizing long-term return.

Emissions Caps and Fossil Fuel Boycott Proposals

ESG proponents, including large asset managers, have also supported shareholder resolutions mandating companies adopt carbon emissions reduction targets and engage in fossil fuel boycotts.

In 2023, for example, Chevron’s three biggest shareholders, BlackRock, State Street, and Vanguard (the “Big Three”), all voted against a proposal at Chevron that would have

rescinded the company's commitment to reduce Scope 3 emissions. Notably, the original idea to reduce Scope 3 emissions was not Chevron's own. To the contrary, in 2021, the Big Three all foisted this reduction target on Chevron via a 2021 shareholder proposal, over the objection of Chevron's board, who did not believe the proposal would increase long-term shareholder value.¹⁰ And Chevron's not alone. This past year, Valero, Centerpoint Energy, and Exxon Mobil also received shareholder proposals requesting Scope 3 emissions reductions. Strive believes such caps are not conducive to long-term shareholder value, as they constrain management from investing in exploration, drilling, and refining projects that may be more profitable to investors on a risk-adjusted, long-term return on investment basis.

Strive opposes Scope 3 emissions reduction goals across all industries and for all companies, not just the energy sector. Such targets arbitrarily constrain management, who are then tasked to make decisions about suppliers, vendors, customers, facilities, remote working, and other business decisions based on factors outside of their control, rather than what's in the best financial interest of the company.

Shareholder proposals related to fossil fuel boycotts have also gained in popularity. Citigroup, Bank of America and Wells Fargo each faced shareholder proposals asking the banks to stop financing new fossil fuels projects.¹¹ And ESG proponents made similar requests of insurance companies—including J.P. Morgan Chase, Hartford, and Travelers—asking them to stop underwriting new fossil fuel business.¹² On its face, it is hard to imagine how turning down new business for environmental reasons helps the long-term profitability of these banks or insurance companies. Further, refusing to finance or underwrite new fossil fuel projects risks political backlash, as states like Texas have passed anti-boycott laws, which would further jeopardize shareholder value. Strive will therefore generally oppose such resolutions, which prevent management from making decisions that it believes are in the best long-term financial interest of shareholders.

Climate Proposals Regarding Retirement Plan

Shareholder activist groups are now submitting proposals that call for reports on "climate-related risks" within corporate retirement plans. After the Biden Administration's 2022 removal of the term "pecuniary" from a Department of Labor rule regarding fiduciary responsibilities under the Employee Retirement Income Security Act of 1974, the door is now open to mixed motivation- and ESG-driven investment, and fund managers may prioritize climate goals over investor return, affecting the retirement accounts of about 152 million Americans.¹³ Shareholder activists, in turn, have seized the opportunity to ask companies to push ESG-focused retirement plans on their employees through various shareholder proposals. Companies that faced such proposals in 2023 include Microsoft, Amazon, and FedEx. Strive opposes forcing all ESG-driven investment strategies on unsuspecting or unwilling investors, especially when doing so robs Americans of dignified retirements, and so we vote against shareholder proposals that would force these plans on hardworking employees.

Climate Financing Proposals

One way climate activists seek to compel companies to commit to progressive environmental standards is to target the financial institutions affecting companies' capital allocation. In doing so, activists sent proposals last year to Bank of America and Berkshire Hathaway, among others, requesting a report on greenhouse gas emissions associated with their underwriting, insuring, and investment activities. This presents obvious threats to capitalism as we know it, as it disempowers both consumers and companies from responding to market demands for reliable energy and creates material risk for the financial institutions asked to engage in such ESG-based discrimination. Strive votes against all proposals that take an anti-fiduciary approach to capital allocation.

Recycling and Plastic Reduction Proposals

Shareholder resolutions aimed at reducing and recycling plastic waste have also proliferated. Yum! Brands, Kroger, and Westlake Corporation, among others, faced resolutions this past year from ESG proponents to disclose how their plastic packaging impacts the environment and their plans to reduce plastic use.¹⁴ Such proposals are typically introduced by eco-minded nonprofit organizations, like Green Century Funds,¹⁵ whose goal is to “help investors make an impact” on “environmental and public health issues,”¹⁶ rather than maximize returns. Strive will generally oppose such resolutions, as they do not attempt to maximize shareholder value.

Agricultural Practices Proposals

Every year, companies face a number of proposals asking them to voluntarily adopt agricultural practices aimed at reducing environmental impact and improving animal welfare. Because these proposals, such as Dollar General's recent proposal to work towards selling 100% cage-free eggs by 2025 and Hormel Foods' recent proposal to comply with the WHO's antimicrobial standards, are both costly and do not appear likely to increase long-term financial return, Strive generally votes against them.

Social Proposals

Socially motivated proposals are also on the rise, and we expect to see more of them in the coming year. We evaluate such proposals on an individual basis, focusing exclusively on whether the proposal is likely to maximize long-term value. Below are some of the most common types of social proposals and how Strive generally votes.

Affirmative Action and Racial Equity Audit Proposals

In recent years, many ESG proponents have sought to dictate corporate hiring and promotion activities based on gender, race, and sexual orientation preferences. Many of these initiatives are based on a series of deeply flawed McKinsey reports purporting to link executive diversity to corporate outperformance. Despite McKinsey's erroneous and misleading reports, which include cherry-picked data, assume causation over correlation, and fail to account for the impacts of non-meritocratic hiring on profit, these measures have even garnered support from large U.S. asset managers.¹⁷ Companies that have recently received diversity proposals that cite McKinsey's studies include Home Depot,

Danaher, and UPS, among others. According to Strive's white paper on [Racial and Gender Diversity's Effect on Corporate Performance](#), it is actually more likely that financial success prompts companies to adopt diversity measures than the reverse.¹⁸ Accordingly, adoption of race- and gender-based hiring practices are unlikely to lead to long-term returns.

Such practices also increase financial risk. That's because on June 29, 2023, the U.S. Supreme Court overturned affirmative action in higher education, ruling that racial discrimination is illegal under both the Fourteenth Amendment's Equal Protection Clause and the Civil Rights Act. The implications of this decision stretch beyond higher education, as the Civil Rights Act applies to private employers as well. This introduces heightened legal and commercial risks to companies that employ race- and gender-based preferences, posing uncertainty for investors moving forward. Strive opposes all proposals asking companies to make hiring and promotion decisions based on anything other than merit.

Shareholder activists have also begun filing resolutions seeking racial equity audits, sometimes referred to as civil rights audits.¹⁹ Most of these proposals urge companies to spend time and money to audit corporate commitments to civil rights. Such audits are generally divisive, expensive, distracting, and harmful to the companies that undertake them.²⁰ In 2022, for example, Starbucks' pursuit of a racial equity audit prompted a shareholder derivative lawsuit, as the auditor recommended Starbucks adopt race-conscious policies that violate federal and state civil rights laws.²¹ Because racial equity audits harm, rather than help, shareholder value, Strive will generally oppose these proposals.

In contrast, Strive also encountered several "non-discrimination" proposals, or proposals aimed at reversing non-meritocratic hiring and promotion practices. Such proposals were introduced at Apple, Kraft-Heinz, and Caterpillar. In cases where there is evidence of anti-meritocratic practices, such as at Apple and Kraft-Heinz, Strive supports these proposals as Strive believes they are likely to generate long-term financial returns for the company and its shareholders; in cases without evidence of anti-meritocratic hiring behavior, such as at Caterpillar, Strive does not support these proposals, as the initiative would solve no underlying problem.

DEI Progress Proposals

Similar to affirmative action type proposals, DEI progress proposals ask companies to disclose incremental progress on achieving pre-established racial and/or gender goals. For example, As You Sow submitted a 2023 proposal at UPS requesting a report on the effectiveness of the company's DEI efforts, calling for quantitative data disclosure regarding the company's hiring and promotion practices across racial and gender lines. Strive is against corporate quotas at every level of a company and any corporate steps taken to advance them. Furthermore, the resources and attention required to fund such initiatives would undermine a public company's role as a fiduciary. Because these measures do not appear likely to enhance long-term shareholder value, Strive votes against all DEI progress proposals.

Cost-Benefit Analysis of DEI Program Proposals

Because Strive believes all businesses decisions should be undertaken through the lens of a financially based return on investment analysis, and because companies often launch DEI programs without conducting such an analysis, we voted in favor of shareholder proposals that called for a cost-benefit analysis of DEI programs.

Race/Gender Pay Gap Proposals

Pay gap reporting invites negative media attention and potential lawsuits, as it can incentivize intentional, illegal discrimination in many ways. It can incentivize companies to promote individuals based on their membership in favored racial or gender groups, rather than merit. It can also incentivize hiring managers to discriminate against women and minorities in entry-level roles, as such roles typically come with lower pay and therefore exacerbate the perceived pay gap between groups. For these reasons, Strive generally votes against these proposals.

Political Donations and Lobbying Proposals

Many ESG proposals seek to influence corporate engagement in the political and legislative process. Strive supports corporate engagement with the political, legislative, and legal processes when an issue is germane to the company's operations and the company's actions enhance long-term profit. However, many shareholder proposals fall outside of those parameters. Comcast, for example, received a shareholder proposal requesting a report on political contributions and values alignment. Essentially, it sought to compel Comcast to end its corporate engagement with legislators with whom the proposal's proponent politically disagrees. Similarly, Amazon received a shareholder proposal that called for the company to "identify and address misalignments" between its policy engagement and ESG commitments, effectively asking the company to cease collaboration with policy agents of diverse views and expertise. Strive opposes such proposals that promote social or political agendas over shareholder value.

Charitable Donations Proposals

Shareholders may also request more information regarding corporate charitable contributions. Strive assesses such proposals on a case-by-case basis, considering the proponent's motivations and the company's current disclosure practices. For example, Strive supports charitable contributions proposals that seek transparency where transparency is lacking, as seen on Disney's 2023 proxy ballot. However, we oppose charitable contribution proposals, as seen on Kroger's 2023 ballot, that ask for redundant reporting that is already disclosed. Strive also opposes any charitable donations proposal with clear political motivations.

Abortion Proposals

The recent uptick in shareholder proposals related to abortion and life issues will likely continue to increase following the Supreme Court's *Dobbs* decision.²²

This past year, Coca-Cola received a shareholder proposal requesting a report on actions the company is taking to mitigate risks associated with certain states' abortion restrictions. As mentioned in our walk-through video describing how we voted on Coca-Cola's ballot, "We are aggressively apolitical when it comes to shareholder voting."²³ Because we did not believe this proposal would contribute to maximizing financial value for shareholders, we opposed it.

At Strive, we believe debates about life pose no relation to the core of a company's mission, create reputational risk, and are best resolved by elected representatives and the judicial system. Furthermore, Strive believes business leaders best serve shareholders when they remain focused on company operations. Thus, we generally oppose such resolutions.

Workplace Proposals

Strive believes that mutual respect and a meritocratic culture foster healthy work environments. A board that embodies these values and fulfills its duty to maximize long-term shareholder value is typically best equipped to manage the day-to-day decisions that promote responsible company operations. Hence, Strive generally opposes the following resolution types:

- Proposals that dictate employee compensation levels, including proposals seeking to increase wages for tipped workers.²⁴
- Proposals that mandate methods of dispute resolution.²⁵
- Proposals that seek to audit company unionization practices, including proposals seeking to force compliance with standards set by nonprofits such as the International Labour Organization and UN working groups.²⁶
- Proposals that purport to care about worker safety but focus on race and gender.²⁷

Unionization Proposals

Pro-unionization proposals argue that union membership will benefit corporate financial performance by mitigating the reputational risks associated with employee dissatisfaction, but cite no persuasive evidence to support this assertion, much less that any alleged reputational harm will cause greater financial hardship to the company than unionization itself. For example, Strive voted against a proposal at Starbucks that required the company to assess its commitment to workers' rights.²⁸ This proposal ultimately passed with 52 percent of votes despite the Board's recommendation to vote it down.²⁹ Starbucks is now paying for an independent, third-party human rights impact assessment, "which will include a deeper-level review of the principles of freedom of association and the right to collective bargaining."³⁰ Strive believes that this diversion of time, focus, and money fails to uphold shareholder primacy. We support Starbucks' view that companies themselves are generally best equipped to make human capital decisions, particularly given that union demands often introduce material risk to shareholders. While Strive supports corporate adherence to all applicable U.S. labor laws, we oppose measures that produce unnecessary cost and material risk to shareholders such as activist-driven pro-unionization proposals.

Censorship Proposals

Strive generally opposes resolutions that seek speech, content, or product censorship based on viewpoint, as such resolutions are typically motivated by social concerns rather than driving shareholder value. Over the past few years, shareholder resolutions have requested, for example, that YouTube issue a report on “the spread of hate speech” on its site,³¹ that Meta report on the “external costs of misinformation,”³² and that Google conduct a third-party audit of the supposed human rights impacts of the information on its site.³³ Except in cases where evidence indicates a company may violate constitutional protections for freedom of speech, such proposals are not likely to increase shareholder value, as they are designed to increase viewpoint-based censorship, not aid management in making financially sound cost-benefit analyses. For that reason, Strive votes against such proposals.

China Risk Audit Proposals

China is becoming an area of increasing interest for investors, as many shareholders are concerned about their companies’ business operations in China given risks posed by the country’s Communist government structure, human rights violations, and tight regulatory environment. The SEC’s materiality standard legally requires all companies to publicly disclose risk information to prospective investors and shareholders, yet enforcement of this standard has been lax as it pertains to China risk. Starbucks, Disney, and Apple, among many other companies, received shareholder proposals this past year calling for China risk reports. Strive believes China risk *is* investment risk, as our [2023 White Paper](#) explains, as companies may be reliant on China for materials, manufacturing, and its consumer market as geopolitical tensions rise. Further, Strive believes that enhanced disclosures on this issue are generally likely to increase long-term shareholder value to ensure companies form a thoughtful, strategic approach to managing and mitigating these risks. Thus, Strive votes for shareholder proposals aimed at enhancing transparency to shareholders where the company appears to have substantial operations in or dependence on China.

Anti-Police/Military/Second Amendment Proposals

Last proxy season, several companies faced shareholder proposals seeking enhanced reporting on operations related to policing, the military, and the 2nd Amendment. ESG activists typically frame these proposals as human rights proposals in an effort to mask the proponent's true social or ideological agenda. Strive votes against these proposals, as they interfere with the targeted companies’ abilities to pursue their missions and do not appear reasonably calculated to increase long-term shareholder value. Whether it’s a proposal at Microsoft that seeks to end the company’s business collaboration with the Department of Defense or a proposal at Axon Enterprise to end a technologically innovative program that would benefit law enforcement, we believe these activist-driven initiatives push social and/or political agendas at the expense of corporate performance.

Governance Proposals

In addition to “E” and “S” proposals, we at Strive encounter a number of shareholder resolutions which concern the “G,” or governance of companies. As with other ESG measures, such proposals are often tendered by aggrieved political actors who—having

failed to garner support in the legislatures or the courts —now look to the corporate sphere to reshape society.

Board Diversity Proposals

Shareholder activists frequently target companies' board nomination processes to advance their diversity goals. While nearly every company commits to selecting board nominees from a diverse pool of candidates to consider a variety of perspectives, backgrounds, and skills, many companies take it a step further and implement quota-like racial or gender targets. Strive opposes corporate quotas at any level of a company because they deprioritize merit, deter talent, increase legal risks, and harm shareholder value.

Easing Requirements for Shareholder Activists Proposals

We continue to see proposals aimed to make it easier for shareholders to call special meetings, make proposals, and otherwise change corporate behavior. Examples of such proposals are included on the 2023 proxy ballots of Wendy's, Abbott Laboratories, and Kraft Heinz. Although such measures might appear to promote greater shareholder freedom, they expose the company to further attacks from activist investors, including those pursuing destructive ESG goals. Accordingly, we generally oppose such proposals, especially when the company management advises against them.

Tax Strategy Proposals

Until recently, there has been a near-universal consensus that good governance practices require companies to maximize company value by taking advantage of all legally available, financially prudent tax strategies. Over the past few years, however, ESG proponents have advocated for companies to decline to take advantage of tax-avoidance strategies and voluntarily pay more taxes than legally required. As Price Waterhouse Coopers explains, "A company's approach to tax is no longer just a question of compliance. In the context of the ESG imperative, it is becoming a powerful indicator of how a business views its role in society and its commitment to its purpose. It is a critical element of a business's social contribution."³⁴ In other words, ESG proponents want to move taxes from a "g" issue to an "s" issue.³⁵ Shareholder proposals have become a primary avenue for such initiatives, such as a 2023 proposal at Microsoft that asked the company to issue a tax transparency report according to the guidelines established in the Global Reporting Initiative's (GRI) Tax Standard.³⁶ This ESG-driven proposal requests disclosure beyond Microsoft's legal tax obligations, which they already fulfill, and aims to funnel corporate dollars to environmental and social causes.³⁷ Because such proposals seek to elevate activist priorities over the maximization of shareholder value, Strive opposes such measures.

Mandatory Arbitration for Shareholders

Shareholders can hold companies accountable for anti-fiduciary behavior in a variety of ways, including litigation. Nevertheless, some shareholder activists have presented proposals to mandate individual arbitration: Instead of allowing shareholders to take companies to court, the injured parties would be limited to making their case before a third-party arbitrator and could only do so individually, rather than as part of a class action claim. Such provisions would make it more difficult for shareholders to seek recourse in the

event that the company breaches its fiduciary duties, particularly if the breach affects many shareholders with small holdings that may not be worth pursuing individually.³⁸ Further, mandatory arbitration requirements may not even be enforceable under Delaware law.³⁹ Given our concerns about these proposals, and their unlikelihood to increase long-term shareholder value, Strive votes against them.

Limitation of Executive Officer Liability for Breach of Fiduciary Duty of Care

In late 2022, the Delaware legislature amended Delaware General Corporate Law to extend a provision allowing for the limitation of personal liability for breaches of the fiduciary duty of care to the executive officers of a corporation. Previously, such exculpation pursuant to General Corporate Law Section 102(b)(7) was only available to the non-executive directors of a corporation. To implement this limitation, corporations must amend their articles of incorporation, which require shareholder approval. Strive believes it is important for shareholders to have adequate recourse, including the ability to name the breaching directors and officers as defendants in the suit. Strive believes that eroding the accountability of corporate management to its shareholders is a misguided solution that is unlikely to increase long-term financial value for shareholders, and therefore generally votes against such measures.

Routine Governance Proposals

Strive reviews routine governance proposals on a case-by-case basis to determine whether they advance shareholder value, but we generally vote with the board's recommendation on management proposals such as extending term limits for directors, selecting auditors, decisions following mergers, and other traditional corporate housekeeping proposals. Common shareholder governance proposals, such as those regarding the separation of CEO and board chairman roles and limitations on the number of boards on which a director may serve, are evaluated independently.

International Proxy Ballots

Strive generally votes international proxy ballots in alignment with the parameters of domestic ballots, as provided in this guide, with a few caveats.

There are two primary scenarios in which Strive may deviate from its general policies on international ballots: (1) when a ballot is unavailable in English, and/or (2) when a foreign law diverges from Strive's standard voting protocol.

When Ballots Are Unavailable in English

When a proxy ballot is printed in the company's official language and is not available in English, Strive makes reasonable efforts to translate the ballot and vote according to our Proxy Voting Policies and Procedures and our Voter Guide.

When Local Laws Diverge from Strive's Voting Paradigm

In some instances, the laws of a foreign country may mandate policies or activities that would otherwise conflict with Strive's general voting philosophy. In cases where Strive would vote against a board member or proposal if the company were based in the United States, but a law of the country in which the company operates requires it, Strive will generally abstain from those votes. Although we fundamentally disagree with such behavior, we also understand that companies must comply with the laws of the country or regional jurisdiction (e.g., the European Union) in which they are located.

For example, certain jurisdictions require businesses to consider ESG factors and criteria that Strive generally opposes. Strive does not vote against ballot measures designed to comply with such requirements and instead generally abstains.

Looking Ahead

In the years ahead, Strive will continue to work to empower our shareholders as we advocate for corporate excellence, and we will continue to provide transparency on our efforts to shareholders. Through our meaningful engagement and voting strategies, we look forward to delivering greater prosperity for shareholders and the future of corporate America.

Disclaimer:

This document is intended for educational purposes only. All investing involves risk, including the loss of principal. Our voting policies are subject to change at any time, with or without notice. Further, given our individualized approach, any individual vote may or may not be reflective of the policy.

Endnotes:

- ¹ Alyssa Stankiewicz and Lindsey Stewart, "Strive Asset Management vs. Engine No. 1: How Did the Activists Vote?," *Morningstar*, September 20, 2023, <https://www.morningstar.com/sustainable-investing/strive-asset-management-vs-engine-no-1-how-did-activists-vote>
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- ³ This guide is intended to provide a high-level overview; it is not a specific guide on every potential proxy ballot vote. Strive reserves the right to change or vote contrary to these guidelines when doing so is determined to be in the best interest of our clients.
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- ⁵ Goldman Sachs Asset Management, *Policies, Procedures and Guidelines for Goldman Sachs Asset Management's Global Proxy Voting*, March 2022, https://www.gsam.com/content/dam/gsam/pdfs/us/en/miscellaneous/voting_proxy_policy.pdf?sa=n&rd=n.
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- ⁸ See Mark Brnovich, "Arizona Defends Retirees Against ESG," *Wall Street Journal*, August 15, 2022, <https://www.wsj.com/articles/arizona-defends-retirees-against-esg-blackrock-asset-management-retirement-net-zero-greenhouse-gas-fiduciary-duty-pension-gender-quota-california-11660571998>.
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- ¹⁰ See Vivek Ramaswamy, "Our Letter to Chevron," Strive Asset Management, September 6, 2022, <https://strive.com/strive-asset-management-letter-to-chevron/>.
- ¹¹ Elizabeth Dilts Marshall and Ross Kerber, "Bank shareholder proposals to curb new fossil fuel lending get slim support", *Reuters*, April 26, 2022, <https://www.reuters.com/business/sustainable-business/bank-shareholder-proposals-curb-new-fossil-fuel-lending-get-slim-support-2022-04-26/>.

- ¹² See Jen Frost, "The investors taking on fossil fuel insurers," *Insurance Business Magazine*, May 20, 2022, <https://www.insurancebusinessmag.com/us/news/environmental/the-investors-taking-on-fossil-fuel-insurers-406833.aspx>.
- ¹³ Rachel Roosth, William L. Troutman, and Rachel Beeton., "ESG Factors Remain Relevant to ERISA Fiduciaries after Biden Vetoes Resolution Targeting ERISA Investing Rule," Norton Rose Fulbright, March 2023, <https://www.nortonrosefulbright.com/en-pl/knowledge/publications/86c565e6/esg-factors-remain-relevant-to-erisa-fiduciaries-after-biden-vetoes-resolution>.
- ¹⁴ See Allison Nicole Smith, "Shareholders raise pressure on big brands over plastic pollution," *Crain's Detroit Business*, July 29, 2021, <https://www.crainsdetroit.com/crains-forum/shareholders-raise-pressure-big-brands-over-plastic-pollution>.
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- ¹⁶ Green Century Funds, "Why Choose Green Century," accessed January 10, 2024, <https://www.greencentury.com/why-choose-green-century/>.
- ¹⁷ BlackRock, Inc., *BlackRock Investment Stewardship: Proxy Voting Guidelines for U.S. Securities*, January 2022, <https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-guidelines-us.pdf>, 18 ("We expect companies to disclose the steps they are taking to advance diversity, equity, and inclusion. . . . Where we believe a company's disclosures or practices fall short. . . [we may] support relevant shareholder proposals").
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- ²⁷ See Kari Paul, "Amazon shareholders reject 15 motions on worker rights and environment," *Guardian*, May 25, 2022, <https://www.theguardian.com/technology/2022/may/25/amazon-shareholder-proposal-worker-health-safety>.
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