May 15, 2023

Larry Fink
Chairman and Chief Executive Officer
BlackRock
P.O. Box 534429, Pittsburgh, PA 15253-4429

Dear Larry Fink,

We, the undersigned state treasurers and financial officers, have been elected to safeguard our States' public funds, which may include public funds from our States that you manage.[1] Recent headlines have given us cause to question whether management decisions being provided properly pursue our taxpayers' best long-term economic interests. Specifically, we are concerned that taxpayers' best long-term economic interests might have become subordinated to environmental, social, and political interests often divorced from shareholder value—and often pushed through shareholder proposals.[2]

To take just a few examples, some recent shareholder proposals would require oil companies to pledge fealty to the Paris Climate Agreement,[3] social media companies to crack down on "hate

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[1] We recognize that not all the states represented in this letter directly use your services as they manage state funds with internal staff. However, because of the role your firm has in voting proxies, the information you provide in response to this letter is of importance to all states due to its general impact on the investing universe.
[2] *See* Hannah Orowitz, Rajeev Kumar & Lee Anne Hagel, GEORGESON, *An Early Look at the 2022 Proxy Season*, June 7, 2022, at 4, 12, 14, https://corpgov.law.harvard.edu/wp-content/uploads/2022/06/Georgeson_EPS_whitepaper_2022_v6.pdf.
[3] Exxon Mobil Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 71, https://www.sec.gov/Archives/edgar/data/34088/000119312522098314/d280259ddef14a.htm.

speech,"[4] insurance companies to consider race in underwriting insurance policies,[5] and retailers to weigh in on state abortion policy.[6] At best, those kinds of ESG proposals require expensive audits, time-consuming reports, and cumbersome policies with no apparent link to a targeted company's business. At worst, they require the targeted companies to spend significant management time and corporate resources pursuing goals untethered to shareholder value, or to relinquish parts of their business—including products or services that investors deemed worthy investments of their hard-earned capital in the first place.

Your core fiduciary obligations as asset managers require you to act in the economic interest of those who have entrusted you with their investments.[7] That means your votes on shareholder proposals must advance your investors' interests—not your own, or the interests of third parties. And make no mistake: Your votes wield significant influence on behalf of your clients. The largest one percent of asset managers manage 61 percent of total industry assets.[8] Given the significant impact that your firm's votes have on corporate practices, your voting decisions simply must promote the best economic interests of the ultimate asset owners in order for you to discharge your fiduciary responsibilities.

To help us understand how your firm makes voting decisions—and to allay concerns that some of those decisions might be based on factors other than the best economic interests of shareholders—please respond to the attached questionnaire by June 29, 2023. To aid in an efficient dialogue on these topics, please tailor your responses to shareholder proposals related to the issues described below and submitted for a vote at annual meetings conducted in 2022 and 2023 (through the date of this letter).

Thank you for your careful attention to these important requests. Your candid, prompt responses are critical to helping us properly discharge the fiduciary duties we owe to our constituents. If you have any questions about the contents of this letter, please contact the Utah Office of State Treasurer by phone (801-538-1042) or email (sto@utah.gov).

Respectfully,

Alaska Commissioner of Revenue Adam Crum

Arizona Treasurer Kimberly Yee

[4] Meta Platforms, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 74, https://www.sec.gov/Archives/edgar/data/1326801/000132680122000043/meta2022definitiveproxysta.htm.

[5] The Travelers Companies, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 79, https://www.sec.gov/Archives/edgar/data/86312/000008631222000019/a2022proxystatement.htm.

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[7] *See* 15 U.S.C. §80b-11; 5 U.S.C. 8477(b).

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Florida Chief Financial Officer Jimmy Patronis

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Indiana Treasurer Dan Elliott

Iowa Treasurer Roby Smith

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Louisiana Treasurer John Schroder

Mississippi Treasurer David McRae

Missouri State Auditor Scott Fitzpatrick

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Nebraska Treasurer John Murante

Nebraska Auditor Mike Foley

North Carolina Treasurer Dale Folwell

North Dakota Treasurer Thomas Beadle

Oklahoma Auditor & Inspector Cindy Byrd

Oklahoma Treasurer Todd Russ

South Carolina Treasurer Curtis M. Loftis, Jr.

Utah Treasurer Marlo Oaks

West Virginia Treasurer Riley Moore

Wyoming Treasurer Curt Meier

Proxy Voting Questionnaire

I. Evaluating Shareholder Proposals Generally

A. General Principles

1. Does your firm vote on shareholder proposals based solely on what your firm considers to be in the best economic interest of shareholders of the company subject to the proposal?

2. What is your firm's process for evaluating whether a shareholder proposal is in the best economic interest of shareholders of the company subject to the proposal?

3. Does your firm conduct economic analysis to determine whether a shareholder proposal in the best economic interest of shareholders of the company subject to the proposal? If so, please describe it. If not, please explain why, and on what basis you determine whether a shareholder proposal would be in the best interest of those shareholders.

4. When evaluating a shareholder proposal, in addition to considering long-term risks to a business associated with the concern raised by a shareholder proposal, do you also evaluate the short-term costs involved in implementing the proposal's request? If so, please explain your analysis and how you balance the potential long-term risks and the near-term costs.

5. Does your firm evaluate shareholder proposals by forecasting the expected impact of the proposal on the economic interests of the shareholders of the company subject to the proposal? If so, what timeframe does your forecast consider? Do you back-test your forecasts to evaluate whether they were accurate?

6. Do your proxy-voting teams engage with the portfolio managers to get their views as to what is in the best economic interest of shareholders?

7. Has your firm ever made a vote determination based in whole or in part on any noneconomic factors? If so, please describe such noneconomic factors and explain how such a vote determination is consistent with acting in the best economic interest of shareholders.

8. Does your firm clearly inform your investors or asset holders about any noneconomic factors that you consider when voting on shareholder proposals? If so, please describe the process by which you inform your clients of those noneconomic factors.

9. What process does your firm have in place for determining how to vote on a proposal when your firm agrees with only a portion of the proposal's request?

10. With respect to a shareholder proposal, when your firm considers a vote that is not aligned with the recommendation of a board composed of a majority of independent directors, how do you determine whether your vote is more in line with the best economic interests of shareholders than with the independent board's recommendation? And how, if at all, do you consider the fact that an independent board of directors is bound by its fiduciary duties to shareholders to make a vote recommendation based on the best economic interests of shareholders?

11. Does your firm have controls in place to ensure that your firm's votes on shareholder proposals do not discourage legal activities (such as business associated with fossil fuel, guns, or tobacco) for noneconomic reasons? If so, please describe them. If not, please explain why your firm lacks such controls.

12. Does your firm have an established set of goals against which you measure shareholder proposals on environmental, social and/or political proposals? If so, what are those goals?

13. Does your firm have voting policies with respect to environmental, social and/or political shareholder proposals? If so, please describe those policies and explain the process for developing those policies, including whether such process involved an economic analysis to determine whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. Please also identify any processes you have in place to override any of those policies, and explain in what circumstances your firm would override those policies.

14. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley has concluded that "ESG investing does not have any advantage over broad-based investing," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[1] Do you agree with his conclusion? If not, please explain the basis for your disagreement.

15. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, noting that "[s]ome resolutions ask companies to address social or environmental concerns that are already subject to regulation."[2] And when "a proposal asks an individual issuer to adopt a standard that is higher than the regulatory requirement and peers' practices," T. Rowe Price "will take potential competitive harm into consideration in [its] voting decision." Does your firm also consider competitive harm in your voting decisions in such circumstances? If not, why not?

[1] Terrence Keeley, *Vanguard's CEO Bucks the ESG Orthodoxy*, WALL ST. J. (Feb. 26, 2023), https://www.wsj.com/articles/vanguards-ceo-bucks-the-esg-orthodoxy-tim-buckley-net-zero-emissions-united-nations-initiative-nzam-f6ae910d.

[2] T. ROWE PRICE, PROXY VOTING GUIDELINES (Feb. 2023) 17, https://www.troweprice.com/content/dam/trowecorp/Pdfs/proxy-voting-guidelines-TRPA.pdf.

16. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, as "[s]ome resolutions ask investors to impose company-level, private-market solutions to problems that are clearly better addressed by other stakeholders, including regulators, legislators, the courts, or communities."[3] And when "a proposal seeks to apply company-level solutions to a broad societal problem, and the company has little influence over the problem," T. Rowe Price "may deem the resolution to be poorly crafted or misdirected." Does your firm also deem such proposals to be poorly crafted or misdirected? If not, why not?

B. Use of Proxy-Advisory Firms

1. Does your firm subscribe to the services of proxy-advisory firms? If so, please name the proxy-advisory firms whose services your firm has used.

2. What is your firm's process for evaluating proxy-advisory firms' recommendations?

3. For each proxy-advisory firm to which your firm subscribes, what percentage of the time has your firm voted consistent with that proxy-advisory firm's recommendations regarding shareholder proposals in 2022 and in 2023 (through the date of this letter)?

4. For shareholder proposals in 2022 and in 2023 (through the date of this letter), what percentage of the time did your firm independently evaluate the research and recommendations of proxy-advisory firms?

5. What processes does your firm have in place to evaluate whether the recommendations of a for-profit proxy-advisory firm are in the best economic interests of the shareholders at the company receiving the proposal?

C. Conflicts of Interest

1. Is your firm a signatory to the Glasgow Financial Alliance for Net Zero, the Net Zero Asset Managers Initiative, or other related organizations?[4] If so, how do you reconcile your commitment to those initiatives with your fiduciary duty to shareholders? Have you obtained the consent of your customers for this material conflict of interest?[5]

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[3] *Id.*

[4] *See* Our Members, GLASGOW FINANCIAL ALLIANCE FOR NET ZERO, https://www.gfanzero.com/membership/ (last visited Feb. 13, 2023); Signatories, NET ZERO ASSET MANAGERS INITIATIVE, https://www.netzeroassetmanagers.org/signatories/ (last visited Feb. 13, 2023).

[5] *See* 15 U.S.C. §80b-11.

2. Is your firm a signatory to the U.N.'s Principles for Responsible Investment?[6] If so, how do you reconcile your fiduciary duty to shareholders with your commitment to an organization that seeks to "establish that asset owners' responsibilities to their beneficiaries extend beyond the risk/return profile of their investments to include making decisions that benefit the world beneficiaries live in."[7]

3. Has your firm committed to pursuing the goals or initiatives of any other ESG-related organizations?

4. What controls does your firm have in place to ensure that its commitments to other projects and organizations do not interfere with your firm's fiduciary duty to shareholders?

5. Does your firm have controls in place to ensure that personal views on ESG issues or political issues are not reflected in your firm's vote decisions on shareholder proposals? If so, please describe them. If not, please explain why your firm lacks such controls.

II. Evaluating Shareholder Proposals on Specific Topics

A. Shareholder Proposals Relating to Climate Reporting

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform climate-related audits or to prepare reports on climate-related risks? For any "yes" votes, please explain whether and how your firm determined whether such reports or audits would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with such reports or audits, and how you determined whether the existing climate reporting of such companies was insufficient.

2. Do you have empirical evidence that any climate report or audit that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to conduct a climate report or audit? If so, and if your firm has voted in favor of shareholder proposals requiring climate reports or audits at other companies, please explain the discrepancy between your board's recommendation regarding climate reports or audits at your firm and your firm's vote regarding climate reports or audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

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[6] PRINCIPLES FOR RESPONSIBLE INVESTMENT, A BLUEPRINT FOR RESPONSIBLE INVESTMENT, https://www.unpri.org/download?ac=5330.
[7] *Id.* at 14.

4. In considering shareholder proposals requiring insurance companies to report how they measure, disclose, and reduce the greenhouse gas (GHG) emissions associated with underwriting, insurance, and investment activities, did your firm consider the broadly applicable concern, as expressed by Chubb, that "we are not aware of any method by which we could reasonably measure the GHG emissions of our insureds?"[8] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

5. In considering shareholder proposals requiring a net-zero emissions analysis report, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e consider the likelihood of the IEA's NZE 2050 scenario to be remote… [y]our Board believes it would not be a responsible use of Company resources to produce a further report to address a speculative scenario?"[9] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

6. In considering shareholder proposals requiring reporting on Scope 3 GHG emissions, did your firm consider the broadly applicable concern, as expressed by Dollar Tree, that "[t]he proponent's suggestion that such goal include Scope 3 emissions in particular is premature and very difficult to do given the level of information available across the Company's global value chain."[10] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

B. Shareholder Proposals Relating to Actions to Reduce Greenhouse-Gas Emissions

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to take actions to reduce GHG emissions? For any "yes" vote, please explain whether and how your firm determined whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with proposals requesting a reduction of GHG emissions.

2. Do you have empirical evidence that any GHG emissions-reduction requirement that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

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[8] Chubb Limited, Definitive Proxy Statement (Schedule 14A), May 19, 2022, at 51, https://www.sec.gov/Archives/edgar/data/0000896159/000110465922042195/tm2135945-3_def14a.htm#tI.
[9] Chevron Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 93, https://www.sec.gov/Archives/edgar/data/0000093410/000119312522098301/d292137ddef14a.htm.
[10] Dollar Tree, Inc., Definitive Proxy Statement (Schedule 14A), May 18, 2022, at 105, https://www.sec.gov/Archives/edgar/data/0000935703/000110465922062246/tm223490-2_def14a.htm.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to take an action to reduce GHG emissions? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to reduce GHG emissions, please explain the discrepancy between your board's recommendation regarding GHG emissions at your firm and your firm's vote regarding GHG emissions at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

4. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by DTE Energy, that "[t]he Board considers that the science behind measuring Scope 3 emissions is currently too unsettled for full incorporation into the company's emissions reduction goals"?[11] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the DTE Energy proposal and similar proposals?

5. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e could reduce our GHG emissions by changing our portfolio and selling our emissions-producing assets, but that would not serve our stockholders, who benefit from our strong asset base,"[12] and the similar concern, as expressed by Exxon, that "the proponent has confirmed in an interview available on its website that their proposal is designed with the explicit intent to constrain Exxon Mobil's future investments in oil and gas"?[13] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Chevron and Exxon proposals, as well as similar proposals?

6. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Phillips 66, that "[s]etting targets that require even more significant technological and social transformation outside our control could create reputational risk and potential harm to shareholders"?[14] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Phillips 66 and similar proposals?

7. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley "knows that Vanguard can't promise to be a fiduciary to its clients while also committing to align its assets with the 2050 net-zero target," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[15] Do you agree with his conclusion? If not, please explain your disagreement.

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[11] DTE Energy Co., Definitive Proxy Statement (Schedule 14A), Mar. 17, 2022, at 60, https://www.sec.gov/Archives/edgar/data/936340/000093634022000105/def14a2022.htm.
[12] Chevron Corp., Definitive Proxy Statement, *supra* note 9, at 91.
[13] Exxon Mobil Corp., Definitive Proxy Statement, *supra* note 2, at 72.
[14] Phillips 66, Definitive Proxy Statement (Schedule 14A), Mar. 31, 2022, at 96, https://www.sec.gov/Archives/edgar/data/0001534701/000120677422000928/psx3965551_def14a.htm.
[15] Keeley, *supra* note **Error! Bookmark not defined.**.

8. According to Vanguard CEO Tim Buckley, "[p]oliticians and regulators have a central role to play in setting the ground rules to achieve a just transition." The Wall Street Journal reported that "Mr. Buckley understands that progress toward net-zero emissions doesn't depend on how people invest."[16] Do you agree with his conclusion? If not, please explain your disagreement.

C. Shareholder Proposals Relating to Diversity or Racial Equity

1. Is it your firm's position that diversity or racial equity should be a factor in forming decisions on shareholder proposals? If so, please provide your firm's definition of racial equity, and explain the role it plays in your decisions on shareholder proposals.

2. At what rate did your firm vote in favor of shareholder proposals requiring the company to increase diversity among its board of directors or workforce?

3. Do you have empirical evidence that any diversity requirement that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

4. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal relating to board or workforce diversity? If so, and if your firm has voted in favor of shareholder proposals at other companies relating to board or workforce diversity, please explain the discrepancy between your board's recommendation regarding diversity at your firm and your firm's vote regarding diversity at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

5. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform a racial-equity or civil-rights audit?

6. Do you have empirical evidence that any racial-equity or civil-rights audit that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

7. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to perform a racial-equity or civil-rights audit? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to conduct such audits, please explain the discrepancy between your board's recommendation regarding racial audits at your firm and your firm's vote regarding racial audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

[16] *Id.*

8. In considering shareholder proposals relating to diversity or racial equity, please explain whether and how your firm determines whether such proposals would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with performing a racial-equity or civil-rights audit, and how you determine whether such companies' existing efforts regarding diversity or racial equity are insufficient.

9. In considering shareholder proposals relating to diversity or racial equity, did your firm consider the legality of the proposal? For example, did your firm consider the concern, as expressed by Travelers, an insurance company, that "[t]aking race into account in underwriting or rate-setting … is unlawful under the insurance laws of virtually every state and would improperly inject racial considerations into a heavily regulated decision-making process?"[17] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on this proposal?

III. Votes on Proposals Submitted by Specific Proponents

1. At what rate did your firm vote in favor of proposals submitted by the National Legal and Policy Center in 2022 and 2023 (through the date of this letter)?

2. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter)?

3. At what rate did your firm vote in favor of proposals submitted by Steven Milloy in 2022 and 2023 (through the date of this letter)?

4. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Legal and Policy Center, the National Center for Public Policy Research, and Steven Milloy in 2022 and 2023 (through the date of this letter)? If there are any discrepancy between your answer to this question and your answers to questions III.1 through III.3, please explain those discrepancies.

5. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit?

6. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit? If there is any discrepancy between your answer to this question and your answers to question III.5, please explain that discrepancy.

[17] The Travelers Companies, Inc., Definitive Proxy Statement, *supra* note 4, at 80.

7. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities?

8. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities? If there is any discrepancy between your answer to this question and your answer to question III.7, please explain that discrepancy.

May 15, 2023

Tim Buckley
Chairman and Chief Executive Officer
Vanguard
100 Vanguard Blvd, Malvern, PA 19355

Dear Tim Buckley,

We, the undersigned state treasurers and financial officers, have been elected to safeguard our States' public funds, which may include public funds from our States that you manage.[1] Recent headlines have given us cause to question whether management decisions being provided properly pursue our taxpayers' best long-term economic interests. Specifically, we are concerned that taxpayers' best long-term economic interests might have become subordinated to environmental, social, and political interests often divorced from shareholder value—and often pushed through shareholder proposals.[2]

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[1] We recognize that not all the states represented in this letter directly use your services as they manage state funds with internal staff. However, because of the role your firm has in voting proxies, the information you provide in response to this letter is of importance to all states due to its general impact on the investing universe.
[2] *See* Hannah Orowitz, Rajeev Kumar & Lee Anne Hagel, GEORGESON, *An Early Look at the 2022 Proxy Season*, June 7, 2022, at 4, 12, 14, https://corpgov.law.harvard.edu/wp-content/uploads/2022/06/Georgeson_EPS_whitepaper_2022_v6.pdf.
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speech,"[4] insurance companies to consider race in underwriting insurance policies,[5] and retailers to weigh in on state abortion policy.[6] At best, those kinds of ESG proposals require expensive audits, time-consuming reports, and cumbersome policies with no apparent link to a targeted company's business. At worst, they require the targeted companies to spend significant management time and corporate resources pursuing goals untethered to shareholder value, or to relinquish parts of their business—including products or services that investors deemed worthy investments of their hard-earned capital in the first place.

Your core fiduciary obligations as asset managers require you to act in the economic interest of those who have entrusted you with their investments.[7] That means your votes on shareholder proposals must advance your investors' interests—not your own, or the interests of third parties. And make no mistake: Your votes wield significant influence on behalf of your clients. The largest one percent of asset managers manage 61 percent of total industry assets.[8] Given the significant impact that your firm's votes have on corporate practices, your voting decisions simply must promote the best economic interests of the ultimate asset owners in order for you to discharge your fiduciary responsibilities.

To help us understand how your firm makes voting decisions—and to allay concerns that some of those decisions might be based on factors other than the best economic interests of shareholders—please respond to the attached questionnaire by June 29, 2023. To aid in an efficient dialogue on these topics, please tailor your responses to shareholder proposals related to the issues described below and submitted for a vote at annual meetings conducted in 2022 and 2023 (through the date of this letter).

Thank you for your careful attention to these important requests. Your candid, prompt responses are critical to helping us properly discharge the fiduciary duties we owe to our constituents. If you have any questions about the contents of this letter, please contact the Utah Office of State Treasurer by phone (801-538-1042) or email (sto@utah.gov).

Respectfully,

Alaska Commissioner of Revenue Adam Crum

Arizona Treasurer Kimberly Yee

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Indiana Treasurer Dan Elliott

Iowa Treasurer Roby Smith

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Nebraska Auditor Mike Foley

North Carolina Treasurer Dale Folwell

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A. General Principles

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2. What is your firm's process for evaluating whether a shareholder proposal is in the best economic interest of shareholders of the company subject to the proposal?

3. Does your firm conduct economic analysis to determine whether a shareholder proposal in the best economic interest of shareholders of the company subject to the proposal? If so, please describe it. If not, please explain why, and on what basis you determine whether a shareholder proposal would be in the best interest of those shareholders.

4. When evaluating a shareholder proposal, in addition to considering long-term risks to a business associated with the concern raised by a shareholder proposal, do you also evaluate the short-term costs involved in implementing the proposal's request? If so, please explain your analysis and how you balance the potential long-term risks and the near-term costs.

5. Does your firm evaluate shareholder proposals by forecasting the expected impact of the proposal on the economic interests of the shareholders of the company subject to the proposal? If so, what timeframe does your forecast consider? Do you back-test your forecasts to evaluate whether they were accurate?

6. Do your proxy-voting teams engage with the portfolio managers to get their views as to what is in the best economic interest of shareholders?

7. Has your firm ever made a vote determination based in whole or in part on any noneconomic factors? If so, please describe such noneconomic factors and explain how such a vote determination is consistent with acting in the best economic interest of shareholders.

8. Does your firm clearly inform your investors or asset holders about any noneconomic factors that you consider when voting on shareholder proposals? If so, please describe the process by which you inform your clients of those noneconomic factors.

9. What process does your firm have in place for determining how to vote on a proposal when your firm agrees with only a portion of the proposal's request?

10. With respect to a shareholder proposal, when your firm considers a vote that is not aligned with the recommendation of a board composed of a majority of independent directors, how do you determine whether your vote is more in line with the best economic interests of shareholders than with the independent board's recommendation? And how, if at all, do you consider the fact that an independent board of directors is bound by its fiduciary duties to shareholders to make a vote recommendation based on the best economic interests of shareholders?

11. Does your firm have controls in place to ensure that your firm's votes on shareholder proposals do not discourage legal activities (such as business associated with fossil fuel, guns, or tobacco) for noneconomic reasons? If so, please describe them. If not, please explain why your firm lacks such controls.

12. Does your firm have an established set of goals against which you measure shareholder proposals on environmental, social and/or political proposals? If so, what are those goals?

13. Does your firm have voting policies with respect to environmental, social and/or political shareholder proposals? If so, please describe those policies and explain the process for developing those policies, including whether such process involved an economic analysis to determine whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. Please also identify any processes you have in place to override any of those policies, and explain in what circumstances your firm would override those policies.

14. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley has concluded that "ESG investing does not have any advantage over broad-based investing," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[1] Do you agree with his conclusion? If not, please explain the basis for your disagreement.

15. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, noting that "[s]ome resolutions ask companies to address social or environmental concerns that are already subject to regulation."[2] And when "a proposal asks an individual issuer to adopt a standard that is higher than the regulatory requirement and peers' practices," T. Rowe Price "will take potential competitive harm into consideration in [its] voting decision." Does your firm also consider competitive harm in your voting decisions in such circumstances? If not, why not?

[1] Terrence Keeley, *Vanguard's CEO Bucks the ESG Orthodoxy*, WALL ST. J. (Feb. 26, 2023), https://www.wsj.com/articles/vanguards-ceo-bucks-the-esg-orthodoxy-tim-buckley-net-zero-emissions-united-nations-initiative-nzam-f6ae910d.

[2] T. ROWE PRICE, PROXY VOTING GUIDELINES (Feb. 2023) 17, https://www.troweprice.com/content/dam/trowecorp/Pdfs/proxy-voting-guidelines-TRPA.pdf.

16. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, as "[s]ome resolutions ask investors to impose company-level, private-market solutions to problems that are clearly better addressed by other stakeholders, including regulators, legislators, the courts, or communities."[3] And when "a proposal seeks to apply company-level solutions to a broad societal problem, and the company has little influence over the problem," T. Rowe Price "may deem the resolution to be poorly crafted or misdirected." Does your firm also deem such proposals to be poorly crafted or misdirected? If not, why not?

B. Use of Proxy-Advisory Firms

1. Does your firm subscribe to the services of proxy-advisory firms? If so, please name the proxy-advisory firms whose services your firm has used.

2. What is your firm's process for evaluating proxy-advisory firms' recommendations?

3. For each proxy-advisory firm to which your firm subscribes, what percentage of the time has your firm voted consistent with that proxy-advisory firm's recommendations regarding shareholder proposals in 2022 and in 2023 (through the date of this letter)?

4. For shareholder proposals in 2022 and in 2023 (through the date of this letter), what percentage of the time did your firm independently evaluate the research and recommendations of proxy-advisory firms?

5. What processes does your firm have in place to evaluate whether the recommendations of a for-profit proxy-advisory firm are in the best economic interests of the shareholders at the company receiving the proposal?

C. Conflicts of Interest

1. Is your firm a signatory to the Glasgow Financial Alliance for Net Zero, the Net Zero Asset Managers Initiative, or other related organizations?[4] If so, how do you reconcile your commitment to those initiatives with your fiduciary duty to shareholders? Have you obtained the consent of your customers for this material conflict of interest?[5]

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[3] *Id.*

[4] *See* Our Members, GLASGOW FINANCIAL ALLIANCE FOR NET ZERO, https://www.gfanzero.com/membership/ (last visited Feb. 13, 2023); Signatories, NET ZERO ASSET MANAGERS INITIATIVE, https://www.netzeroassetmanagers.org/signatories/ (last visited Feb. 13, 2023).

[5] *See* 15 U.S.C. §80b-11.

2. Is your firm a signatory to the U.N.'s Principles for Responsible Investment?[6] If so, how do you reconcile your fiduciary duty to shareholders with your commitment to an organization that seeks to "establish that asset owners' responsibilities to their beneficiaries extend beyond the risk/return profile of their investments to include making decisions that benefit the world beneficiaries live in."[7]

3. Has your firm committed to pursuing the goals or initiatives of any other ESG-related organizations?

4. What controls does your firm have in place to ensure that its commitments to other projects and organizations do not interfere with your firm's fiduciary duty to shareholders?

5. Does your firm have controls in place to ensure that personal views on ESG issues or political issues are not reflected in your firm's vote decisions on shareholder proposals? If so, please describe them. If not, please explain why your firm lacks such controls.

II. Evaluating Shareholder Proposals on Specific Topics

A. Shareholder Proposals Relating to Climate Reporting

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform climate-related audits or to prepare reports on climate-related risks? For any "yes" votes, please explain whether and how your firm determined whether such reports or audits would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with such reports or audits, and how you determined whether the existing climate reporting of such companies was insufficient.

2. Do you have empirical evidence that any climate report or audit that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to conduct a climate report or audit? If so, and if your firm has voted in favor of shareholder proposals requiring climate reports or audits at other companies, please explain the discrepancy between your board's recommendation regarding climate reports or audits at your firm and your firm's vote regarding climate reports or audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

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[6] PRINCIPLES FOR RESPONSIBLE INVESTMENT, A BLUEPRINT FOR RESPONSIBLE INVESTMENT, https://www.unpri.org/download?ac=5330.
[7] *Id.* at 14.

4. In considering shareholder proposals requiring insurance companies to report how they measure, disclose, and reduce the greenhouse gas (GHG) emissions associated with underwriting, insurance, and investment activities, did your firm consider the broadly applicable concern, as expressed by Chubb, that "we are not aware of any method by which we could reasonably measure the GHG emissions of our insureds?"[8] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

5. In considering shareholder proposals requiring a net-zero emissions analysis report, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e consider the likelihood of the IEA's NZE 2050 scenario to be remote… [y]our Board believes it would not be a responsible use of Company resources to produce a further report to address a speculative scenario?"[9] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

6. In considering shareholder proposals requiring reporting on Scope 3 GHG emissions, did your firm consider the broadly applicable concern, as expressed by Dollar Tree, that "[t]he proponent's suggestion that such goal include Scope 3 emissions in particular is premature and very difficult to do given the level of information available across the Company's global value chain."[10] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

B. Shareholder Proposals Relating to Actions to Reduce Greenhouse-Gas Emissions

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to take actions to reduce GHG emissions? For any "yes" vote, please explain whether and how your firm determined whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with proposals requesting a reduction of GHG emissions.

2. Do you have empirical evidence that any GHG emissions-reduction requirement that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

[8] Chubb Limited, Definitive Proxy Statement (Schedule 14A), May 19, 2022, at 51, https://www.sec.gov/Archives/edgar/data/0000896159/000110465922042195/tm2135945-3_def14a.htm#tI.
[9] Chevron Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 93, https://www.sec.gov/Archives/edgar/data/0000093410/000119312522098301/d292137ddef14a.htm.
[10] Dollar Tree, Inc., Definitive Proxy Statement (Schedule 14A), May 18, 2022, at 105, https://www.sec.gov/Archives/edgar/data/0000935703/000110465922062246/tm223490-2_def14a.htm.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to take an action to reduce GHG emissions? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to reduce GHG emissions, please explain the discrepancy between your board's recommendation regarding GHG emissions at your firm and your firm's vote regarding GHG emissions at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

4. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by DTE Energy, that "[t]he Board considers that the science behind measuring Scope 3 emissions is currently too unsettled for full incorporation into the company's emissions reduction goals"?[11] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the DTE Energy proposal and similar proposals?

5. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e could reduce our GHG emissions by changing our portfolio and selling our emissions-producing assets, but that would not serve our stockholders, who benefit from our strong asset base,"[12] and the similar concern, as expressed by Exxon, that "the proponent has confirmed in an interview available on its website that their proposal is designed with the explicit intent to constrain Exxon Mobil's future investments in oil and gas"?[13] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Chevron and Exxon proposals, as well as similar proposals?

6. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Phillips 66, that "[s]etting targets that require even more significant technological and social transformation outside our control could create reputational risk and potential harm to shareholders"?[14] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Phillips 66 and similar proposals?

7. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley "knows that Vanguard can't promise to be a fiduciary to its clients while also committing to align its assets with the 2050 net-zero target," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[15] Do you agree with his conclusion? If not, please explain your disagreement.

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[11] DTE Energy Co., Definitive Proxy Statement (Schedule 14A), Mar. 17, 2022, at 60, https://www.sec.gov/Archives/edgar/data/936340/000093634022000105/def14a2022.htm.
[12] Chevron Corp., Definitive Proxy Statement, *supra* note 9, at 91.
[13] Exxon Mobil Corp., Definitive Proxy Statement, *supra* note 2, at 72.
[14] Phillips 66, Definitive Proxy Statement (Schedule 14A), Mar. 31, 2022, at 96, https://www.sec.gov/Archives/edgar/data/0001534701/000120677422000928/psx3965551_def14a.htm.
[15] Keeley, *supra* note **Error! Bookmark not defined.**.

8. According to Vanguard CEO Tim Buckley, "[p]oliticians and regulators have a central role to play in setting the ground rules to achieve a just transition." The Wall Street Journal reported that "Mr. Buckley understands that progress toward net-zero emissions doesn't depend on how people invest."[16] Do you agree with his conclusion? If not, please explain your disagreement.

C. Shareholder Proposals Relating to Diversity or Racial Equity

1. Is it your firm's position that diversity or racial equity should be a factor in forming decisions on shareholder proposals? If so, please provide your firm's definition of racial equity, and explain the role it plays in your decisions on shareholder proposals.

2. At what rate did your firm vote in favor of shareholder proposals requiring the company to increase diversity among its board of directors or workforce?

3. Do you have empirical evidence that any diversity requirement that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

4. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal relating to board or workforce diversity? If so, and if your firm has voted in favor of shareholder proposals at other companies relating to board or workforce diversity, please explain the discrepancy between your board's recommendation regarding diversity at your firm and your firm's vote regarding diversity at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

5. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform a racial-equity or civil-rights audit?

6. Do you have empirical evidence that any racial-equity or civil-rights audit that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

7. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to perform a racial-equity or civil-rights audit? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to conduct such audits, please explain the discrepancy between your board's recommendation regarding racial audits at your firm and your firm's vote regarding racial audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

[16] *Id.*

8. In considering shareholder proposals relating to diversity or racial equity, please explain whether and how your firm determines whether such proposals would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with performing a racial-equity or civil-rights audit, and how you determine whether such companies' existing efforts regarding diversity or racial equity are insufficient.

9. In considering shareholder proposals relating to diversity or racial equity, did your firm consider the legality of the proposal? For example, did your firm consider the concern, as expressed by Travelers, an insurance company, that "[t]aking race into account in underwriting or rate-setting … is unlawful under the insurance laws of virtually every state and would improperly inject racial considerations into a heavily regulated decision-making process?"[17] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on this proposal?

III. Votes on Proposals Submitted by Specific Proponents

1. At what rate did your firm vote in favor of proposals submitted by the National Legal and Policy Center in 2022 and 2023 (through the date of this letter)?

2. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter)?

3. At what rate did your firm vote in favor of proposals submitted by Steven Milloy in 2022 and 2023 (through the date of this letter)?

4. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Legal and Policy Center, the National Center for Public Policy Research, and Steven Milloy in 2022 and 2023 (through the date of this letter)? If there are any discrepancy between your answer to this question and your answers to questions III.1 through III.3, please explain those discrepancies.

5. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit?

6. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit? If there is any discrepancy between your answer to this question and your answers to question III.5, please explain that discrepancy.

[17] The Travelers Companies, Inc., Definitive Proxy Statement, *supra* note 4, at 80.

7. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities?

8. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities? If there is any discrepancy between your answer to this question and your answer to question III.7, please explain that discrepancy.

May 15, 2023

Ronald O'Hanley
Chairman and Chief Executive Officer
State Street Global Advisors
1 Iron Street, Boston, MA 02210

Dear Ronald O'Hanley,

We, the undersigned state treasurers and financial officers, have been elected to safeguard our States' public funds, which may include public funds from our States that you manage.[1] Recent headlines have given us cause to question whether management decisions being provided properly pursue our taxpayers' best long-term economic interests. Specifically, we are concerned that taxpayers' best long-term economic interests might have become subordinated to environmental, social, and political interests often divorced from shareholder value—and often pushed through shareholder proposals.[2]

To take just a few examples, some recent shareholder proposals would require oil companies to pledge fealty to the Paris Climate Agreement,[3] social media companies to crack down on "hate

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[1] We recognize that not all the states represented in this letter directly use your services as they manage state funds with internal staff. However, because of the role your firm has in voting proxies, the information you provide in response to this letter is of importance to all states due to its general impact on the investing universe.

[2] *See* Hannah Orowitz, Rajeev Kumar & Lee Anne Hagel, GEORGESON, *An Early Look at the 2022 Proxy Season*, June 7, 2022, at 4, 12, 14, https://corpgov.law.harvard.edu/wp-content/uploads/2022/06/Georgeson_EPS_whitepaper_2022_v6.pdf.

[3] Exxon Mobil Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 71, https://www.sec.gov/Archives/edgar/data/34088/000119312522098314/d280259ddef14a.htm.

speech,"[4] insurance companies to consider race in underwriting insurance policies,[5] and retailers to weigh in on state abortion policy.[6] At best, those kinds of ESG proposals require expensive audits, time-consuming reports, and cumbersome policies with no apparent link to a targeted company's business. At worst, they require the targeted companies to spend significant management time and corporate resources pursuing goals untethered to shareholder value, or to relinquish parts of their business—including products or services that investors deemed worthy investments of their hard-earned capital in the first place.

Your core fiduciary obligations as asset managers require you to act in the economic interest of those who have entrusted you with their investments.[7] That means your votes on shareholder proposals must advance your investors' interests—not your own, or the interests of third parties. And make no mistake: Your votes wield significant influence on behalf of your clients. The largest one percent of asset managers manage 61 percent of total industry assets.[8] Given the significant impact that your firm's votes have on corporate practices, your voting decisions simply must promote the best economic interests of the ultimate asset owners in order for you to discharge your fiduciary responsibilities.

To help us understand how your firm makes voting decisions—and to allay concerns that some of those decisions might be based on factors other than the best economic interests of shareholders—please respond to the attached questionnaire by June 29, 2023. To aid in an efficient dialogue on these topics, please tailor your responses to shareholder proposals related to the issues described below and submitted for a vote at annual meetings conducted in 2022 and 2023 (through the date of this letter).

Thank you for your careful attention to these important requests. Your candid, prompt responses are critical to helping us properly discharge the fiduciary duties we owe to our constituents. If you have any questions about the contents of this letter, please contact the Utah Office of State Treasurer by phone (801-538-1042) or email (sto@utah.gov).

Respectfully,

Alaska Commissioner of Revenue Adam Crum

Arizona Treasurer Kimberly Yee

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[4] Meta Platforms, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 74, https://www.sec.gov/Archives/edgar/data/1326801/000132680122000043/meta2022definitiveproxysta.htm.

[5] The Travelers Companies, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 79, https://www.sec.gov/Archives/edgar/data/86312/000008631222000019/a2022proxystatement.htm.

[6] Walmart, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 21, 2022, at 90, https://www.sec.gov/Archives/edgar/data/0000104169/000010416922000019/a2022proxystatement.htm.

[7] *See* 15 U.S.C. §80b-11; 5 U.S.C. 8477(b).

[8] *See* Siobhan Riding, *Trillion-Dollar Club Tightens Grip on Fund Market During Crisis*, FINANCIAL TIMES, May 10, 2020, https://www.ft.com/content/a6aa1010-3dff-4521-af52-fbadb496c89d.

Florida Chief Financial Officer Jimmy Patronis

Idaho Treasurer Julie Ellsworth

Indiana Treasurer Dan Elliott

Iowa Treasurer Roby Smith

Kansas Treasurer Steven Johnson

Louisiana Treasurer John Schroder

Mississippi Treasurer David McRae

Missouri State Auditor Scott Fitzpatrick

Missouri Treasurer Vivek Malek

Nebraska Treasurer John Murante

Nebraska Auditor Mike Foley

North Carolina Treasurer Dale Folwell

North Dakota Treasurer Thomas Beadle

Oklahoma Auditor & Inspector Cindy Byrd

Oklahoma Treasurer Todd Russ

South Carolina Treasurer Curtis M. Loftis, Jr.

Utah Treasurer Marlo Oaks

West Virginia Treasurer Riley Moore

Wyoming Treasurer Curt Meier

Proxy Voting Questionnaire

I. Evaluating Shareholder Proposals Generally

A. General Principles

1. Does your firm vote on shareholder proposals based solely on what your firm considers to be in the best economic interest of shareholders of the company subject to the proposal?

2. What is your firm's process for evaluating whether a shareholder proposal is in the best economic interest of shareholders of the company subject to the proposal?

3. Does your firm conduct economic analysis to determine whether a shareholder proposal in the best economic interest of shareholders of the company subject to the proposal? If so, please describe it. If not, please explain why, and on what basis you determine whether a shareholder proposal would be in the best interest of those shareholders.

4. When evaluating a shareholder proposal, in addition to considering long-term risks to a business associated with the concern raised by a shareholder proposal, do you also evaluate the short-term costs involved in implementing the proposal's request? If so, please explain your analysis and how you balance the potential long-term risks and the near-term costs.

5. Does your firm evaluate shareholder proposals by forecasting the expected impact of the proposal on the economic interests of the shareholders of the company subject to the proposal? If so, what timeframe does your forecast consider? Do you back-test your forecasts to evaluate whether they were accurate?

6. Do your proxy-voting teams engage with the portfolio managers to get their views as to what is in the best economic interest of shareholders?

7. Has your firm ever made a vote determination based in whole or in part on any noneconomic factors? If so, please describe such noneconomic factors and explain how such a vote determination is consistent with acting in the best economic interest of shareholders.

8. Does your firm clearly inform your investors or asset holders about any noneconomic factors that you consider when voting on shareholder proposals? If so, please describe the process by which you inform your clients of those noneconomic factors.

9. What process does your firm have in place for determining how to vote on a proposal when your firm agrees with only a portion of the proposal's request?

10. With respect to a shareholder proposal, when your firm considers a vote that is not aligned with the recommendation of a board composed of a majority of independent directors, how do you determine whether your vote is more in line with the best economic interests of shareholders than with the independent board's recommendation? And how, if at all, do you consider the fact that an independent board of directors is bound by its fiduciary duties to shareholders to make a vote recommendation based on the best economic interests of shareholders?

11. Does your firm have controls in place to ensure that your firm's votes on shareholder proposals do not discourage legal activities (such as business associated with fossil fuel, guns, or tobacco) for noneconomic reasons? If so, please describe them. If not, please explain why your firm lacks such controls.

12. Does your firm have an established set of goals against which you measure shareholder proposals on environmental, social and/or political proposals? If so, what are those goals?

13. Does your firm have voting policies with respect to environmental, social and/or political shareholder proposals? If so, please describe those policies and explain the process for developing those policies, including whether such process involved an economic analysis to determine whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. Please also identify any processes you have in place to override any of those policies, and explain in what circumstances your firm would override those policies.

14. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley has concluded that "ESG investing does not have any advantage over broad-based investing," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[1] Do you agree with his conclusion? If not, please explain the basis for your disagreement.

15. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, noting that "[s]ome resolutions ask companies to address social or environmental concerns that are already subject to regulation."[2] And when "a proposal asks an individual issuer to adopt a standard that is higher than the regulatory requirement and peers' practices," T. Rowe Price "will take potential competitive harm into consideration in [its] voting decision." Does your firm also consider competitive harm in your voting decisions in such circumstances? If not, why not?

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[1] Terrence Keeley, *Vanguard's CEO Bucks the ESG Orthodoxy*, WALL ST. J. (Feb. 26, 2023), https://www.wsj.com/articles/vanguards-ceo-bucks-the-esg-orthodoxy-tim-buckley-net-zero-emissions-united-nations-initiative-nzam-f6ae910d.

[2] T. ROWE PRICE, PROXY VOTING GUIDELINES (Feb. 2023) 17, https://www.troweprice.com/content/dam/trowecorp/Pdfs/proxy-voting-guidelines-TRPA.pdf.

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1. Does your firm subscribe to the services of proxy-advisory firms? If so, please name the proxy-advisory firms whose services your firm has used.

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3. For each proxy-advisory firm to which your firm subscribes, what percentage of the time has your firm voted consistent with that proxy-advisory firm's recommendations regarding shareholder proposals in 2022 and in 2023 (through the date of this letter)?

4. For shareholder proposals in 2022 and in 2023 (through the date of this letter), what percentage of the time did your firm independently evaluate the research and recommendations of proxy-advisory firms?

5. What processes does your firm have in place to evaluate whether the recommendations of a for-profit proxy-advisory firm are in the best economic interests of the shareholders at the company receiving the proposal?

C. Conflicts of Interest

1. Is your firm a signatory to the Glasgow Financial Alliance for Net Zero, the Net Zero Asset Managers Initiative, or other related organizations?[4] If so, how do you reconcile your commitment to those initiatives with your fiduciary duty to shareholders? Have you obtained the consent of your customers for this material conflict of interest?[5]

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[3] *Id.*

[4] *See* Our Members, GLASGOW FINANCIAL ALLIANCE FOR NET ZERO, https://www.gfanzero.com/membership/ (last visited Feb. 13, 2023); Signatories, NET ZERO ASSET MANAGERS INITIATIVE, https://www.netzeroassetmanagers.org/signatories/ (last visited Feb. 13, 2023).

[5] *See* 15 U.S.C. §80b-11.

2. Is your firm a signatory to the U.N.'s Principles for Responsible Investment?[6] If so, how do you reconcile your fiduciary duty to shareholders with your commitment to an organization that seeks to "establish that asset owners' responsibilities to their beneficiaries extend beyond the risk/return profile of their investments to include making decisions that benefit the world beneficiaries live in."[7]

3. Has your firm committed to pursuing the goals or initiatives of any other ESG-related organizations?

4. What controls does your firm have in place to ensure that its commitments to other projects and organizations do not interfere with your firm's fiduciary duty to shareholders?

5. Does your firm have controls in place to ensure that personal views on ESG issues or political issues are not reflected in your firm's vote decisions on shareholder proposals? If so, please describe them. If not, please explain why your firm lacks such controls.

II. Evaluating Shareholder Proposals on Specific Topics

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1. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform climate-related audits or to prepare reports on climate-related risks? For any "yes" votes, please explain whether and how your firm determined whether such reports or audits would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with such reports or audits, and how you determined whether the existing climate reporting of such companies was insufficient.

2. Do you have empirical evidence that any climate report or audit that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to conduct a climate report or audit? If so, and if your firm has voted in favor of shareholder proposals requiring climate reports or audits at other companies, please explain the discrepancy between your board's recommendation regarding climate reports or audits at your firm and your firm's vote regarding climate reports or audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

[6] PRINCIPLES FOR RESPONSIBLE INVESTMENT, A BLUEPRINT FOR RESPONSIBLE INVESTMENT, https://www.unpri.org/download?ac=5330.
[7] *Id.* at 14.

4. In considering shareholder proposals requiring insurance companies to report how they measure, disclose, and reduce the greenhouse gas (GHG) emissions associated with underwriting, insurance, and investment activities, did your firm consider the broadly applicable concern, as expressed by Chubb, that "we are not aware of any method by which we could reasonably measure the GHG emissions of our insureds?"[8] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

5. In considering shareholder proposals requiring a net-zero emissions analysis report, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e consider the likelihood of the IEA's NZE 2050 scenario to be remote… [y]our Board believes it would not be a responsible use of Company resources to produce a further report to address a speculative scenario?"[9] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

6. In considering shareholder proposals requiring reporting on Scope 3 GHG emissions, did your firm consider the broadly applicable concern, as expressed by Dollar Tree, that "[t]he proponent's suggestion that such goal include Scope 3 emissions in particular is premature and very difficult to do given the level of information available across the Company's global value chain."[10] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

B. Shareholder Proposals Relating to Actions to Reduce Greenhouse-Gas Emissions

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to take actions to reduce GHG emissions? For any "yes" vote, please explain whether and how your firm determined whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with proposals requesting a reduction of GHG emissions.

2. Do you have empirical evidence that any GHG emissions-reduction requirement that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

[8] Chubb Limited, Definitive Proxy Statement (Schedule 14A), May 19, 2022, at 51, https://www.sec.gov/Archives/edgar/data/0000896159/000110465922042195/tm2135945-3_def14a.htm#tI.
[9] Chevron Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 93, https://www.sec.gov/Archives/edgar/data/0000093410/000119312522098301/d292137ddef14a.htm.
[10] Dollar Tree, Inc., Definitive Proxy Statement (Schedule 14A), May 18, 2022, at 105, https://www.sec.gov/Archives/edgar/data/0000935703/000110465922062246/tm223490-2_def14a.htm.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to take an action to reduce GHG emissions? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to reduce GHG emissions, please explain the discrepancy between your board's recommendation regarding GHG emissions at your firm and your firm's vote regarding GHG emissions at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

4. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by DTE Energy, that "[t]he Board considers that the science behind measuring Scope 3 emissions is currently too unsettled for full incorporation into the company's emissions reduction goals"?[11] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the DTE Energy proposal and similar proposals?

5. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e could reduce our GHG emissions by changing our portfolio and selling our emissions-producing assets, but that would not serve our stockholders, who benefit from our strong asset base,"[12] and the similar concern, as expressed by Exxon, that "the proponent has confirmed in an interview available on its website that their proposal is designed with the explicit intent to constrain Exxon Mobil's future investments in oil and gas"?[13] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Chevron and Exxon proposals, as well as similar proposals?

6. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Phillips 66, that "[s]etting targets that require even more significant technological and social transformation outside our control could create reputational risk and potential harm to shareholders"?[14] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Phillips 66 and similar proposals?

7. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley "knows that Vanguard can't promise to be a fiduciary to its clients while also committing to align its assets with the 2050 net-zero target," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[15] Do you agree with his conclusion? If not, please explain your disagreement.

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[11] DTE Energy Co., Definitive Proxy Statement (Schedule 14A), Mar. 17, 2022, at 60, https://www.sec.gov/Archives/edgar/data/936340/000093634022000105/def14a2022.htm.
[12] Chevron Corp., Definitive Proxy Statement, *supra* note 9, at 91.
[13] Exxon Mobil Corp., Definitive Proxy Statement, *supra* note 2, at 72.
[14] Phillips 66, Definitive Proxy Statement (Schedule 14A), Mar. 31, 2022, at 96, https://www.sec.gov/Archives/edgar/data/0001534701/000120677422000928/psx3965551_def14a.htm.
[15] Keeley, *supra* note **Error! Bookmark not defined.**.

8. According to Vanguard CEO Tim Buckley, "[p]oliticians and regulators have a central role to play in setting the ground rules to achieve a just transition." The Wall Street Journal reported that "Mr. Buckley understands that progress toward net-zero emissions doesn't depend on how people invest."[16] Do you agree with his conclusion? If not, please explain your disagreement.

C. Shareholder Proposals Relating to Diversity or Racial Equity

1. Is it your firm's position that diversity or racial equity should be a factor in forming decisions on shareholder proposals? If so, please provide your firm's definition of racial equity, and explain the role it plays in your decisions on shareholder proposals.

2. At what rate did your firm vote in favor of shareholder proposals requiring the company to increase diversity among its board of directors or workforce?

3. Do you have empirical evidence that any diversity requirement that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

4. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal relating to board or workforce diversity? If so, and if your firm has voted in favor of shareholder proposals at other companies relating to board or workforce diversity, please explain the discrepancy between your board's recommendation regarding diversity at your firm and your firm's vote regarding diversity at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

5. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform a racial-equity or civil-rights audit?

6. Do you have empirical evidence that any racial-equity or civil-rights audit that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

7. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to perform a racial-equity or civil-rights audit? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to conduct such audits, please explain the discrepancy between your board's recommendation regarding racial audits at your firm and your firm's vote regarding racial audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

[16] *Id.*

8. In considering shareholder proposals relating to diversity or racial equity, please explain whether and how your firm determines whether such proposals would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with performing a racial-equity or civil-rights audit, and how you determine whether such companies' existing efforts regarding diversity or racial equity are insufficient.

9. In considering shareholder proposals relating to diversity or racial equity, did your firm consider the legality of the proposal? For example, did your firm consider the concern, as expressed by Travelers, an insurance company, that "[t]aking race into account in underwriting or rate-setting … is unlawful under the insurance laws of virtually every state and would improperly inject racial considerations into a heavily regulated decision-making process?"[17] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on this proposal?

III. Votes on Proposals Submitted by Specific Proponents

1. At what rate did your firm vote in favor of proposals submitted by the National Legal and Policy Center in 2022 and 2023 (through the date of this letter)?

2. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter)?

3. At what rate did your firm vote in favor of proposals submitted by Steven Milloy in 2022 and 2023 (through the date of this letter)?

4. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Legal and Policy Center, the National Center for Public Policy Research, and Steven Milloy in 2022 and 2023 (through the date of this letter)? If there are any discrepancy between your answer to this question and your answers to questions III.1 through III.3, please explain those discrepancies.

5. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit?

6. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit? If there is any discrepancy between your answer to this question and your answers to question III.5, please explain that discrepancy.

[17] The Travelers Companies, Inc., Definitive Proxy Statement, *supra* note 4, at 80.

7. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities?

8. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities? If there is any discrepancy between your answer to this question and your answer to question III.7, please explain that discrepancy.

May 15, 2023

Alastair Borthwick
Chief Executive Officer
Bank of America
100 North Tryon Street, Charlotte, NC 28255

Dear Alastair Borthwick,

We, the undersigned state treasurers and financial officers, have been elected to safeguard our States' public funds, which may include public funds from our States that you manage.[1] Recent headlines have given us cause to question whether management decisions being provided properly pursue our taxpayers' best long-term economic interests. Specifically, we are concerned that taxpayers' best long-term economic interests might have become subordinated to environmental, social, and political interests often divorced from shareholder value—and often pushed through shareholder proposals.[2]

To take just a few examples, some recent shareholder proposals would require oil companies to pledge fealty to the Paris Climate Agreement,[3] social media companies to crack down on "hate

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[1] We recognize that not all the states represented in this letter directly use your services as they manage state funds with internal staff. However, because of the role your firm has in voting proxies, the information you provide in response to this letter is of importance to all states due to its general impact on the investing universe.
[2] *See* Hannah Orowitz, Rajeev Kumar & Lee Anne Hagel, GEORGESON, *An Early Look at the 2022 Proxy Season*, June 7, 2022, at 4, 12, 14, https://corpgov.law.harvard.edu/wp-content/uploads/2022/06/Georgeson_EPS_whitepaper_2022_v6.pdf.
[3] Exxon Mobil Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 71, https://www.sec.gov/Archives/edgar/data/34088/000119312522098314/d280259ddef14a.htm.

speech,"[4] insurance companies to consider race in underwriting insurance policies,[5] and retailers to weigh in on state abortion policy.[6] At best, those kinds of ESG proposals require expensive audits, time-consuming reports, and cumbersome policies with no apparent link to a targeted company's business. At worst, they require the targeted companies to spend significant management time and corporate resources pursuing goals untethered to shareholder value, or to relinquish parts of their business—including products or services that investors deemed worthy investments of their hard-earned capital in the first place.

Your core fiduciary obligations as asset managers require you to act in the economic interest of those who have entrusted you with their investments.[7] That means your votes on shareholder proposals must advance your investors' interests—not your own, or the interests of third parties. And make no mistake: Your votes wield significant influence on behalf of your clients. The largest one percent of asset managers manage 61 percent of total industry assets.[8] Given the significant impact that your firm's votes have on corporate practices, your voting decisions simply must promote the best economic interests of the ultimate asset owners in order for you to discharge your fiduciary responsibilities.

To help us understand how your firm makes voting decisions—and to allay concerns that some of those decisions might be based on factors other than the best economic interests of shareholders—please respond to the attached questionnaire by June 29, 2023. To aid in an efficient dialogue on these topics, please tailor your responses to shareholder proposals related to the issues described below and submitted for a vote at annual meetings conducted in 2022 and 2023 (through the date of this letter).

Thank you for your careful attention to these important requests. Your candid, prompt responses are critical to helping us properly discharge the fiduciary duties we owe to our constituents. If you have any questions about the contents of this letter, please contact the Utah Office of State Treasurer by phone (801-538-1042) or email (sto@utah.gov).

Respectfully,

Alaska Commissioner of Revenue Adam Crum

Arizona Treasurer Kimberly Yee

4 Meta Platforms, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 74, https://www.sec.gov/Archives/edgar/data/1326801/000132680122000043/meta2022definitiveproxysta.htm.
5 The Travelers Companies, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 79, https://www.sec.gov/Archives/edgar/data/86312/000008631222000019/a2022proxystatement.htm.
6 Walmart, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 21, 2022, at 90, https://www.sec.gov/Archives/edgar/data/0000104169/000010416922000019/a2022proxystatement.htm.
7 *See* 15 U.S.C. §80b-11; 5 U.S.C. 8477(b).
8 *See* Siobhan Riding, *Trillion-Dollar Club Tightens Grip on Fund Market During Crisis*, FINANCIAL TIMES, May 10, 2020, https://www.ft.com/content/a6aa1010-3dff-4521-af52-fbadb496c89d.

Florida Chief Financial Officer Jimmy Patronis

Idaho Treasurer Julie Ellsworth

Indiana Treasurer Dan Elliott

Iowa Treasurer Roby Smith

Kansas Treasurer Steven Johnson

Louisiana Treasurer John Schroder

Mississippi Treasurer David McRae

Missouri State Auditor Scott Fitzpatrick

Missouri Treasurer Vivek Malek

Nebraska Treasurer John Murante

Nebraska Auditor Mike Foley

North Carolina Treasurer Dale Folwell

North Dakota Treasurer Thomas Beadle

Oklahoma Auditor & Inspector Cindy Byrd

Oklahoma Treasurer Todd Russ

South Carolina Treasurer Curtis M. Loftis, Jr.

Utah Treasurer Marlo Oaks

West Virginia Treasurer Riley Moore

Wyoming Treasurer Curt Meier

Proxy Voting Questionnaire

I. Evaluating Shareholder Proposals Generally

A. General Principles

1. Does your firm vote on shareholder proposals based solely on what your firm considers to be in the best economic interest of shareholders of the company subject to the proposal?

2. What is your firm's process for evaluating whether a shareholder proposal is in the best economic interest of shareholders of the company subject to the proposal?

3. Does your firm conduct economic analysis to determine whether a shareholder proposal in the best economic interest of shareholders of the company subject to the proposal? If so, please describe it. If not, please explain why, and on what basis you determine whether a shareholder proposal would be in the best interest of those shareholders.

4. When evaluating a shareholder proposal, in addition to considering long-term risks to a business associated with the concern raised by a shareholder proposal, do you also evaluate the short-term costs involved in implementing the proposal's request? If so, please explain your analysis and how you balance the potential long-term risks and the near-term costs.

5. Does your firm evaluate shareholder proposals by forecasting the expected impact of the proposal on the economic interests of the shareholders of the company subject to the proposal? If so, what timeframe does your forecast consider? Do you back-test your forecasts to evaluate whether they were accurate?

6. Do your proxy-voting teams engage with the portfolio managers to get their views as to what is in the best economic interest of shareholders?

7. Has your firm ever made a vote determination based in whole or in part on any noneconomic factors? If so, please describe such noneconomic factors and explain how such a vote determination is consistent with acting in the best economic interest of shareholders.

8. Does your firm clearly inform your investors or asset holders about any noneconomic factors that you consider when voting on shareholder proposals? If so, please describe the process by which you inform your clients of those noneconomic factors.

9. What process does your firm have in place for determining how to vote on a proposal when your firm agrees with only a portion of the proposal's request?

10. With respect to a shareholder proposal, when your firm considers a vote that is not aligned with the recommendation of a board composed of a majority of independent directors, how do you determine whether your vote is more in line with the best economic interests of shareholders than with the independent board's recommendation? And how, if at all, do you consider the fact that an independent board of directors is bound by its fiduciary duties to shareholders to make a vote recommendation based on the best economic interests of shareholders?

11. Does your firm have controls in place to ensure that your firm's votes on shareholder proposals do not discourage legal activities (such as business associated with fossil fuel, guns, or tobacco) for noneconomic reasons? If so, please describe them. If not, please explain why your firm lacks such controls.

12. Does your firm have an established set of goals against which you measure shareholder proposals on environmental, social and/or political proposals? If so, what are those goals?

13. Does your firm have voting policies with respect to environmental, social and/or political shareholder proposals? If so, please describe those policies and explain the process for developing those policies, including whether such process involved an economic analysis to determine whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. Please also identify any processes you have in place to override any of those policies, and explain in what circumstances your firm would override those policies.

14. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley has concluded that "ESG investing does not have any advantage over broad-based investing," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[1] Do you agree with his conclusion? If not, please explain the basis for your disagreement.

15. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, noting that "[s]ome resolutions ask companies to address social or environmental concerns that are already subject to regulation."[2] And when "a proposal asks an individual issuer to adopt a standard that is higher than the regulatory requirement and peers' practices," T. Rowe Price "will take potential competitive harm into consideration in [its] voting decision." Does your firm also consider competitive harm in your voting decisions in such circumstances? If not, why not?

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[1] Terrence Keeley, *Vanguard's CEO Bucks the ESG Orthodoxy*, WALL ST. J. (Feb. 26, 2023), https://www.wsj.com/articles/vanguards-ceo-bucks-the-esg-orthodoxy-tim-buckley-net-zero-emissions-united-nations-initiative-nzam-f6ae910d.

[2] T. ROWE PRICE, PROXY VOTING GUIDELINES (Feb. 2023) 17, https://www.troweprice.com/content/dam/trowecorp/Pdfs/proxy-voting-guidelines-TRPA.pdf.

16. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, as "[s]ome resolutions ask investors to impose company-level, private-market solutions to problems that are clearly better addressed by other stakeholders, including regulators, legislators, the courts, or communities."[3] And when "a proposal seeks to apply company-level solutions to a broad societal problem, and the company has little influence over the problem," T. Rowe Price "may deem the resolution to be poorly crafted or misdirected." Does your firm also deem such proposals to be poorly crafted or misdirected? If not, why not?

B. Use of Proxy-Advisory Firms

1. Does your firm subscribe to the services of proxy-advisory firms? If so, please name the proxy-advisory firms whose services your firm has used.

2. What is your firm's process for evaluating proxy-advisory firms' recommendations?

3. For each proxy-advisory firm to which your firm subscribes, what percentage of the time has your firm voted consistent with that proxy-advisory firm's recommendations regarding shareholder proposals in 2022 and in 2023 (through the date of this letter)?

4. For shareholder proposals in 2022 and in 2023 (through the date of this letter), what percentage of the time did your firm independently evaluate the research and recommendations of proxy-advisory firms?

5. What processes does your firm have in place to evaluate whether the recommendations of a for-profit proxy-advisory firm are in the best economic interests of the shareholders at the company receiving the proposal?

C. Conflicts of Interest

1. Is your firm a signatory to the Glasgow Financial Alliance for Net Zero, the Net Zero Asset Managers Initiative, or other related organizations?[4] If so, how do you reconcile your commitment to those initiatives with your fiduciary duty to shareholders? Have you obtained the consent of your customers for this material conflict of interest?[5]

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[3] *Id.*

[4] *See* Our Members, GLASGOW FINANCIAL ALLIANCE FOR NET ZERO, https://www.gfanzero.com/membership/ (last visited Feb. 13, 2023); Signatories, NET ZERO ASSET MANAGERS INITIATIVE, https://www.netzeroassetmanagers.org/signatories/ (last visited Feb. 13, 2023).

[5] *See* 15 U.S.C. §80b-11.

2. Is your firm a signatory to the U.N.'s Principles for Responsible Investment?[6] If so, how do you reconcile your fiduciary duty to shareholders with your commitment to an organization that seeks to "establish that asset owners' responsibilities to their beneficiaries extend beyond the risk/return profile of their investments to include making decisions that benefit the world beneficiaries live in."[7]

3. Has your firm committed to pursuing the goals or initiatives of any other ESG-related organizations?

4. What controls does your firm have in place to ensure that its commitments to other projects and organizations do not interfere with your firm's fiduciary duty to shareholders?

5. Does your firm have controls in place to ensure that personal views on ESG issues or political issues are not reflected in your firm's vote decisions on shareholder proposals? If so, please describe them. If not, please explain why your firm lacks such controls.

II. Evaluating Shareholder Proposals on Specific Topics

A. Shareholder Proposals Relating to Climate Reporting

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform climate-related audits or to prepare reports on climate-related risks? For any "yes" votes, please explain whether and how your firm determined whether such reports or audits would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with such reports or audits, and how you determined whether the existing climate reporting of such companies was insufficient.

2. Do you have empirical evidence that any climate report or audit that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to conduct a climate report or audit? If so, and if your firm has voted in favor of shareholder proposals requiring climate reports or audits at other companies, please explain the discrepancy between your board's recommendation regarding climate reports or audits at your firm and your firm's vote regarding climate reports or audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

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[6] PRINCIPLES FOR RESPONSIBLE INVESTMENT, A BLUEPRINT FOR RESPONSIBLE INVESTMENT, https://www.unpri.org/download?ac=5330.
[7] *Id.* at 14.

4. In considering shareholder proposals requiring insurance companies to report how they measure, disclose, and reduce the greenhouse gas (GHG) emissions associated with underwriting, insurance, and investment activities, did your firm consider the broadly applicable concern, as expressed by Chubb, that "we are not aware of any method by which we could reasonably measure the GHG emissions of our insureds?"[8] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

5. In considering shareholder proposals requiring a net-zero emissions analysis report, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e consider the likelihood of the IEA's NZE 2050 scenario to be remote… [y]our Board believes it would not be a responsible use of Company resources to produce a further report to address a speculative scenario?"[9] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

6. In considering shareholder proposals requiring reporting on Scope 3 GHG emissions, did your firm consider the broadly applicable concern, as expressed by Dollar Tree, that "[t]he proponent's suggestion that such goal include Scope 3 emissions in particular is premature and very difficult to do given the level of information available across the Company's global value chain."[10] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

B. Shareholder Proposals Relating to Actions to Reduce Greenhouse-Gas Emissions

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to take actions to reduce GHG emissions? For any "yes" vote, please explain whether and how your firm determined whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with proposals requesting a reduction of GHG emissions.

2. Do you have empirical evidence that any GHG emissions-reduction requirement that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

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[8] Chubb Limited, Definitive Proxy Statement (Schedule 14A), May 19, 2022, at 51, https://www.sec.gov/Archives/edgar/data/0000896159/000110465922042195/tm2135945-3_def14a.htm#tI.

[9] Chevron Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 93, https://www.sec.gov/Archives/edgar/data/0000093410/000119312522098301/d292137ddef14a.htm.

[10] Dollar Tree, Inc., Definitive Proxy Statement (Schedule 14A), May 18, 2022, at 105, https://www.sec.gov/Archives/edgar/data/0000935703/000110465922062246/tm223490-2_def14a.htm.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to take an action to reduce GHG emissions? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to reduce GHG emissions, please explain the discrepancy between your board's recommendation regarding GHG emissions at your firm and your firm's vote regarding GHG emissions at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

4. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by DTE Energy, that "[t]he Board considers that the science behind measuring Scope 3 emissions is currently too unsettled for full incorporation into the company's emissions reduction goals"?[11] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the DTE Energy proposal and similar proposals?

5. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e could reduce our GHG emissions by changing our portfolio and selling our emissions-producing assets, but that would not serve our stockholders, who benefit from our strong asset base,"[12] and the similar concern, as expressed by Exxon, that "the proponent has confirmed in an interview available on its website that their proposal is designed with the explicit intent to constrain Exxon Mobil's future investments in oil and gas"?[13] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Chevron and Exxon proposals, as well as similar proposals?

6. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Phillips 66, that "[s]etting targets that require even more significant technological and social transformation outside our control could create reputational risk and potential harm to shareholders"?[14] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Phillips 66 and similar proposals?

7. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley "knows that Vanguard can't promise to be a fiduciary to its clients while also committing to align its assets with the 2050 net-zero target," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[15] Do you agree with his conclusion? If not, please explain your disagreement.

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[11] DTE Energy Co., Definitive Proxy Statement (Schedule 14A), Mar. 17, 2022, at 60, https://www.sec.gov/Archives/edgar/data/936340/000093634022000105/def14a2022.htm.
[12] Chevron Corp., Definitive Proxy Statement, *supra* note 9, at 91.
[13] Exxon Mobil Corp., Definitive Proxy Statement, *supra* note 2, at 72.
[14] Phillips 66, Definitive Proxy Statement (Schedule 14A), Mar. 31, 2022, at 96, https://www.sec.gov/Archives/edgar/data/0001534701/000120677422000928/psx3965551_def14a.htm.
[15] Keeley, *supra* note **Error! Bookmark not defined.**.

8. According to Vanguard CEO Tim Buckley, "[p]oliticians and regulators have a central role to play in setting the ground rules to achieve a just transition." The Wall Street Journal reported that "Mr. Buckley understands that progress toward net-zero emissions doesn't depend on how people invest."[16] Do you agree with his conclusion? If not, please explain your disagreement.

C. Shareholder Proposals Relating to Diversity or Racial Equity

1. Is it your firm's position that diversity or racial equity should be a factor in forming decisions on shareholder proposals? If so, please provide your firm's definition of racial equity, and explain the role it plays in your decisions on shareholder proposals.

2. At what rate did your firm vote in favor of shareholder proposals requiring the company to increase diversity among its board of directors or workforce?

3. Do you have empirical evidence that any diversity requirement that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

4. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal relating to board or workforce diversity? If so, and if your firm has voted in favor of shareholder proposals at other companies relating to board or workforce diversity, please explain the discrepancy between your board's recommendation regarding diversity at your firm and your firm's vote regarding diversity at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

5. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform a racial-equity or civil-rights audit?

6. Do you have empirical evidence that any racial-equity or civil-rights audit that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

7. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to perform a racial-equity or civil-rights audit? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to conduct such audits, please explain the discrepancy between your board's recommendation regarding racial audits at your firm and your firm's vote regarding racial audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

[16] *Id.*

8. In considering shareholder proposals relating to diversity or racial equity, please explain whether and how your firm determines whether such proposals would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with performing a racial-equity or civil-rights audit, and how you determine whether such companies' existing efforts regarding diversity or racial equity are insufficient.

9. In considering shareholder proposals relating to diversity or racial equity, did your firm consider the legality of the proposal? For example, did your firm consider the concern, as expressed by Travelers, an insurance company, that "[t]aking race into account in underwriting or rate-setting … is unlawful under the insurance laws of virtually every state and would improperly inject racial considerations into a heavily regulated decision-making process?"[17] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on this proposal?

III. Votes on Proposals Submitted by Specific Proponents

1. At what rate did your firm vote in favor of proposals submitted by the National Legal and Policy Center in 2022 and 2023 (through the date of this letter)?

2. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter)?

3. At what rate did your firm vote in favor of proposals submitted by Steven Milloy in 2022 and 2023 (through the date of this letter)?

4. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Legal and Policy Center, the National Center for Public Policy Research, and Steven Milloy in 2022 and 2023 (through the date of this letter)? If there are any discrepancy between your answer to this question and your answers to questions III.1 through III.3, please explain those discrepancies.

5. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit?

6. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit? If there is any discrepancy between your answer to this question and your answers to question III.5, please explain that discrepancy.

[17] The Travelers Companies, Inc., Definitive Proxy Statement, *supra* note 4, at 80.

7. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities?

8. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities? If there is any discrepancy between your answer to this question and your answer to question III.7, please explain that discrepancy.

May 15, 2023

Penny Pennington
Managing Partner
Edward Jones
12555 Manchester Rd, Saint Louis, MO 63131

Dear Penny Pennington,

We, the undersigned state treasurers and financial officers, have been elected to safeguard our States' public funds, which may include public funds from our States that you manage.[1] Recent headlines have given us cause to question whether management decisions being provided properly pursue our taxpayers' best long-term economic interests. Specifically, we are concerned that taxpayers' best long-term economic interests might have become subordinated to environmental, social, and political interests often divorced from shareholder value—and often pushed through shareholder proposals.[2]

To take just a few examples, some recent shareholder proposals would require oil companies to pledge fealty to the Paris Climate Agreement,[3] social media companies to crack down on "hate

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[1] We recognize that not all the states represented in this letter directly use your services as they manage state funds with internal staff. However, because of the role your firm has in voting proxies, the information you provide in response to this letter is of importance to all states due to its general impact on the investing universe.

[2] *See* Hannah Orowitz, Rajeev Kumar & Lee Anne Hagel, GEORGESON, *An Early Look at the 2022 Proxy Season*, June 7, 2022, at 4, 12, 14, https://corpgov.law.harvard.edu/wp-content/uploads/2022/06/Georgeson_EPS_whitepaper_2022_v6.pdf.

[3] Exxon Mobil Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 71, https://www.sec.gov/Archives/edgar/data/34088/000119312522098314/d280259ddef14a.htm.

speech,"[4] insurance companies to consider race in underwriting insurance policies,[5] and retailers to weigh in on state abortion policy.[6] At best, those kinds of ESG proposals require expensive audits, time-consuming reports, and cumbersome policies with no apparent link to a targeted company's business. At worst, they require the targeted companies to spend significant management time and corporate resources pursuing goals untethered to shareholder value, or to relinquish parts of their business—including products or services that investors deemed worthy investments of their hard-earned capital in the first place.

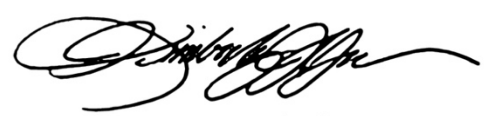
Your core fiduciary obligations as asset managers require you to act in the economic interest of those who have entrusted you with their investments.[7] That means your votes on shareholder proposals must advance your investors' interests—not your own, or the interests of third parties. And make no mistake: Your votes wield significant influence on behalf of your clients. The largest one percent of asset managers manage 61 percent of total industry assets.[8] Given the significant impact that your firm's votes have on corporate practices, your voting decisions simply must promote the best economic interests of the ultimate asset owners in order for you to discharge your fiduciary responsibilities.

To help us understand how your firm makes voting decisions—and to allay concerns that some of those decisions might be based on factors other than the best economic interests of shareholders—please respond to the attached questionnaire by June 29, 2023. To aid in an efficient dialogue on these topics, <u>please tailor your responses to shareholder proposals related to the issues described below and submitted for a vote at annual meetings conducted in 2022 and 2023 (through the date of this letter)</u>.

Thank you for your careful attention to these important requests. Your candid, prompt responses are critical to helping us properly discharge the fiduciary duties we owe to our constituents. If you have any questions about the contents of this letter, please contact the Utah Office of State Treasurer by phone (801-538-1042) or email (sto@utah.gov).

Respectfully,

Alaska Commissioner of Revenue Adam Crum



Arizona Treasurer Kimberly Yee

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[4] Meta Platforms, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 74, https://www.sec.gov/Archives/edgar/data/1326801/000132680122000043/meta2022definitiveproxysta.htm.
[5] The Travelers Companies, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 79, https://www.sec.gov/Archives/edgar/data/86312/000008631222000019/a2022proxystatement.htm.
[6] Walmart, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 21, 2022, at 90, https://www.sec.gov/Archives/edgar/data/0000104169/000010416922000019/a2022proxystatement.htm.
[7] *See* 15 U.S.C. §80b-11; 5 U.S.C. 8477(b).
[8] *See* Siobhan Riding, *Trillion-Dollar Club Tightens Grip on Fund Market During Crisis*, FINANCIAL TIMES, May 10, 2020, https://www.ft.com/content/a6aa1010-3dff-4521-af52-fbadb496c89d.

Florida Chief Financial Officer Jimmy Patronis

Idaho Treasurer Julie Ellsworth

Indiana Treasurer Dan Elliott

Iowa Treasurer Roby Smith

Kansas Treasurer Steven Johnson

Louisiana Treasurer John Schroder

Mississippi Treasurer David McRae

Missouri State Auditor Scott Fitzpatrick

Missouri Treasurer Vivek Malek

Nebraska Treasurer John Murante

Nebraska Auditor Mike Foley

North Carolina Treasurer Dale Folwell

North Dakota Treasurer Thomas Beadle

Oklahoma Auditor & Inspector Cindy Byrd

Oklahoma Treasurer Todd Russ

South Carolina Treasurer Curtis M. Loftis, Jr.

Utah Treasurer Marlo Oaks

West Virginia Treasurer Riley Moore

Wyoming Treasurer Curt Meier

Proxy Voting Questionnaire

I. Evaluating Shareholder Proposals Generally

A. General Principles

1. Does your firm vote on shareholder proposals based solely on what your firm considers to be in the best economic interest of shareholders of the company subject to the proposal?

2. What is your firm's process for evaluating whether a shareholder proposal is in the best economic interest of shareholders of the company subject to the proposal?

3. Does your firm conduct economic analysis to determine whether a shareholder proposal in the best economic interest of shareholders of the company subject to the proposal? If so, please describe it. If not, please explain why, and on what basis you determine whether a shareholder proposal would be in the best interest of those shareholders.

4. When evaluating a shareholder proposal, in addition to considering long-term risks to a business associated with the concern raised by a shareholder proposal, do you also evaluate the short-term costs involved in implementing the proposal's request? If so, please explain your analysis and how you balance the potential long-term risks and the near-term costs.

5. Does your firm evaluate shareholder proposals by forecasting the expected impact of the proposal on the economic interests of the shareholders of the company subject to the proposal? If so, what timeframe does your forecast consider? Do you back-test your forecasts to evaluate whether they were accurate?

6. Do your proxy-voting teams engage with the portfolio managers to get their views as to what is in the best economic interest of shareholders?

7. Has your firm ever made a vote determination based in whole or in part on any noneconomic factors? If so, please describe such noneconomic factors and explain how such a vote determination is consistent with acting in the best economic interest of shareholders.

8. Does your firm clearly inform your investors or asset holders about any noneconomic factors that you consider when voting on shareholder proposals? If so, please describe the process by which you inform your clients of those noneconomic factors.

9. What process does your firm have in place for determining how to vote on a proposal when your firm agrees with only a portion of the proposal's request?

10. With respect to a shareholder proposal, when your firm considers a vote that is not aligned with the recommendation of a board composed of a majority of independent directors, how do you determine whether your vote is more in line with the best economic interests of shareholders than with the independent board's recommendation? And how, if at all, do you consider the fact that an independent board of directors is bound by its fiduciary duties to shareholders to make a vote recommendation based on the best economic interests of shareholders?

11. Does your firm have controls in place to ensure that your firm's votes on shareholder proposals do not discourage legal activities (such as business associated with fossil fuel, guns, or tobacco) for noneconomic reasons? If so, please describe them. If not, please explain why your firm lacks such controls.

12. Does your firm have an established set of goals against which you measure shareholder proposals on environmental, social and/or political proposals? If so, what are those goals?

13. Does your firm have voting policies with respect to environmental, social and/or political shareholder proposals? If so, please describe those policies and explain the process for developing those policies, including whether such process involved an economic analysis to determine whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. Please also identify any processes you have in place to override any of those policies, and explain in what circumstances your firm would override those policies.

14. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley has concluded that "ESG investing does not have any advantage over broad-based investing," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[1] Do you agree with his conclusion? If not, please explain the basis for your disagreement.

15. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, noting that "[s]ome resolutions ask companies to address social or environmental concerns that are already subject to regulation."[2] And when "a proposal asks an individual issuer to adopt a standard that is higher than the regulatory requirement and peers' practices," T. Rowe Price "will take potential competitive harm into consideration in [its] voting decision." Does your firm also consider competitive harm in your voting decisions in such circumstances? If not, why not?

[1] Terrence Keeley, *Vanguard's CEO Bucks the ESG Orthodoxy*, WALL ST. J. (Feb. 26, 2023), https://www.wsj.com/articles/vanguards-ceo-bucks-the-esg-orthodoxy-tim-buckley-net-zero-emissions-united-nations-initiative-nzam-f6ae910d.

[2] T. ROWE PRICE, PROXY VOTING GUIDELINES (Feb. 2023) 17, https://www.troweprice.com/content/dam/trowecorp/Pdfs/proxy-voting-guidelines-TRPA.pdf.

16. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, as "[s]ome resolutions ask investors to impose company-level, private-market solutions to problems that are clearly better addressed by other stakeholders, including regulators, legislators, the courts, or communities."[3] And when "a proposal seeks to apply company-level solutions to a broad societal problem, and the company has little influence over the problem," T. Rowe Price "may deem the resolution to be poorly crafted or misdirected." Does your firm also deem such proposals to be poorly crafted or misdirected? If not, why not?

B. Use of Proxy-Advisory Firms

1. Does your firm subscribe to the services of proxy-advisory firms? If so, please name the proxy-advisory firms whose services your firm has used.

2. What is your firm's process for evaluating proxy-advisory firms' recommendations?

3. For each proxy-advisory firm to which your firm subscribes, what percentage of the time has your firm voted consistent with that proxy-advisory firm's recommendations regarding shareholder proposals in 2022 and in 2023 (through the date of this letter)?

4. For shareholder proposals in 2022 and in 2023 (through the date of this letter), what percentage of the time did your firm independently evaluate the research and recommendations of proxy-advisory firms?

5. What processes does your firm have in place to evaluate whether the recommendations of a for-profit proxy-advisory firm are in the best economic interests of the shareholders at the company receiving the proposal?

C. Conflicts of Interest

1. Is your firm a signatory to the Glasgow Financial Alliance for Net Zero, the Net Zero Asset Managers Initiative, or other related organizations?[4] If so, how do you reconcile your commitment to those initiatives with your fiduciary duty to shareholders? Have you obtained the consent of your customers for this material conflict of interest?[5]

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[3] *Id.*
[4] *See* Our Members, GLASGOW FINANCIAL ALLIANCE FOR NET ZERO, https://www.gfanzero.com/membership/ (last visited Feb. 13, 2023); Signatories, NET ZERO ASSET MANAGERS INITIATIVE, https://www.netzeroassetmanagers.org/signatories/ (last visited Feb. 13, 2023).
[5] *See* 15 U.S.C. §80b-11.

2. Is your firm a signatory to the U.N.'s Principles for Responsible Investment?[6] If so, how do you reconcile your fiduciary duty to shareholders with your commitment to an organization that seeks to "establish that asset owners' responsibilities to their beneficiaries extend beyond the risk/return profile of their investments to include making decisions that benefit the world beneficiaries live in."[7]

3. Has your firm committed to pursuing the goals or initiatives of any other ESG-related organizations?

4. What controls does your firm have in place to ensure that its commitments to other projects and organizations do not interfere with your firm's fiduciary duty to shareholders?

5. Does your firm have controls in place to ensure that personal views on ESG issues or political issues are not reflected in your firm's vote decisions on shareholder proposals? If so, please describe them. If not, please explain why your firm lacks such controls.

II. Evaluating Shareholder Proposals on Specific Topics

A. Shareholder Proposals Relating to Climate Reporting

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform climate-related audits or to prepare reports on climate-related risks? For any "yes" votes, please explain whether and how your firm determined whether such reports or audits would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with such reports or audits, and how you determined whether the existing climate reporting of such companies was insufficient.

2. Do you have empirical evidence that any climate report or audit that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to conduct a climate report or audit? If so, and if your firm has voted in favor of shareholder proposals requiring climate reports or audits at other companies, please explain the discrepancy between your board's recommendation regarding climate reports or audits at your firm and your firm's vote regarding climate reports or audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

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[6] PRINCIPLES FOR RESPONSIBLE INVESTMENT, A BLUEPRINT FOR RESPONSIBLE INVESTMENT, https://www.unpri.org/download?ac=5330.
[7] *Id.* at 14.

4. In considering shareholder proposals requiring insurance companies to report how they measure, disclose, and reduce the greenhouse gas (GHG) emissions associated with underwriting, insurance, and investment activities, did your firm consider the broadly applicable concern, as expressed by Chubb, that "we are not aware of any method by which we could reasonably measure the GHG emissions of our insureds?"[8] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

5. In considering shareholder proposals requiring a net-zero emissions analysis report, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e consider the likelihood of the IEA's NZE 2050 scenario to be remote… [y]our Board believes it would not be a responsible use of Company resources to produce a further report to address a speculative scenario?"[9] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

6. In considering shareholder proposals requiring reporting on Scope 3 GHG emissions, did your firm consider the broadly applicable concern, as expressed by Dollar Tree, that "[t]he proponent's suggestion that such goal include Scope 3 emissions in particular is premature and very difficult to do given the level of information available across the Company's global value chain."[10] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

B. Shareholder Proposals Relating to Actions to Reduce Greenhouse-Gas Emissions

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to take actions to reduce GHG emissions? For any "yes" vote, please explain whether and how your firm determined whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with proposals requesting a reduction of GHG emissions.

2. Do you have empirical evidence that any GHG emissions-reduction requirement that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

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[8] Chubb Limited, Definitive Proxy Statement (Schedule 14A), May 19, 2022, at 51, https://www.sec.gov/Archives/edgar/data/0000896159/000110465922042195/tm2135945-3_def14a.htm#tI.
[9] Chevron Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 93, https://www.sec.gov/Archives/edgar/data/0000093410/000119312522098301/d292137ddef14a.htm.
[10] Dollar Tree, Inc., Definitive Proxy Statement (Schedule 14A), May 18, 2022, at 105, https://www.sec.gov/Archives/edgar/data/0000935703/000110465922062246/tm223490-2_def14a.htm.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to take an action to reduce GHG emissions? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to reduce GHG emissions, please explain the discrepancy between your board's recommendation regarding GHG emissions at your firm and your firm's vote regarding GHG emissions at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

4. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by DTE Energy, that "[t]he Board considers that the science behind measuring Scope 3 emissions is currently too unsettled for full incorporation into the company's emissions reduction goals"?[11] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the DTE Energy proposal and similar proposals?

5. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e could reduce our GHG emissions by changing our portfolio and selling our emissions-producing assets, but that would not serve our stockholders, who benefit from our strong asset base,"[12] and the similar concern, as expressed by Exxon, that "the proponent has confirmed in an interview available on its website that their proposal is designed with the explicit intent to constrain Exxon Mobil's future investments in oil and gas"?[13] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Chevron and Exxon proposals, as well as similar proposals?

6. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Phillips 66, that "[s]etting targets that require even more significant technological and social transformation outside our control could create reputational risk and potential harm to shareholders"?[14] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Phillips 66 and similar proposals?

7. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley "knows that Vanguard can't promise to be a fiduciary to its clients while also committing to align its assets with the 2050 net-zero target," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[15] Do you agree with his conclusion? If not, please explain your disagreement.

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[11] DTE Energy Co., Definitive Proxy Statement (Schedule 14A), Mar. 17, 2022, at 60, https://www.sec.gov/Archives/edgar/data/936340/000093634022000105/def14a2022.htm.
[12] Chevron Corp., Definitive Proxy Statement, *supra* note 9, at 91.
[13] Exxon Mobil Corp., Definitive Proxy Statement, *supra* note 2, at 72.
[14] Phillips 66, Definitive Proxy Statement (Schedule 14A), Mar. 31, 2022, at 96, https://www.sec.gov/Archives/edgar/data/0001534701/000120677422000928/psx3965551_def14a.htm.
[15] Keeley, *supra* note **Error! Bookmark not defined.**.

8. According to Vanguard CEO Tim Buckley, "[p]oliticians and regulators have a central role to play in setting the ground rules to achieve a just transition." The Wall Street Journal reported that "Mr. Buckley understands that progress toward net-zero emissions doesn't depend on how people invest."[16] Do you agree with his conclusion? If not, please explain your disagreement.

C. Shareholder Proposals Relating to Diversity or Racial Equity

1. Is it your firm's position that diversity or racial equity should be a factor in forming decisions on shareholder proposals? If so, please provide your firm's definition of racial equity, and explain the role it plays in your decisions on shareholder proposals.

2. At what rate did your firm vote in favor of shareholder proposals requiring the company to increase diversity among its board of directors or workforce?

3. Do you have empirical evidence that any diversity requirement that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

4. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal relating to board or workforce diversity? If so, and if your firm has voted in favor of shareholder proposals at other companies relating to board or workforce diversity, please explain the discrepancy between your board's recommendation regarding diversity at your firm and your firm's vote regarding diversity at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

5. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform a racial-equity or civil-rights audit?

6. Do you have empirical evidence that any racial-equity or civil-rights audit that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

7. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to perform a racial-equity or civil-rights audit? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to conduct such audits, please explain the discrepancy between your board's recommendation regarding racial audits at your firm and your firm's vote regarding racial audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

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[16] *Id.*

8. In considering shareholder proposals relating to diversity or racial equity, please explain whether and how your firm determines whether such proposals would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with performing a racial-equity or civil-rights audit, and how you determine whether such companies' existing efforts regarding diversity or racial equity are insufficient.

9. In considering shareholder proposals relating to diversity or racial equity, did your firm consider the legality of the proposal? For example, did your firm consider the concern, as expressed by Travelers, an insurance company, that "[t]aking race into account in underwriting or rate-setting … is unlawful under the insurance laws of virtually every state and would improperly inject racial considerations into a heavily regulated decision-making process?"[17] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on this proposal?

III. Votes on Proposals Submitted by Specific Proponents

1. At what rate did your firm vote in favor of proposals submitted by the National Legal and Policy Center in 2022 and 2023 (through the date of this letter)?

2. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter)?

3. At what rate did your firm vote in favor of proposals submitted by Steven Milloy in 2022 and 2023 (through the date of this letter)?

4. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Legal and Policy Center, the National Center for Public Policy Research, and Steven Milloy in 2022 and 2023 (through the date of this letter)? If there are any discrepancy between your answer to this question and your answers to questions III.1 through III.3, please explain those discrepancies.

5. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit?

6. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit? If there is any discrepancy between your answer to this question and your answers to question III.5, please explain that discrepancy.

[17] The Travelers Companies, Inc., Definitive Proxy Statement, *supra* note 4, at 80.

7. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities?

8. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities? If there is any discrepancy between your answer to this question and your answer to question III.7, please explain that discrepancy.

May 15, 2023

Abigail Johnson
President and Chief Executive Officer
Fidelity Investments
245 Summer St., Boston, MA 02210

Dear Abigail Johnson,

We, the undersigned state treasurers and financial officers, have been elected to safeguard our States' public funds, which may include public funds from our States that you manage.[1] Recent headlines have given us cause to question whether management decisions being provided properly pursue our taxpayers' best long-term economic interests. Specifically, we are concerned that taxpayers' best long-term economic interests might have become subordinated to environmental, social, and political interests often divorced from shareholder value—and often pushed through shareholder proposals.[2]

To take just a few examples, some recent shareholder proposals would require oil companies to pledge fealty to the Paris Climate Agreement,[3] social media companies to crack down on "hate

[1] We recognize that not all the states represented in this letter directly use your services as they manage state funds with internal staff. However, because of the role your firm has in voting proxies, the information you provide in response to this letter is of importance to all states due to its general impact on the investing universe.
[2] *See* Hannah Orowitz, Rajeev Kumar & Lee Anne Hagel, GEORGESON, *An Early Look at the 2022 Proxy Season*, June 7, 2022, at 4, 12, 14, https://corpgov.law.harvard.edu/wp-content/uploads/2022/06/Georgeson_EPS_whitepaper_2022_v6.pdf.
[3] Exxon Mobil Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 71, https://www.sec.gov/Archives/edgar/data/34088/000119312522098314/d280259ddef14a.htm.

speech,"[4] insurance companies to consider race in underwriting insurance policies,[5] and retailers to weigh in on state abortion policy.[6] At best, those kinds of ESG proposals require expensive audits, time-consuming reports, and cumbersome policies with no apparent link to a targeted company's business. At worst, they require the targeted companies to spend significant management time and corporate resources pursuing goals untethered to shareholder value, or to relinquish parts of their business—including products or services that investors deemed worthy investments of their hard-earned capital in the first place.

Your core fiduciary obligations as asset managers require you to act in the economic interest of those who have entrusted you with their investments.[7] That means your votes on shareholder proposals must advance your investors' interests—not your own, or the interests of third parties. And make no mistake: Your votes wield significant influence on behalf of your clients. The largest one percent of asset managers manage 61 percent of total industry assets.[8] Given the significant impact that your firm's votes have on corporate practices, your voting decisions simply must promote the best economic interests of the ultimate asset owners in order for you to discharge your fiduciary responsibilities.

To help us understand how your firm makes voting decisions—and to allay concerns that some of those decisions might be based on factors other than the best economic interests of shareholders—please respond to the attached questionnaire by June 29, 2023. To aid in an efficient dialogue on these topics, please tailor your responses to shareholder proposals related to the issues described below and submitted for a vote at annual meetings conducted in 2022 and 2023 (through the date of this letter).

Thank you for your careful attention to these important requests. Your candid, prompt responses are critical to helping us properly discharge the fiduciary duties we owe to our constituents. If you have any questions about the contents of this letter, please contact the Utah Office of State Treasurer by phone (801-538-1042) or email (sto@utah.gov).

Respectfully,

Alaska Commissioner of Revenue Adam Crum

Arizona Treasurer Kimberly Yee

[4] Meta Platforms, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 74, https://www.sec.gov/Archives/edgar/data/1326801/000132680122000043/meta2022definitiveproxysta.htm.
[5] The Travelers Companies, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 79, https://www.sec.gov/Archives/edgar/data/86312/000008631222000019/a2022proxystatement.htm.
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[7] *See* 15 U.S.C. §80b-11; 5 U.S.C. 8477(b).
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Mississippi Treasurer David McRae

Missouri State Auditor Scott Fitzpatrick

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Nebraska Auditor Mike Foley

North Carolina Treasurer Dale Folwell

North Dakota Treasurer Thomas Beadle

Oklahoma Auditor & Inspector Cindy Byrd

Oklahoma Treasurer Todd Russ

South Carolina Treasurer Curtis M. Loftis, Jr.

Utah Treasurer Marlo Oaks

West Virginia Treasurer Riley Moore

Wyoming Treasurer Curt Meier

Proxy Voting Questionnaire

I. Evaluating Shareholder Proposals Generally

A. General Principles

1. Does your firm vote on shareholder proposals based solely on what your firm considers to be in the best economic interest of shareholders of the company subject to the proposal?

2. What is your firm's process for evaluating whether a shareholder proposal is in the best economic interest of shareholders of the company subject to the proposal?

3. Does your firm conduct economic analysis to determine whether a shareholder proposal in the best economic interest of shareholders of the company subject to the proposal? If so, please describe it. If not, please explain why, and on what basis you determine whether a shareholder proposal would be in the best interest of those shareholders.

4. When evaluating a shareholder proposal, in addition to considering long-term risks to a business associated with the concern raised by a shareholder proposal, do you also evaluate the short-term costs involved in implementing the proposal's request? If so, please explain your analysis and how you balance the potential long-term risks and the near-term costs.

5. Does your firm evaluate shareholder proposals by forecasting the expected impact of the proposal on the economic interests of the shareholders of the company subject to the proposal? If so, what timeframe does your forecast consider? Do you back-test your forecasts to evaluate whether they were accurate?

6. Do your proxy-voting teams engage with the portfolio managers to get their views as to what is in the best economic interest of shareholders?

7. Has your firm ever made a vote determination based in whole or in part on any noneconomic factors? If so, please describe such noneconomic factors and explain how such a vote determination is consistent with acting in the best economic interest of shareholders.

8. Does your firm clearly inform your investors or asset holders about any noneconomic factors that you consider when voting on shareholder proposals? If so, please describe the process by which you inform your clients of those noneconomic factors.

9. What process does your firm have in place for determining how to vote on a proposal when your firm agrees with only a portion of the proposal's request?

10. With respect to a shareholder proposal, when your firm considers a vote that is not aligned with the recommendation of a board composed of a majority of independent directors, how do you determine whether your vote is more in line with the best economic interests of shareholders than with the independent board's recommendation? And how, if at all, do you consider the fact that an independent board of directors is bound by its fiduciary duties to shareholders to make a vote recommendation based on the best economic interests of shareholders?

11. Does your firm have controls in place to ensure that your firm's votes on shareholder proposals do not discourage legal activities (such as business associated with fossil fuel, guns, or tobacco) for noneconomic reasons? If so, please describe them. If not, please explain why your firm lacks such controls.

12. Does your firm have an established set of goals against which you measure shareholder proposals on environmental, social and/or political proposals? If so, what are those goals?

13. Does your firm have voting policies with respect to environmental, social and/or political shareholder proposals? If so, please describe those policies and explain the process for developing those policies, including whether such process involved an economic analysis to determine whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. Please also identify any processes you have in place to override any of those policies, and explain in what circumstances your firm would override those policies.

14. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley has concluded that "ESG investing does not have any advantage over broad-based investing," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[1] Do you agree with his conclusion? If not, please explain the basis for your disagreement.

15. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, noting that "[s]ome resolutions ask companies to address social or environmental concerns that are already subject to regulation."[2] And when "a proposal asks an individual issuer to adopt a standard that is higher than the regulatory requirement and peers' practices," T. Rowe Price "will take potential competitive harm into consideration in [its] voting decision." Does your firm also consider competitive harm in your voting decisions in such circumstances? If not, why not?

[1] Terrence Keeley, *Vanguard's CEO Bucks the ESG Orthodoxy*, WALL ST. J. (Feb. 26, 2023), https://www.wsj.com/articles/vanguards-ceo-bucks-the-esg-orthodoxy-tim-buckley-net-zero-emissions-united-nations-initiative-nzam-f6ae910d.

[2] T. ROWE PRICE, PROXY VOTING GUIDELINES (Feb. 2023) 17, https://www.troweprice.com/content/dam/trowecorp/Pdfs/proxy-voting-guidelines-TRPA.pdf.

16. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, as "[s]ome resolutions ask investors to impose company-level, private-market solutions to problems that are clearly better addressed by other stakeholders, including regulators, legislators, the courts, or communities."[3] And when "a proposal seeks to apply company-level solutions to a broad societal problem, and the company has little influence over the problem," T. Rowe Price "may deem the resolution to be poorly crafted or misdirected." Does your firm also deem such proposals to be poorly crafted or misdirected? If not, why not?

B. Use of Proxy-Advisory Firms

1. Does your firm subscribe to the services of proxy-advisory firms? If so, please name the proxy-advisory firms whose services your firm has used.

2. What is your firm's process for evaluating proxy-advisory firms' recommendations?

3. For each proxy-advisory firm to which your firm subscribes, what percentage of the time has your firm voted consistent with that proxy-advisory firm's recommendations regarding shareholder proposals in 2022 and in 2023 (through the date of this letter)?

4. For shareholder proposals in 2022 and in 2023 (through the date of this letter), what percentage of the time did your firm independently evaluate the research and recommendations of proxy-advisory firms?

5. What processes does your firm have in place to evaluate whether the recommendations of a for-profit proxy-advisory firm are in the best economic interests of the shareholders at the company receiving the proposal?

C. Conflicts of Interest

1. Is your firm a signatory to the Glasgow Financial Alliance for Net Zero, the Net Zero Asset Managers Initiative, or other related organizations?[4] If so, how do you reconcile your commitment to those initiatives with your fiduciary duty to shareholders? Have you obtained the consent of your customers for this material conflict of interest?[5]

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[3] *Id.*

[4] *See* Our Members, GLASGOW FINANCIAL ALLIANCE FOR NET ZERO, https://www.gfanzero.com/membership/ (last visited Feb. 13, 2023); Signatories, NET ZERO ASSET MANAGERS INITIATIVE, https://www.netzeroassetmanagers.org/signatories/ (last visited Feb. 13, 2023).

[5] *See* 15 U.S.C. §80b-11.

2. Is your firm a signatory to the U.N.'s Principles for Responsible Investment?[6] If so, how do you reconcile your fiduciary duty to shareholders with your commitment to an organization that seeks to "establish that asset owners' responsibilities to their beneficiaries extend beyond the risk/return profile of their investments to include making decisions that benefit the world beneficiaries live in."[7]

3. Has your firm committed to pursuing the goals or initiatives of any other ESG-related organizations?

4. What controls does your firm have in place to ensure that its commitments to other projects and organizations do not interfere with your firm's fiduciary duty to shareholders?

5. Does your firm have controls in place to ensure that personal views on ESG issues or political issues are not reflected in your firm's vote decisions on shareholder proposals? If so, please describe them. If not, please explain why your firm lacks such controls.

II. Evaluating Shareholder Proposals on Specific Topics

A. Shareholder Proposals Relating to Climate Reporting

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform climate-related audits or to prepare reports on climate-related risks? For any "yes" votes, please explain whether and how your firm determined whether such reports or audits would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with such reports or audits, and how you determined whether the existing climate reporting of such companies was insufficient.

2. Do you have empirical evidence that any climate report or audit that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to conduct a climate report or audit? If so, and if your firm has voted in favor of shareholder proposals requiring climate reports or audits at other companies, please explain the discrepancy between your board's recommendation regarding climate reports or audits at your firm and your firm's vote regarding climate reports or audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

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[6] PRINCIPLES FOR RESPONSIBLE INVESTMENT, A BLUEPRINT FOR RESPONSIBLE INVESTMENT, https://www.unpri.org/download?ac=5330.
[7] *Id.* at 14.

4. In considering shareholder proposals requiring insurance companies to report how they measure, disclose, and reduce the greenhouse gas (GHG) emissions associated with underwriting, insurance, and investment activities, did your firm consider the broadly applicable concern, as expressed by Chubb, that "we are not aware of any method by which we could reasonably measure the GHG emissions of our insureds?"[8] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

5. In considering shareholder proposals requiring a net-zero emissions analysis report, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e consider the likelihood of the IEA's NZE 2050 scenario to be remote… [y]our Board believes it would not be a responsible use of Company resources to produce a further report to address a speculative scenario?"[9] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

6. In considering shareholder proposals requiring reporting on Scope 3 GHG emissions, did your firm consider the broadly applicable concern, as expressed by Dollar Tree, that "[t]he proponent's suggestion that such goal include Scope 3 emissions in particular is premature and very difficult to do given the level of information available across the Company's global value chain."[10] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

B. Shareholder Proposals Relating to Actions to Reduce Greenhouse-Gas Emissions

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to take actions to reduce GHG emissions? For any "yes" vote, please explain whether and how your firm determined whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with proposals requesting a reduction of GHG emissions.

2. Do you have empirical evidence that any GHG emissions-reduction requirement that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

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[8] Chubb Limited, Definitive Proxy Statement (Schedule 14A), May 19, 2022, at 51, https://www.sec.gov/Archives/edgar/data/0000896159/000110465922042195/tm2135945-3_def14a.htm#tI.

[9] Chevron Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 93, https://www.sec.gov/Archives/edgar/data/0000093410/000119312522098301/d292137ddef14a.htm.

[10] Dollar Tree, Inc., Definitive Proxy Statement (Schedule 14A), May 18, 2022, at 105, https://www.sec.gov/Archives/edgar/data/0000935703/000110465922062246/tm223490-2_def14a.htm.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to take an action to reduce GHG emissions? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to reduce GHG emissions, please explain the discrepancy between your board's recommendation regarding GHG emissions at your firm and your firm's vote regarding GHG emissions at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

4. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by DTE Energy, that "[t]he Board considers that the science behind measuring Scope 3 emissions is currently too unsettled for full incorporation into the company's emissions reduction goals"?[11] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the DTE Energy proposal and similar proposals?

5. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e could reduce our GHG emissions by changing our portfolio and selling our emissions-producing assets, but that would not serve our stockholders, who benefit from our strong asset base,"[12] and the similar concern, as expressed by Exxon, that "the proponent has confirmed in an interview available on its website that their proposal is designed with the explicit intent to constrain Exxon Mobil's future investments in oil and gas"?[13] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Chevron and Exxon proposals, as well as similar proposals?

6. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Phillips 66, that "[s]etting targets that require even more significant technological and social transformation outside our control could create reputational risk and potential harm to shareholders"?[14] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Phillips 66 and similar proposals?

7. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley "knows that Vanguard can't promise to be a fiduciary to its clients while also committing to align its assets with the 2050 net-zero target," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[15] Do you agree with his conclusion? If not, please explain your disagreement.

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[11] DTE Energy Co., Definitive Proxy Statement (Schedule 14A), Mar. 17, 2022, at 60, https://www.sec.gov/Archives/edgar/data/936340/000093634022000105/def14a2022.htm.
[12] Chevron Corp., Definitive Proxy Statement, *supra* note 9, at 91.
[13] Exxon Mobil Corp., Definitive Proxy Statement, *supra* note 2, at 72.
[14] Phillips 66, Definitive Proxy Statement (Schedule 14A), Mar. 31, 2022, at 96, https://www.sec.gov/Archives/edgar/data/0001534701/000120677422000928/psx3965551_def14a.htm.
[15] Keeley, *supra* note **Error! Bookmark not defined.**.

8. According to Vanguard CEO Tim Buckley, "[p]oliticians and regulators have a central role to play in setting the ground rules to achieve a just transition." The Wall Street Journal reported that "Mr. Buckley understands that progress toward net-zero emissions doesn't depend on how people invest."[16] Do you agree with his conclusion? If not, please explain your disagreement.

C. Shareholder Proposals Relating to Diversity or Racial Equity

1. Is it your firm's position that diversity or racial equity should be a factor in forming decisions on shareholder proposals? If so, please provide your firm's definition of racial equity, and explain the role it plays in your decisions on shareholder proposals.

2. At what rate did your firm vote in favor of shareholder proposals requiring the company to increase diversity among its board of directors or workforce?

3. Do you have empirical evidence that any diversity requirement that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

4. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal relating to board or workforce diversity? If so, and if your firm has voted in favor of shareholder proposals at other companies relating to board or workforce diversity, please explain the discrepancy between your board's recommendation regarding diversity at your firm and your firm's vote regarding diversity at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

5. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform a racial-equity or civil-rights audit?

6. Do you have empirical evidence that any racial-equity or civil-rights audit that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

7. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to perform a racial-equity or civil-rights audit? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to conduct such audits, please explain the discrepancy between your board's recommendation regarding racial audits at your firm and your firm's vote regarding racial audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

[16] *Id.*

8. In considering shareholder proposals relating to diversity or racial equity, please explain whether and how your firm determines whether such proposals would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with performing a racial-equity or civil-rights audit, and how you determine whether such companies' existing efforts regarding diversity or racial equity are insufficient.

9. In considering shareholder proposals relating to diversity or racial equity, did your firm consider the legality of the proposal? For example, did your firm consider the concern, as expressed by Travelers, an insurance company, that "[t]aking race into account in underwriting or rate-setting … is unlawful under the insurance laws of virtually every state and would improperly inject racial considerations into a heavily regulated decision-making process?"[17] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on this proposal?

III. Votes on Proposals Submitted by Specific Proponents

1. At what rate did your firm vote in favor of proposals submitted by the National Legal and Policy Center in 2022 and 2023 (through the date of this letter)?

2. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter)?

3. At what rate did your firm vote in favor of proposals submitted by Steven Milloy in 2022 and 2023 (through the date of this letter)?

4. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Legal and Policy Center, the National Center for Public Policy Research, and Steven Milloy in 2022 and 2023 (through the date of this letter)? If there are any discrepancy between your answer to this question and your answers to questions III.1 through III.3, please explain those discrepancies.

5. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit?

6. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit? If there is any discrepancy between your answer to this question and your answers to question III.5, please explain that discrepancy.

[17] The Travelers Companies, Inc., Definitive Proxy Statement, *supra* note 4, at 80.

7. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities?

8. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities? If there is any discrepancy between your answer to this question and your answer to question III.7, please explain that discrepancy.

May 15, 2023

James Gorman
Chairman and Chief Executive Officer
Morgan Stanley
1585 Broadway Avenue, New York, NY 10036

Dear James Gorman,

We, the undersigned state treasurers and financial officers, have been elected to safeguard our States' public funds, which may include public funds from our States that you manage.[1] Recent headlines have given us cause to question whether management decisions being provided properly pursue our taxpayers' best long-term economic interests. Specifically, we are concerned that taxpayers' best long-term economic interests might have become subordinated to environmental, social, and political interests often divorced from shareholder value—and often pushed through shareholder proposals.[2]

To take just a few examples, some recent shareholder proposals would require oil companies to pledge fealty to the Paris Climate Agreement,[3] social media companies to crack down on "hate

[1] We recognize that not all the states represented in this letter directly use your services as they manage state funds with internal staff. However, because of the role your firm has in voting proxies, the information you provide in response to this letter is of importance to all states due to its general impact on the investing universe.
[2] *See* Hannah Orowitz, Rajeev Kumar & Lee Anne Hagel, GEORGESON, *An Early Look at the 2022 Proxy Season*, June 7, 2022, at 4, 12, 14, https://corpgov.law.harvard.edu/wp-content/uploads/2022/06/Georgeson_EPS_whitepaper_2022_v6.pdf.
[3] Exxon Mobil Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 71, https://www.sec.gov/Archives/edgar/data/34088/000119312522098314/d280259ddef14a.htm.

speech,"[4] insurance companies to consider race in underwriting insurance policies,[5] and retailers to weigh in on state abortion policy.[6] At best, those kinds of ESG proposals require expensive audits, time-consuming reports, and cumbersome policies with no apparent link to a targeted company's business. At worst, they require the targeted companies to spend significant management time and corporate resources pursuing goals untethered to shareholder value, or to relinquish parts of their business—including products or services that investors deemed worthy investments of their hard-earned capital in the first place.

Your core fiduciary obligations as asset managers require you to act in the economic interest of those who have entrusted you with their investments.[7] That means your votes on shareholder proposals must advance your investors' interests—not your own, or the interests of third parties. And make no mistake: Your votes wield significant influence on behalf of your clients. The largest one percent of asset managers manage 61 percent of total industry assets.[8] Given the significant impact that your firm's votes have on corporate practices, your voting decisions simply must promote the best economic interests of the ultimate asset owners in order for you to discharge your fiduciary responsibilities.

To help us understand how your firm makes voting decisions—and to allay concerns that some of those decisions might be based on factors other than the best economic interests of shareholders—please respond to the attached questionnaire by June 29, 2023. To aid in an efficient dialogue on these topics, please tailor your responses to shareholder proposals related to the issues described below and submitted for a vote at annual meetings conducted in 2022 and 2023 (through the date of this letter).

Thank you for your careful attention to these important requests. Your candid, prompt responses are critical to helping us properly discharge the fiduciary duties we owe to our constituents. If you have any questions about the contents of this letter, please contact the Utah Office of State Treasurer by phone (801-538-1042) or email (sto@utah.gov).

Respectfully,

Alaska Commissioner of Revenue Adam Crum

Arizona Treasurer Kimberly Yee

[4] Meta Platforms, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 74, https://www.sec.gov/Archives/edgar/data/1326801/000132680122000043/meta2022definitiveproxysta.htm.

[5] The Travelers Companies, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 79, https://www.sec.gov/Archives/edgar/data/86312/000008631222000019/a2022proxystatement.htm.

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[7] *See* 15 U.S.C. §80b-11; 5 U.S.C. 8477(b).

[8] *See* Siobhan Riding, *Trillion-Dollar Club Tightens Grip on Fund Market During Crisis*, FINANCIAL TIMES, May 10, 2020, https://www.ft.com/content/a6aa1010-3dff-4521-af52-fbadb496c89d.

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Proxy Voting Questionnaire

I. Evaluating Shareholder Proposals Generally

A. General Principles

1. Does your firm vote on shareholder proposals based solely on what your firm considers to be in the best economic interest of shareholders of the company subject to the proposal?

2. What is your firm's process for evaluating whether a shareholder proposal is in the best economic interest of shareholders of the company subject to the proposal?

3. Does your firm conduct economic analysis to determine whether a shareholder proposal in the best economic interest of shareholders of the company subject to the proposal? If so, please describe it. If not, please explain why, and on what basis you determine whether a shareholder proposal would be in the best interest of those shareholders.

4. When evaluating a shareholder proposal, in addition to considering long-term risks to a business associated with the concern raised by a shareholder proposal, do you also evaluate the short-term costs involved in implementing the proposal's request? If so, please explain your analysis and how you balance the potential long-term risks and the near-term costs.

5. Does your firm evaluate shareholder proposals by forecasting the expected impact of the proposal on the economic interests of the shareholders of the company subject to the proposal? If so, what timeframe does your forecast consider? Do you back-test your forecasts to evaluate whether they were accurate?

6. Do your proxy-voting teams engage with the portfolio managers to get their views as to what is in the best economic interest of shareholders?

7. Has your firm ever made a vote determination based in whole or in part on any noneconomic factors? If so, please describe such noneconomic factors and explain how such a vote determination is consistent with acting in the best economic interest of shareholders.

8. Does your firm clearly inform your investors or asset holders about any noneconomic factors that you consider when voting on shareholder proposals? If so, please describe the process by which you inform your clients of those noneconomic factors.

9. What process does your firm have in place for determining how to vote on a proposal when your firm agrees with only a portion of the proposal's request?

10. With respect to a shareholder proposal, when your firm considers a vote that is not aligned with the recommendation of a board composed of a majority of independent directors, how do you determine whether your vote is more in line with the best economic interests of shareholders than with the independent board's recommendation? And how, if at all, do you consider the fact that an independent board of directors is bound by its fiduciary duties to shareholders to make a vote recommendation based on the best economic interests of shareholders?

11. Does your firm have controls in place to ensure that your firm's votes on shareholder proposals do not discourage legal activities (such as business associated with fossil fuel, guns, or tobacco) for noneconomic reasons? If so, please describe them. If not, please explain why your firm lacks such controls.

12. Does your firm have an established set of goals against which you measure shareholder proposals on environmental, social and/or political proposals? If so, what are those goals?

13. Does your firm have voting policies with respect to environmental, social and/or political shareholder proposals? If so, please describe those policies and explain the process for developing those policies, including whether such process involved an economic analysis to determine whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. Please also identify any processes you have in place to override any of those policies, and explain in what circumstances your firm would override those policies.

14. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley has concluded that "ESG investing does not have any advantage over broad-based investing," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[1] Do you agree with his conclusion? If not, please explain the basis for your disagreement.

15. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, noting that "[s]ome resolutions ask companies to address social or environmental concerns that are already subject to regulation."[2] And when "a proposal asks an individual issuer to adopt a standard that is higher than the regulatory requirement and peers' practices," T. Rowe Price "will take potential competitive harm into consideration in [its] voting decision." Does your firm also consider competitive harm in your voting decisions in such circumstances? If not, why not?

[1] Terrence Keeley, *Vanguard's CEO Bucks the ESG Orthodoxy*, WALL ST. J. (Feb. 26, 2023), https://www.wsj.com/articles/vanguards-ceo-bucks-the-esg-orthodoxy-tim-buckley-net-zero-emissions-united-nations-initiative-nzam-f6ae910d.

[2] T. ROWE PRICE, PROXY VOTING GUIDELINES (Feb. 2023) 17, https://www.troweprice.com/content/dam/trowecorp/Pdfs/proxy-voting-guidelines-TRPA.pdf.

16. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, as "[s]ome resolutions ask investors to impose company-level, private-market solutions to problems that are clearly better addressed by other stakeholders, including regulators, legislators, the courts, or communities."[3] And when "a proposal seeks to apply company-level solutions to a broad societal problem, and the company has little influence over the problem," T. Rowe Price "may deem the resolution to be poorly crafted or misdirected." Does your firm also deem such proposals to be poorly crafted or misdirected? If not, why not?

B. Use of Proxy-Advisory Firms

1. Does your firm subscribe to the services of proxy-advisory firms? If so, please name the proxy-advisory firms whose services your firm has used.

2. What is your firm's process for evaluating proxy-advisory firms' recommendations?

3. For each proxy-advisory firm to which your firm subscribes, what percentage of the time has your firm voted consistent with that proxy-advisory firm's recommendations regarding shareholder proposals in 2022 and in 2023 (through the date of this letter)?

4. For shareholder proposals in 2022 and in 2023 (through the date of this letter), what percentage of the time did your firm independently evaluate the research and recommendations of proxy-advisory firms?

5. What processes does your firm have in place to evaluate whether the recommendations of a for-profit proxy-advisory firm are in the best economic interests of the shareholders at the company receiving the proposal?

C. Conflicts of Interest

1. Is your firm a signatory to the Glasgow Financial Alliance for Net Zero, the Net Zero Asset Managers Initiative, or other related organizations?[4] If so, how do you reconcile your commitment to those initiatives with your fiduciary duty to shareholders? Have you obtained the consent of your customers for this material conflict of interest?[5]

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[3] *Id.*

[4] *See* Our Members, GLASGOW FINANCIAL ALLIANCE FOR NET ZERO, https://www.gfanzero.com/membership/ (last visited Feb. 13, 2023); Signatories, NET ZERO ASSET MANAGERS INITIATIVE, https://www.netzeroassetmanagers.org/signatories/ (last visited Feb. 13, 2023).

[5] *See* 15 U.S.C. §80b-11.

2. Is your firm a signatory to the U.N.'s Principles for Responsible Investment?[6] If so, how do you reconcile your fiduciary duty to shareholders with your commitment to an organization that seeks to "establish that asset owners' responsibilities to their beneficiaries extend beyond the risk/return profile of their investments to include making decisions that benefit the world beneficiaries live in."[7]

3. Has your firm committed to pursuing the goals or initiatives of any other ESG-related organizations?

4. What controls does your firm have in place to ensure that its commitments to other projects and organizations do not interfere with your firm's fiduciary duty to shareholders?

5. Does your firm have controls in place to ensure that personal views on ESG issues or political issues are not reflected in your firm's vote decisions on shareholder proposals? If so, please describe them. If not, please explain why your firm lacks such controls.

II. Evaluating Shareholder Proposals on Specific Topics

A. Shareholder Proposals Relating to Climate Reporting

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform climate-related audits or to prepare reports on climate-related risks? For any "yes" votes, please explain whether and how your firm determined whether such reports or audits would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with such reports or audits, and how you determined whether the existing climate reporting of such companies was insufficient.

2. Do you have empirical evidence that any climate report or audit that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to conduct a climate report or audit? If so, and if your firm has voted in favor of shareholder proposals requiring climate reports or audits at other companies, please explain the discrepancy between your board's recommendation regarding climate reports or audits at your firm and your firm's vote regarding climate reports or audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

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[6] PRINCIPLES FOR RESPONSIBLE INVESTMENT, A BLUEPRINT FOR RESPONSIBLE INVESTMENT, https://www.unpri.org/download?ac=5330.
[7] *Id.* at 14.

4. In considering shareholder proposals requiring insurance companies to report how they measure, disclose, and reduce the greenhouse gas (GHG) emissions associated with underwriting, insurance, and investment activities, did your firm consider the broadly applicable concern, as expressed by Chubb, that "we are not aware of any method by which we could reasonably measure the GHG emissions of our insureds?"[8] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

5. In considering shareholder proposals requiring a net-zero emissions analysis report, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e consider the likelihood of the IEA's NZE 2050 scenario to be remote… [y]our Board believes it would not be a responsible use of Company resources to produce a further report to address a speculative scenario?"[9] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

6. In considering shareholder proposals requiring reporting on Scope 3 GHG emissions, did your firm consider the broadly applicable concern, as expressed by Dollar Tree, that "[t]he proponent's suggestion that such goal include Scope 3 emissions in particular is premature and very difficult to do given the level of information available across the Company's global value chain."[10] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

B. Shareholder Proposals Relating to Actions to Reduce Greenhouse-Gas Emissions

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to take actions to reduce GHG emissions? For any "yes" vote, please explain whether and how your firm determined whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with proposals requesting a reduction of GHG emissions.

2. Do you have empirical evidence that any GHG emissions-reduction requirement that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

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[8] Chubb Limited, Definitive Proxy Statement (Schedule 14A), May 19, 2022, at 51, https://www.sec.gov/Archives/edgar/data/0000896159/000110465922042195/tm2135945-3_def14a.htm#tI.
[9] Chevron Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 93, https://www.sec.gov/Archives/edgar/data/0000093410/000119312522098301/d292137ddef14a.htm.
[10] Dollar Tree, Inc., Definitive Proxy Statement (Schedule 14A), May 18, 2022, at 105, https://www.sec.gov/Archives/edgar/data/0000935703/000110465922062246/tm223490-2_def14a.htm.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to take an action to reduce GHG emissions? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to reduce GHG emissions, please explain the discrepancy between your board's recommendation regarding GHG emissions at your firm and your firm's vote regarding GHG emissions at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

4. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by DTE Energy, that "[t]he Board considers that the science behind measuring Scope 3 emissions is currently too unsettled for full incorporation into the company's emissions reduction goals"?[11] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the DTE Energy proposal and similar proposals?

5. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e could reduce our GHG emissions by changing our portfolio and selling our emissions-producing assets, but that would not serve our stockholders, who benefit from our strong asset base,"[12] and the similar concern, as expressed by Exxon, that "the proponent has confirmed in an interview available on its website that their proposal is designed with the explicit intent to constrain Exxon Mobil's future investments in oil and gas"?[13] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Chevron and Exxon proposals, as well as similar proposals?

6. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Phillips 66, that "[s]etting targets that require even more significant technological and social transformation outside our control could create reputational risk and potential harm to shareholders"?[14] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Phillips 66 and similar proposals?

7. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley "knows that Vanguard can't promise to be a fiduciary to its clients while also committing to align its assets with the 2050 net-zero target," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[15] Do you agree with his conclusion? If not, please explain your disagreement.

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[11] DTE Energy Co., Definitive Proxy Statement (Schedule 14A), Mar. 17, 2022, at 60, https://www.sec.gov/Archives/edgar/data/936340/000093634022000105/def14a2022.htm.
[12] Chevron Corp., Definitive Proxy Statement, *supra* note 9, at 91.
[13] Exxon Mobil Corp., Definitive Proxy Statement, *supra* note 2, at 72.
[14] Phillips 66, Definitive Proxy Statement (Schedule 14A), Mar. 31, 2022, at 96, https://www.sec.gov/Archives/edgar/data/0001534701/000120677422000928/psx3965551_def14a.htm.
[15] Keeley, *supra* note **Error! Bookmark not defined.**.

8. According to Vanguard CEO Tim Buckley, "[p]oliticians and regulators have a central role to play in setting the ground rules to achieve a just transition." The Wall Street Journal reported that "Mr. Buckley understands that progress toward net-zero emissions doesn't depend on how people invest."[16] Do you agree with his conclusion? If not, please explain your disagreement.

C. Shareholder Proposals Relating to Diversity or Racial Equity

1. Is it your firm's position that diversity or racial equity should be a factor in forming decisions on shareholder proposals? If so, please provide your firm's definition of racial equity, and explain the role it plays in your decisions on shareholder proposals.

2. At what rate did your firm vote in favor of shareholder proposals requiring the company to increase diversity among its board of directors or workforce?

3. Do you have empirical evidence that any diversity requirement that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

4. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal relating to board or workforce diversity? If so, and if your firm has voted in favor of shareholder proposals at other companies relating to board or workforce diversity, please explain the discrepancy between your board's recommendation regarding diversity at your firm and your firm's vote regarding diversity at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

5. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform a racial-equity or civil-rights audit?

6. Do you have empirical evidence that any racial-equity or civil-rights audit that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

7. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to perform a racial-equity or civil-rights audit? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to conduct such audits, please explain the discrepancy between your board's recommendation regarding racial audits at your firm and your firm's vote regarding racial audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

[16] *Id.*

8. In considering shareholder proposals relating to diversity or racial equity, please explain whether and how your firm determines whether such proposals would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with performing a racial-equity or civil-rights audit, and how you determine whether such companies' existing efforts regarding diversity or racial equity are insufficient.

9. In considering shareholder proposals relating to diversity or racial equity, did your firm consider the legality of the proposal? For example, did your firm consider the concern, as expressed by Travelers, an insurance company, that "[t]aking race into account in underwriting or rate-setting … is unlawful under the insurance laws of virtually every state and would improperly inject racial considerations into a heavily regulated decision-making process?"[17] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on this proposal?

III. Votes on Proposals Submitted by Specific Proponents

1. At what rate did your firm vote in favor of proposals submitted by the National Legal and Policy Center in 2022 and 2023 (through the date of this letter)?

2. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter)?

3. At what rate did your firm vote in favor of proposals submitted by Steven Milloy in 2022 and 2023 (through the date of this letter)?

4. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Legal and Policy Center, the National Center for Public Policy Research, and Steven Milloy in 2022 and 2023 (through the date of this letter)? If there are any discrepancy between your answer to this question and your answers to questions III.1 through III.3, please explain those discrepancies.

5. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit?

6. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit? If there is any discrepancy between your answer to this question and your answers to question III.5, please explain that discrepancy.

[17] The Travelers Companies, Inc., Definitive Proxy Statement, *supra* note 4, at 80.

7. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities?

8. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities? If there is any discrepancy between your answer to this question and your answer to question III.7, please explain that discrepancy.

May 15, 2023

Jamie Dimon
Chairman and Chief Executive Officer
JPMorgan Chase
270 Park Avenue, New York, NY 10017

Dear Jamie Dimon,

We, the undersigned state treasurers and financial officers, have been elected to safeguard our States' public funds, which may include public funds from our States that you manage.[1] Recent headlines have given us cause to question whether management decisions being provided properly pursue our taxpayers' best long-term economic interests. Specifically, we are concerned that taxpayers' best long-term economic interests might have become subordinated to environmental, social, and political interests often divorced from shareholder value—and often pushed through shareholder proposals.[2]

To take just a few examples, some recent shareholder proposals would require oil companies to pledge fealty to the Paris Climate Agreement,[3] social media companies to crack down on "hate

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[1] We recognize that not all the states represented in this letter directly use your services as they manage state funds with internal staff. However, because of the role your firm has in voting proxies, the information you provide in response to this letter is of importance to all states due to its general impact on the investing universe.

[2] *See* Hannah Orowitz, Rajeev Kumar & Lee Anne Hagel, GEORGESON, *An Early Look at the 2022 Proxy Season*, June 7, 2022, at 4, 12, 14, https://corpgov.law.harvard.edu/wp-content/uploads/2022/06/Georgeson_EPS_whitepaper_2022_v6.pdf.

[3] Exxon Mobil Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 71, https://www.sec.gov/Archives/edgar/data/34088/000119312522098314/d280259ddef14a.htm.

speech,"[4] insurance companies to consider race in underwriting insurance policies,[5] and retailers to weigh in on state abortion policy.[6] At best, those kinds of ESG proposals require expensive audits, time-consuming reports, and cumbersome policies with no apparent link to a targeted company's business. At worst, they require the targeted companies to spend significant management time and corporate resources pursuing goals untethered to shareholder value, or to relinquish parts of their business—including products or services that investors deemed worthy investments of their hard-earned capital in the first place.

Your core fiduciary obligations as asset managers require you to act in the economic interest of those who have entrusted you with their investments.[7] That means your votes on shareholder proposals must advance your investors' interests—not your own, or the interests of third parties. And make no mistake: Your votes wield significant influence on behalf of your clients. The largest one percent of asset managers manage 61 percent of total industry assets.[8] Given the significant impact that your firm's votes have on corporate practices, your voting decisions simply must promote the best economic interests of the ultimate asset owners in order for you to discharge your fiduciary responsibilities.

To help us understand how your firm makes voting decisions—and to allay concerns that some of those decisions might be based on factors other than the best economic interests of shareholders—please respond to the attached questionnaire by June 29, 2023. To aid in an efficient dialogue on these topics, <u>please tailor your responses to shareholder proposals related to the issues described below and submitted for a vote at annual meetings conducted in 2022 and 2023 (through the date of this letter)</u>.

Thank you for your careful attention to these important requests. Your candid, prompt responses are critical to helping us properly discharge the fiduciary duties we owe to our constituents. If you have any questions about the contents of this letter, please contact the Utah Office of State Treasurer by phone (801-538-1042) or email (sto@utah.gov).

Respectfully,

Alaska Commissioner of Revenue Adam Crum

Arizona Treasurer Kimberly Yee

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[4] Meta Platforms, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 74, https://www.sec.gov/Archives/edgar/data/1326801/000132680122000043/meta2022definitiveproxysta.htm.
[5] The Travelers Companies, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 79, https://www.sec.gov/Archives/edgar/data/86312/000008631222000019/a2022proxystatement.htm.
[6] Walmart, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 21, 2022, at 90, https://www.sec.gov/Archives/edgar/data/0000104169/000010416922000019/a2022proxystatement.htm.
[7] *See* 15 U.S.C. §80b-11; 5 U.S.C. 8477(b).
[8] *See* Siobhan Riding, *Trillion-Dollar Club Tightens Grip on Fund Market During Crisis*, FINANCIAL TIMES, May 10, 2020, https://www.ft.com/content/a6aa1010-3dff-4521-af52-fbadb496c89d.

Florida Chief Financial Officer Jimmy Patronis

Idaho Treasurer Julie Ellsworth

Indiana Treasurer Dan Elliott

Iowa Treasurer Roby Smith

Kansas Treasurer Steven Johnson

Louisiana Treasurer John Schroder

Mississippi Treasurer David McRae

Missouri State Auditor Scott Fitzpatrick

Missouri Treasurer Vivek Malek

Nebraska Treasurer John Murante

Nebraska Auditor Mike Foley

North Carolina Treasurer Dale Folwell

North Dakota Treasurer Thomas Beadle

Oklahoma Auditor & Inspector Cindy Byrd

Oklahoma Treasurer Todd Russ

South Carolina Treasurer Curtis M. Loftis, Jr.

Utah Treasurer Marlo Oaks

West Virginia Treasurer Riley Moore

Wyoming Treasurer Curt Meier

Proxy Voting Questionnaire

I. Evaluating Shareholder Proposals Generally

A. General Principles

1. Does your firm vote on shareholder proposals based solely on what your firm considers to be in the best economic interest of shareholders of the company subject to the proposal?

2. What is your firm's process for evaluating whether a shareholder proposal is in the best economic interest of shareholders of the company subject to the proposal?

3. Does your firm conduct economic analysis to determine whether a shareholder proposal in the best economic interest of shareholders of the company subject to the proposal? If so, please describe it. If not, please explain why, and on what basis you determine whether a shareholder proposal would be in the best interest of those shareholders.

4. When evaluating a shareholder proposal, in addition to considering long-term risks to a business associated with the concern raised by a shareholder proposal, do you also evaluate the short-term costs involved in implementing the proposal's request? If so, please explain your analysis and how you balance the potential long-term risks and the near-term costs.

5. Does your firm evaluate shareholder proposals by forecasting the expected impact of the proposal on the economic interests of the shareholders of the company subject to the proposal? If so, what timeframe does your forecast consider? Do you back-test your forecasts to evaluate whether they were accurate?

6. Do your proxy-voting teams engage with the portfolio managers to get their views as to what is in the best economic interest of shareholders?

7. Has your firm ever made a vote determination based in whole or in part on any noneconomic factors? If so, please describe such noneconomic factors and explain how such a vote determination is consistent with acting in the best economic interest of shareholders.

8. Does your firm clearly inform your investors or asset holders about any noneconomic factors that you consider when voting on shareholder proposals? If so, please describe the process by which you inform your clients of those noneconomic factors.

9. What process does your firm have in place for determining how to vote on a proposal when your firm agrees with only a portion of the proposal's request?

10. With respect to a shareholder proposal, when your firm considers a vote that is not aligned with the recommendation of a board composed of a majority of independent directors, how do you determine whether your vote is more in line with the best economic interests of shareholders than with the independent board's recommendation? And how, if at all, do you consider the fact that an independent board of directors is bound by its fiduciary duties to shareholders to make a vote recommendation based on the best economic interests of shareholders?

11. Does your firm have controls in place to ensure that your firm's votes on shareholder proposals do not discourage legal activities (such as business associated with fossil fuel, guns, or tobacco) for noneconomic reasons? If so, please describe them. If not, please explain why your firm lacks such controls.

12. Does your firm have an established set of goals against which you measure shareholder proposals on environmental, social and/or political proposals? If so, what are those goals?

13. Does your firm have voting policies with respect to environmental, social and/or political shareholder proposals? If so, please describe those policies and explain the process for developing those policies, including whether such process involved an economic analysis to determine whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. Please also identify any processes you have in place to override any of those policies, and explain in what circumstances your firm would override those policies.

14. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley has concluded that "ESG investing does not have any advantage over broad-based investing," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[1] Do you agree with his conclusion? If not, please explain the basis for your disagreement.

15. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, noting that "[s]ome resolutions ask companies to address social or environmental concerns that are already subject to regulation."[2] And when "a proposal asks an individual issuer to adopt a standard that is higher than the regulatory requirement and peers' practices," T. Rowe Price "will take potential competitive harm into consideration in [its] voting decision." Does your firm also consider competitive harm in your voting decisions in such circumstances? If not, why not?

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[1] Terrence Keeley, *Vanguard's CEO Bucks the ESG Orthodoxy*, WALL ST. J. (Feb. 26, 2023), https://www.wsj.com/articles/vanguards-ceo-bucks-the-esg-orthodoxy-tim-buckley-net-zero-emissions-united-nations-initiative-nzam-f6ae910d.

[2] T. ROWE PRICE, PROXY VOTING GUIDELINES (Feb. 2023) 17, https://www.troweprice.com/content/dam/trowecorp/Pdfs/proxy-voting-guidelines-TRPA.pdf.

16. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, as "[s]ome resolutions ask investors to impose company-level, private-market solutions to problems that are clearly better addressed by other stakeholders, including regulators, legislators, the courts, or communities."[3] And when "a proposal seeks to apply company-level solutions to a broad societal problem, and the company has little influence over the problem," T. Rowe Price "may deem the resolution to be poorly crafted or misdirected." Does your firm also deem such proposals to be poorly crafted or misdirected? If not, why not?

B. Use of Proxy-Advisory Firms

1. Does your firm subscribe to the services of proxy-advisory firms? If so, please name the proxy-advisory firms whose services your firm has used.

2. What is your firm's process for evaluating proxy-advisory firms' recommendations?

3. For each proxy-advisory firm to which your firm subscribes, what percentage of the time has your firm voted consistent with that proxy-advisory firm's recommendations regarding shareholder proposals in 2022 and in 2023 (through the date of this letter)?

4. For shareholder proposals in 2022 and in 2023 (through the date of this letter), what percentage of the time did your firm independently evaluate the research and recommendations of proxy-advisory firms?

5. What processes does your firm have in place to evaluate whether the recommendations of a for-profit proxy-advisory firm are in the best economic interests of the shareholders at the company receiving the proposal?

C. Conflicts of Interest

1. Is your firm a signatory to the Glasgow Financial Alliance for Net Zero, the Net Zero Asset Managers Initiative, or other related organizations?[4] If so, how do you reconcile your commitment to those initiatives with your fiduciary duty to shareholders? Have you obtained the consent of your customers for this material conflict of interest?[5]

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[3] *Id.*

[4] *See* Our Members, GLASGOW FINANCIAL ALLIANCE FOR NET ZERO, https://www.gfanzero.com/membership/ (last visited Feb. 13, 2023); Signatories, NET ZERO ASSET MANAGERS INITIATIVE, https://www.netzeroassetmanagers.org/signatories/ (last visited Feb. 13, 2023).

[5] *See* 15 U.S.C. §80b-11.

2. Is your firm a signatory to the U.N.'s Principles for Responsible Investment?[6] If so, how do you reconcile your fiduciary duty to shareholders with your commitment to an organization that seeks to "establish that asset owners' responsibilities to their beneficiaries extend beyond the risk/return profile of their investments to include making decisions that benefit the world beneficiaries live in."[7]

3. Has your firm committed to pursuing the goals or initiatives of any other ESG-related organizations?

4. What controls does your firm have in place to ensure that its commitments to other projects and organizations do not interfere with your firm's fiduciary duty to shareholders?

5. Does your firm have controls in place to ensure that personal views on ESG issues or political issues are not reflected in your firm's vote decisions on shareholder proposals? If so, please describe them. If not, please explain why your firm lacks such controls.

II. Evaluating Shareholder Proposals on Specific Topics

A. Shareholder Proposals Relating to Climate Reporting

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform climate-related audits or to prepare reports on climate-related risks? For any "yes" votes, please explain whether and how your firm determined whether such reports or audits would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with such reports or audits, and how you determined whether the existing climate reporting of such companies was insufficient.

2. Do you have empirical evidence that any climate report or audit that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to conduct a climate report or audit? If so, and if your firm has voted in favor of shareholder proposals requiring climate reports or audits at other companies, please explain the discrepancy between your board's recommendation regarding climate reports or audits at your firm and your firm's vote regarding climate reports or audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

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[6] PRINCIPLES FOR RESPONSIBLE INVESTMENT, A BLUEPRINT FOR RESPONSIBLE INVESTMENT, https://www.unpri.org/download?ac=5330.
[7] *Id.* at 14.

4. In considering shareholder proposals requiring insurance companies to report how they measure, disclose, and reduce the greenhouse gas (GHG) emissions associated with underwriting, insurance, and investment activities, did your firm consider the broadly applicable concern, as expressed by Chubb, that "we are not aware of any method by which we could reasonably measure the GHG emissions of our insureds?"[8] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

5. In considering shareholder proposals requiring a net-zero emissions analysis report, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e consider the likelihood of the IEA's NZE 2050 scenario to be remote… [y]our Board believes it would not be a responsible use of Company resources to produce a further report to address a speculative scenario?"[9] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

6. In considering shareholder proposals requiring reporting on Scope 3 GHG emissions, did your firm consider the broadly applicable concern, as expressed by Dollar Tree, that "[t]he proponent's suggestion that such goal include Scope 3 emissions in particular is premature and very difficult to do given the level of information available across the Company's global value chain."[10] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

B. Shareholder Proposals Relating to Actions to Reduce Greenhouse-Gas Emissions

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to take actions to reduce GHG emissions? For any "yes" vote, please explain whether and how your firm determined whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with proposals requesting a reduction of GHG emissions.

2. Do you have empirical evidence that any GHG emissions-reduction requirement that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

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[8] Chubb Limited, Definitive Proxy Statement (Schedule 14A), May 19, 2022, at 51, https://www.sec.gov/Archives/edgar/data/0000896159/000110465922042195/tm2135945-3_def14a.htm#tI.

[9] Chevron Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 93, https://www.sec.gov/Archives/edgar/data/0000093410/000119312522098301/d292137ddef14a.htm.

[10] Dollar Tree, Inc., Definitive Proxy Statement (Schedule 14A), May 18, 2022, at 105, https://www.sec.gov/Archives/edgar/data/0000935703/000110465922062246/tm223490-2_def14a.htm.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to take an action to reduce GHG emissions? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to reduce GHG emissions, please explain the discrepancy between your board's recommendation regarding GHG emissions at your firm and your firm's vote regarding GHG emissions at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

4. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by DTE Energy, that "[t]he Board considers that the science behind measuring Scope 3 emissions is currently too unsettled for full incorporation into the company's emissions reduction goals"?[11] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the DTE Energy proposal and similar proposals?

5. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e could reduce our GHG emissions by changing our portfolio and selling our emissions-producing assets, but that would not serve our stockholders, who benefit from our strong asset base,"[12] and the similar concern, as expressed by Exxon, that "the proponent has confirmed in an interview available on its website that their proposal is designed with the explicit intent to constrain Exxon Mobil's future investments in oil and gas"?[13] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Chevron and Exxon proposals, as well as similar proposals?

6. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Phillips 66, that "[s]etting targets that require even more significant technological and social transformation outside our control could create reputational risk and potential harm to shareholders"?[14] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Phillips 66 and similar proposals?

7. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley "knows that Vanguard can't promise to be a fiduciary to its clients while also committing to align its assets with the 2050 net-zero target," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[15] Do you agree with his conclusion? If not, please explain your disagreement.

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[11] DTE Energy Co., Definitive Proxy Statement (Schedule 14A), Mar. 17, 2022, at 60, https://www.sec.gov/Archives/edgar/data/936340/000093634022000105/def14a2022.htm.
[12] Chevron Corp., Definitive Proxy Statement, *supra* note 9, at 91.
[13] Exxon Mobil Corp., Definitive Proxy Statement, *supra* note 2, at 72.
[14] Phillips 66, Definitive Proxy Statement (Schedule 14A), Mar. 31, 2022, at 96, https://www.sec.gov/Archives/edgar/data/0001534701/000120677422000928/psx3965551_def14a.htm.
[15] Keeley, *supra* note **Error! Bookmark not defined.**.

8. According to Vanguard CEO Tim Buckley, "[p]oliticians and regulators have a central role to play in setting the ground rules to achieve a just transition." The Wall Street Journal reported that "Mr. Buckley understands that progress toward net-zero emissions doesn't depend on how people invest."[16] Do you agree with his conclusion? If not, please explain your disagreement.

C. Shareholder Proposals Relating to Diversity or Racial Equity

1. Is it your firm's position that diversity or racial equity should be a factor in forming decisions on shareholder proposals? If so, please provide your firm's definition of racial equity, and explain the role it plays in your decisions on shareholder proposals.

2. At what rate did your firm vote in favor of shareholder proposals requiring the company to increase diversity among its board of directors or workforce?

3. Do you have empirical evidence that any diversity requirement that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

4. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal relating to board or workforce diversity? If so, and if your firm has voted in favor of shareholder proposals at other companies relating to board or workforce diversity, please explain the discrepancy between your board's recommendation regarding diversity at your firm and your firm's vote regarding diversity at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

5. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform a racial-equity or civil-rights audit?

6. Do you have empirical evidence that any racial-equity or civil-rights audit that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

7. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to perform a racial-equity or civil-rights audit? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to conduct such audits, please explain the discrepancy between your board's recommendation regarding racial audits at your firm and your firm's vote regarding racial audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

[16] *Id.*

8. In considering shareholder proposals relating to diversity or racial equity, please explain whether and how your firm determines whether such proposals would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with performing a racial-equity or civil-rights audit, and how you determine whether such companies' existing efforts regarding diversity or racial equity are insufficient.

9. In considering shareholder proposals relating to diversity or racial equity, did your firm consider the legality of the proposal? For example, did your firm consider the concern, as expressed by Travelers, an insurance company, that "[t]aking race into account in underwriting or rate-setting … is unlawful under the insurance laws of virtually every state and would improperly inject racial considerations into a heavily regulated decision-making process?"[17] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on this proposal?

III. Votes on Proposals Submitted by Specific Proponents

1. At what rate did your firm vote in favor of proposals submitted by the National Legal and Policy Center in 2022 and 2023 (through the date of this letter)?

2. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter)?

3. At what rate did your firm vote in favor of proposals submitted by Steven Milloy in 2022 and 2023 (through the date of this letter)?

4. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Legal and Policy Center, the National Center for Public Policy Research, and Steven Milloy in 2022 and 2023 (through the date of this letter)? If there are any discrepancy between your answer to this question and your answers to questions III.1 through III.3, please explain those discrepancies.

5. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit?

6. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit? If there is any discrepancy between your answer to this question and your answers to question III.5, please explain that discrepancy.

[17] The Travelers Companies, Inc., Definitive Proxy Statement, *supra* note 4, at 80.

7. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities?

8. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities? If there is any discrepancy between your answer to this question and your answer to question III.7, please explain that discrepancy.

May 15, 2023

David Solomon
Chairman and Chief Executive Officer
Goldman Sachs
200 West Street, New York, NY 10282

Dear David Solomon,

We, the undersigned state treasurers and financial officers, have been elected to safeguard our States' public funds, which may include public funds from our States that you manage.[1] Recent headlines have given us cause to question whether management decisions being provided properly pursue our taxpayers' best long-term economic interests. Specifically, we are concerned that taxpayers' best long-term economic interests might have become subordinated to environmental, social, and political interests often divorced from shareholder value—and often pushed through shareholder proposals.[2]

To take just a few examples, some recent shareholder proposals would require oil companies to pledge fealty to the Paris Climate Agreement,[3] social media companies to crack down on "hate

[1] We recognize that not all the states represented in this letter directly use your services as they manage state funds with internal staff. However, because of the role your firm has in voting proxies, the information you provide in response to this letter is of importance to all states due to its general impact on the investing universe.
[2] *See* Hannah Orowitz, Rajeev Kumar & Lee Anne Hagel, GEORGESON, *An Early Look at the 2022 Proxy Season*, June 7, 2022, at 4, 12, 14, https://corpgov.law.harvard.edu/wp-content/uploads/2022/06/Georgeson_EPS_whitepaper_2022_v6.pdf.
[3] Exxon Mobil Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 71, https://www.sec.gov/Archives/edgar/data/34088/000119312522098314/d280259ddef14a.htm.

speech,"[4] insurance companies to consider race in underwriting insurance policies,[5] and retailers to weigh in on state abortion policy.[6] At best, those kinds of ESG proposals require expensive audits, time-consuming reports, and cumbersome policies with no apparent link to a targeted company's business. At worst, they require the targeted companies to spend significant management time and corporate resources pursuing goals untethered to shareholder value, or to relinquish parts of their business—including products or services that investors deemed worthy investments of their hard-earned capital in the first place.

Your core fiduciary obligations as asset managers require you to act in the economic interest of those who have entrusted you with their investments.[7] That means your votes on shareholder proposals must advance your investors' interests—not your own, or the interests of third parties. And make no mistake: Your votes wield significant influence on behalf of your clients. The largest one percent of asset managers manage 61 percent of total industry assets.[8] Given the significant impact that your firm's votes have on corporate practices, your voting decisions simply must promote the best economic interests of the ultimate asset owners in order for you to discharge your fiduciary responsibilities.

To help us understand how your firm makes voting decisions—and to allay concerns that some of those decisions might be based on factors other than the best economic interests of shareholders—please respond to the attached questionnaire by June 29, 2023. To aid in an efficient dialogue on these topics, please tailor your responses to shareholder proposals related to the issues described below and submitted for a vote at annual meetings conducted in 2022 and 2023 (through the date of this letter).

Thank you for your careful attention to these important requests. Your candid, prompt responses are critical to helping us properly discharge the fiduciary duties we owe to our constituents. If you have any questions about the contents of this letter, please contact the Utah Office of State Treasurer by phone (801-538-1042) or email (sto@utah.gov).

Respectfully,

Alaska Commissioner of Revenue Adam Crum

Arizona Treasurer Kimberly Yee

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4 Meta Platforms, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 74, https://www.sec.gov/Archives/edgar/data/1326801/000132680122000043/meta2022definitiveproxysta.htm.

5 The Travelers Companies, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 79, https://www.sec.gov/Archives/edgar/data/86312/000008631222000019/a2022proxystatement.htm.

6 Walmart, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 21, 2022, at 90, https://www.sec.gov/Archives/edgar/data/0000104169/000010416922000019/a2022proxystatement.htm.

7 *See* 15 U.S.C. §80b-11; 5 U.S.C. 8477(b).

8 *See* Siobhan Riding, *Trillion-Dollar Club Tightens Grip on Fund Market During Crisis*, FINANCIAL TIMES, May 10, 2020, https://www.ft.com/content/a6aa1010-3dff-4521-af52-fbadb496c89d.

Florida Chief Financial Officer Jimmy Patronis

Idaho Treasurer Julie Ellsworth

Indiana Treasurer Dan Elliott

Iowa Treasurer Roby Smith

Kansas Treasurer Steven Johnson

Louisiana Treasurer John Schroder

Mississippi Treasurer David McRae

Missouri State Auditor Scott Fitzpatrick

Missouri Treasurer Vivek Malek

Nebraska Treasurer John Murante

Nebraska Auditor Mike Foley

North Carolina Treasurer Dale Folwell

North Dakota Treasurer Thomas Beadle

Oklahoma Auditor & Inspector Cindy Byrd

Oklahoma Treasurer Todd Russ

South Carolina Treasurer Curtis M. Loftis, Jr.

Utah Treasurer Marlo Oaks

West Virginia Treasurer Riley Moore

Wyoming Treasurer Curt Meier

Proxy Voting Questionnaire

I. Evaluating Shareholder Proposals Generally

A. General Principles

1. Does your firm vote on shareholder proposals based solely on what your firm considers to be in the best economic interest of shareholders of the company subject to the proposal?

2. What is your firm's process for evaluating whether a shareholder proposal is in the best economic interest of shareholders of the company subject to the proposal?

3. Does your firm conduct economic analysis to determine whether a shareholder proposal in the best economic interest of shareholders of the company subject to the proposal? If so, please describe it. If not, please explain why, and on what basis you determine whether a shareholder proposal would be in the best interest of those shareholders.

4. When evaluating a shareholder proposal, in addition to considering long-term risks to a business associated with the concern raised by a shareholder proposal, do you also evaluate the short-term costs involved in implementing the proposal's request? If so, please explain your analysis and how you balance the potential long-term risks and the near-term costs.

5. Does your firm evaluate shareholder proposals by forecasting the expected impact of the proposal on the economic interests of the shareholders of the company subject to the proposal? If so, what timeframe does your forecast consider? Do you back-test your forecasts to evaluate whether they were accurate?

6. Do your proxy-voting teams engage with the portfolio managers to get their views as to what is in the best economic interest of shareholders?

7. Has your firm ever made a vote determination based in whole or in part on any noneconomic factors? If so, please describe such noneconomic factors and explain how such a vote determination is consistent with acting in the best economic interest of shareholders.

8. Does your firm clearly inform your investors or asset holders about any noneconomic factors that you consider when voting on shareholder proposals? If so, please describe the process by which you inform your clients of those noneconomic factors.

9. What process does your firm have in place for determining how to vote on a proposal when your firm agrees with only a portion of the proposal's request?

10. With respect to a shareholder proposal, when your firm considers a vote that is not aligned with the recommendation of a board composed of a majority of independent directors, how do you determine whether your vote is more in line with the best economic interests of shareholders than with the independent board's recommendation? And how, if at all, do you consider the fact that an independent board of directors is bound by its fiduciary duties to shareholders to make a vote recommendation based on the best economic interests of shareholders?

11. Does your firm have controls in place to ensure that your firm's votes on shareholder proposals do not discourage legal activities (such as business associated with fossil fuel, guns, or tobacco) for noneconomic reasons? If so, please describe them. If not, please explain why your firm lacks such controls.

12. Does your firm have an established set of goals against which you measure shareholder proposals on environmental, social and/or political proposals? If so, what are those goals?

13. Does your firm have voting policies with respect to environmental, social and/or political shareholder proposals? If so, please describe those policies and explain the process for developing those policies, including whether such process involved an economic analysis to determine whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. Please also identify any processes you have in place to override any of those policies, and explain in what circumstances your firm would override those policies.

14. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley has concluded that "ESG investing does not have any advantage over broad-based investing," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[1] Do you agree with his conclusion? If not, please explain the basis for your disagreement.

15. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, noting that "[s]ome resolutions ask companies to address social or environmental concerns that are already subject to regulation."[2] And when "a proposal asks an individual issuer to adopt a standard that is higher than the regulatory requirement and peers' practices," T. Rowe Price "will take potential competitive harm into consideration in [its] voting decision." Does your firm also consider competitive harm in your voting decisions in such circumstances? If not, why not?

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[1] Terrence Keeley, *Vanguard's CEO Bucks the ESG Orthodoxy*, WALL ST. J. (Feb. 26, 2023), https://www.wsj.com/articles/vanguards-ceo-bucks-the-esg-orthodoxy-tim-buckley-net-zero-emissions-united-nations-initiative-nzam-f6ae910d.

[2] T. ROWE PRICE, PROXY VOTING GUIDELINES (Feb. 2023) 17, https://www.troweprice.com/content/dam/trowecorp/Pdfs/proxy-voting-guidelines-TRPA.pdf.

16. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, as "[s]ome resolutions ask investors to impose company-level, private-market solutions to problems that are clearly better addressed by other stakeholders, including regulators, legislators, the courts, or communities."[3] And when "a proposal seeks to apply company-level solutions to a broad societal problem, and the company has little influence over the problem," T. Rowe Price "may deem the resolution to be poorly crafted or misdirected." Does your firm also deem such proposals to be poorly crafted or misdirected? If not, why not?

B. Use of Proxy-Advisory Firms

1. Does your firm subscribe to the services of proxy-advisory firms? If so, please name the proxy-advisory firms whose services your firm has used.

2. What is your firm's process for evaluating proxy-advisory firms' recommendations?

3. For each proxy-advisory firm to which your firm subscribes, what percentage of the time has your firm voted consistent with that proxy-advisory firm's recommendations regarding shareholder proposals in 2022 and in 2023 (through the date of this letter)?

4. For shareholder proposals in 2022 and in 2023 (through the date of this letter), what percentage of the time did your firm independently evaluate the research and recommendations of proxy-advisory firms?

5. What processes does your firm have in place to evaluate whether the recommendations of a for-profit proxy-advisory firm are in the best economic interests of the shareholders at the company receiving the proposal?

C. Conflicts of Interest

1. Is your firm a signatory to the Glasgow Financial Alliance for Net Zero, the Net Zero Asset Managers Initiative, or other related organizations?[4] If so, how do you reconcile your commitment to those initiatives with your fiduciary duty to shareholders? Have you obtained the consent of your customers for this material conflict of interest?[5]

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[3] *Id.*

[4] *See* Our Members, GLASGOW FINANCIAL ALLIANCE FOR NET ZERO, https://www.gfanzero.com/membership/ (last visited Feb. 13, 2023); Signatories, NET ZERO ASSET MANAGERS INITIATIVE, https://www.netzeroassetmanagers.org/signatories/ (last visited Feb. 13, 2023).

[5] *See* 15 U.S.C. §80b-11.

2. Is your firm a signatory to the U.N.'s Principles for Responsible Investment?[6] If so, how do you reconcile your fiduciary duty to shareholders with your commitment to an organization that seeks to "establish that asset owners' responsibilities to their beneficiaries extend beyond the risk/return profile of their investments to include making decisions that benefit the world beneficiaries live in."[7]

3. Has your firm committed to pursuing the goals or initiatives of any other ESG-related organizations?

4. What controls does your firm have in place to ensure that its commitments to other projects and organizations do not interfere with your firm's fiduciary duty to shareholders?

5. Does your firm have controls in place to ensure that personal views on ESG issues or political issues are not reflected in your firm's vote decisions on shareholder proposals? If so, please describe them. If not, please explain why your firm lacks such controls.

II. Evaluating Shareholder Proposals on Specific Topics

A. Shareholder Proposals Relating to Climate Reporting

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform climate-related audits or to prepare reports on climate-related risks? For any "yes" votes, please explain whether and how your firm determined whether such reports or audits would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with such reports or audits, and how you determined whether the existing climate reporting of such companies was insufficient.

2. Do you have empirical evidence that any climate report or audit that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to conduct a climate report or audit? If so, and if your firm has voted in favor of shareholder proposals requiring climate reports or audits at other companies, please explain the discrepancy between your board's recommendation regarding climate reports or audits at your firm and your firm's vote regarding climate reports or audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

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[6] PRINCIPLES FOR RESPONSIBLE INVESTMENT, A BLUEPRINT FOR RESPONSIBLE INVESTMENT, https://www.unpri.org/download?ac=5330.
[7] *Id.* at 14.

4. In considering shareholder proposals requiring insurance companies to report how they measure, disclose, and reduce the greenhouse gas (GHG) emissions associated with underwriting, insurance, and investment activities, did your firm consider the broadly applicable concern, as expressed by Chubb, that "we are not aware of any method by which we could reasonably measure the GHG emissions of our insureds?"[8] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

5. In considering shareholder proposals requiring a net-zero emissions analysis report, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e consider the likelihood of the IEA's NZE 2050 scenario to be remote… [y]our Board believes it would not be a responsible use of Company resources to produce a further report to address a speculative scenario?"[9] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

6. In considering shareholder proposals requiring reporting on Scope 3 GHG emissions, did your firm consider the broadly applicable concern, as expressed by Dollar Tree, that "[t]he proponent's suggestion that such goal include Scope 3 emissions in particular is premature and very difficult to do given the level of information available across the Company's global value chain."[10] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

B. Shareholder Proposals Relating to Actions to Reduce Greenhouse-Gas Emissions

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to take actions to reduce GHG emissions? For any "yes" vote, please explain whether and how your firm determined whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with proposals requesting a reduction of GHG emissions.

2. Do you have empirical evidence that any GHG emissions-reduction requirement that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

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[8] Chubb Limited, Definitive Proxy Statement (Schedule 14A), May 19, 2022, at 51, https://www.sec.gov/Archives/edgar/data/0000896159/000110465922042195/tm2135945-3_def14a.htm#tI.

[9] Chevron Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 93, https://www.sec.gov/Archives/edgar/data/0000093410/000119312522098301/d292137ddef14a.htm.

[10] Dollar Tree, Inc., Definitive Proxy Statement (Schedule 14A), May 18, 2022, at 105, https://www.sec.gov/Archives/edgar/data/0000935703/000110465922062246/tm223490-2_def14a.htm.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to take an action to reduce GHG emissions? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to reduce GHG emissions, please explain the discrepancy between your board's recommendation regarding GHG emissions at your firm and your firm's vote regarding GHG emissions at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

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[11] DTE Energy Co., Definitive Proxy Statement (Schedule 14A), Mar. 17, 2022, at 60, https://www.sec.gov/Archives/edgar/data/936340/000093634022000105/def14a2022.htm.
[12] Chevron Corp., Definitive Proxy Statement, *supra* note 9, at 91.
[13] Exxon Mobil Corp., Definitive Proxy Statement, *supra* note 2, at 72.
[14] Phillips 66, Definitive Proxy Statement (Schedule 14A), Mar. 31, 2022, at 96, https://www.sec.gov/Archives/edgar/data/0001534701/000120677422000928/psx3965551_def14a.htm.
[15] Keeley, *supra* note **Error! Bookmark not defined.**.

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C. Shareholder Proposals Relating to Diversity or Racial Equity

1. Is it your firm's position that diversity or racial equity should be a factor in forming decisions on shareholder proposals? If so, please provide your firm's definition of racial equity, and explain the role it plays in your decisions on shareholder proposals.

2. At what rate did your firm vote in favor of shareholder proposals requiring the company to increase diversity among its board of directors or workforce?

3. Do you have empirical evidence that any diversity requirement that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

4. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal relating to board or workforce diversity? If so, and if your firm has voted in favor of shareholder proposals at other companies relating to board or workforce diversity, please explain the discrepancy between your board's recommendation regarding diversity at your firm and your firm's vote regarding diversity at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

5. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform a racial-equity or civil-rights audit?

6. Do you have empirical evidence that any racial-equity or civil-rights audit that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

7. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to perform a racial-equity or civil-rights audit? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to conduct such audits, please explain the discrepancy between your board's recommendation regarding racial audits at your firm and your firm's vote regarding racial audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

[16] *Id.*

8. In considering shareholder proposals relating to diversity or racial equity, please explain whether and how your firm determines whether such proposals would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with performing a racial-equity or civil-rights audit, and how you determine whether such companies' existing efforts regarding diversity or racial equity are insufficient.

9. In considering shareholder proposals relating to diversity or racial equity, did your firm consider the legality of the proposal? For example, did your firm consider the concern, as expressed by Travelers, an insurance company, that "[t]aking race into account in underwriting or rate-setting … is unlawful under the insurance laws of virtually every state and would improperly inject racial considerations into a heavily regulated decision-making process?"[17] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on this proposal?

III. Votes on Proposals Submitted by Specific Proponents

1. At what rate did your firm vote in favor of proposals submitted by the National Legal and Policy Center in 2022 and 2023 (through the date of this letter)?

2. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter)?

3. At what rate did your firm vote in favor of proposals submitted by Steven Milloy in 2022 and 2023 (through the date of this letter)?

4. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Legal and Policy Center, the National Center for Public Policy Research, and Steven Milloy in 2022 and 2023 (through the date of this letter)? If there are any discrepancy between your answer to this question and your answers to questions III.1 through III.3, please explain those discrepancies.

5. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit?

6. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit? If there is any discrepancy between your answer to this question and your answers to question III.5, please explain that discrepancy.

[17] The Travelers Companies, Inc., Definitive Proxy Statement, *supra* note 4, at 80.

7. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities?

8. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities? If there is any discrepancy between your answer to this question and your answer to question III.7, please explain that discrepancy.

May 15, 2023

Robin Vince
President and Chief Executive Officer
Bank of New York Mellon
240 Greenwich Street, New York, NY 10286

Dear Robin Vince,

We, the undersigned state treasurers and financial officers, have been elected to safeguard our States' public funds, which may include public funds from our States that you manage.[1] Recent headlines have given us cause to question whether management decisions being provided properly pursue our taxpayers' best long-term economic interests. Specifically, we are concerned that taxpayers' best long-term economic interests might have become subordinated to environmental, social, and political interests often divorced from shareholder value—and often pushed through shareholder proposals.[2]

To take just a few examples, some recent shareholder proposals would require oil companies to pledge fealty to the Paris Climate Agreement,[3] social media companies to crack down on "hate

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[1] We recognize that not all the states represented in this letter directly use your services as they manage state funds with internal staff. However, because of the role your firm has in voting proxies, the information you provide in response to this letter is of importance to all states due to its general impact on the investing universe.

[2] *See* Hannah Orowitz, Rajeev Kumar & Lee Anne Hagel, GEORGESON, *An Early Look at the 2022 Proxy Season*, June 7, 2022, at 4, 12, 14, https://corpgov.law.harvard.edu/wp-content/uploads/2022/06/Georgeson_EPS_whitepaper_2022_v6.pdf.

[3] Exxon Mobil Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 71, https://www.sec.gov/Archives/edgar/data/34088/000119312522098314/d280259ddef14a.htm.

speech,"[4] insurance companies to consider race in underwriting insurance policies,[5] and retailers to weigh in on state abortion policy.[6] At best, those kinds of ESG proposals require expensive audits, time-consuming reports, and cumbersome policies with no apparent link to a targeted company's business. At worst, they require the targeted companies to spend significant management time and corporate resources pursuing goals untethered to shareholder value, or to relinquish parts of their business—including products or services that investors deemed worthy investments of their hard-earned capital in the first place.

Your core fiduciary obligations as asset managers require you to act in the economic interest of those who have entrusted you with their investments.[7] That means your votes on shareholder proposals must advance your investors' interests—not your own, or the interests of third parties. And make no mistake: Your votes wield significant influence on behalf of your clients. The largest one percent of asset managers manage 61 percent of total industry assets.[8] Given the significant impact that your firm's votes have on corporate practices, your voting decisions simply must promote the best economic interests of the ultimate asset owners in order for you to discharge your fiduciary responsibilities.

To help us understand how your firm makes voting decisions—and to allay concerns that some of those decisions might be based on factors other than the best economic interests of shareholders—please respond to the attached questionnaire by June 29, 2023. To aid in an efficient dialogue on these topics, please tailor your responses to shareholder proposals related to the issues described below and submitted for a vote at annual meetings conducted in 2022 and 2023 (through the date of this letter).

Thank you for your careful attention to these important requests. Your candid, prompt responses are critical to helping us properly discharge the fiduciary duties we owe to our constituents. If you have any questions about the contents of this letter, please contact the Utah Office of State Treasurer by phone (801-538-1042) or email (sto@utah.gov).

Respectfully,

Alaska Commissioner of Revenue Adam Crum

Arizona Treasurer Kimberly Yee

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[4] Meta Platforms, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 74, https://www.sec.gov/Archives/edgar/data/1326801/000132680122000043/meta2022definitiveproxysta.htm.

[5] The Travelers Companies, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 79, https://www.sec.gov/Archives/edgar/data/86312/000008631222000019/a2022proxystatement.htm.

[6] Walmart, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 21, 2022, at 90, https://www.sec.gov/Archives/edgar/data/0000104169/000010416922000019/a2022proxystatement.htm.

[7] *See* 15 U.S.C. §80b-11; 5 U.S.C. 8477(b).

[8] *See* Siobhan Riding, *Trillion-Dollar Club Tightens Grip on Fund Market During Crisis*, FINANCIAL TIMES, May 10, 2020, https://www.ft.com/content/a6aa1010-3dff-4521-af52-fbadb496c89d.

Florida Chief Financial Officer Jimmy Patronis

Idaho Treasurer Julie Ellsworth

Indiana Treasurer Dan Elliott

Iowa Treasurer Roby Smith

Kansas Treasurer Steven Johnson

Louisiana Treasurer John Schroder

Mississippi Treasurer David McRae

Missouri State Auditor Scott Fitzpatrick

Missouri Treasurer Vivek Malek

Nebraska Treasurer John Murante

Nebraska Auditor Mike Foley

North Carolina Treasurer Dale Folwell

North Dakota Treasurer Thomas Beadle

Oklahoma Auditor & Inspector Cindy Byrd

Oklahoma Treasurer Todd Russ

South Carolina Treasurer Curtis M. Loftis, Jr.

Utah Treasurer Marlo Oaks

West Virginia Treasurer Riley Moore

Wyoming Treasurer Curt Meier

Proxy Voting Questionnaire

I. Evaluating Shareholder Proposals Generally

A. General Principles

1. Does your firm vote on shareholder proposals based solely on what your firm considers to be in the best economic interest of shareholders of the company subject to the proposal?

2. What is your firm's process for evaluating whether a shareholder proposal is in the best economic interest of shareholders of the company subject to the proposal?

3. Does your firm conduct economic analysis to determine whether a shareholder proposal in the best economic interest of shareholders of the company subject to the proposal? If so, please describe it. If not, please explain why, and on what basis you determine whether a shareholder proposal would be in the best interest of those shareholders.

4. When evaluating a shareholder proposal, in addition to considering long-term risks to a business associated with the concern raised by a shareholder proposal, do you also evaluate the short-term costs involved in implementing the proposal's request? If so, please explain your analysis and how you balance the potential long-term risks and the near-term costs.

5. Does your firm evaluate shareholder proposals by forecasting the expected impact of the proposal on the economic interests of the shareholders of the company subject to the proposal? If so, what timeframe does your forecast consider? Do you back-test your forecasts to evaluate whether they were accurate?

6. Do your proxy-voting teams engage with the portfolio managers to get their views as to what is in the best economic interest of shareholders?

7. Has your firm ever made a vote determination based in whole or in part on any noneconomic factors? If so, please describe such noneconomic factors and explain how such a vote determination is consistent with acting in the best economic interest of shareholders.

8. Does your firm clearly inform your investors or asset holders about any noneconomic factors that you consider when voting on shareholder proposals? If so, please describe the process by which you inform your clients of those noneconomic factors.

9. What process does your firm have in place for determining how to vote on a proposal when your firm agrees with only a portion of the proposal's request?

10. With respect to a shareholder proposal, when your firm considers a vote that is not aligned with the recommendation of a board composed of a majority of independent directors, how do you determine whether your vote is more in line with the best economic interests of shareholders than with the independent board's recommendation? And how, if at all, do you consider the fact that an independent board of directors is bound by its fiduciary duties to shareholders to make a vote recommendation based on the best economic interests of shareholders?

11. Does your firm have controls in place to ensure that your firm's votes on shareholder proposals do not discourage legal activities (such as business associated with fossil fuel, guns, or tobacco) for noneconomic reasons? If so, please describe them. If not, please explain why your firm lacks such controls.

12. Does your firm have an established set of goals against which you measure shareholder proposals on environmental, social and/or political proposals? If so, what are those goals?

13. Does your firm have voting policies with respect to environmental, social and/or political shareholder proposals? If so, please describe those policies and explain the process for developing those policies, including whether such process involved an economic analysis to determine whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. Please also identify any processes you have in place to override any of those policies, and explain in what circumstances your firm would override those policies.

14. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley has concluded that "ESG investing does not have any advantage over broad-based investing," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[1] Do you agree with his conclusion? If not, please explain the basis for your disagreement.

15. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, noting that "[s]ome resolutions ask companies to address social or environmental concerns that are already subject to regulation."[2] And when "a proposal asks an individual issuer to adopt a standard that is higher than the regulatory requirement and peers' practices," T. Rowe Price "will take potential competitive harm into consideration in [its] voting decision." Does your firm also consider competitive harm in your voting decisions in such circumstances? If not, why not?

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[1] Terrence Keeley, *Vanguard's CEO Bucks the ESG Orthodoxy*, WALL ST. J. (Feb. 26, 2023), https://www.wsj.com/articles/vanguards-ceo-bucks-the-esg-orthodoxy-tim-buckley-net-zero-emissions-united-nations-initiative-nzam-f6ae910d.

[2] T. ROWE PRICE, PROXY VOTING GUIDELINES (Feb. 2023) 17, https://www.troweprice.com/content/dam/trowecorp/Pdfs/proxy-voting-guidelines-TRPA.pdf.

16. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, as "[s]ome resolutions ask investors to impose company-level, private-market solutions to problems that are clearly better addressed by other stakeholders, including regulators, legislators, the courts, or communities."[3] And when "a proposal seeks to apply company-level solutions to a broad societal problem, and the company has little influence over the problem," T. Rowe Price "may deem the resolution to be poorly crafted or misdirected." Does your firm also deem such proposals to be poorly crafted or misdirected? If not, why not?

B. Use of Proxy-Advisory Firms

1. Does your firm subscribe to the services of proxy-advisory firms? If so, please name the proxy-advisory firms whose services your firm has used.

2. What is your firm's process for evaluating proxy-advisory firms' recommendations?

3. For each proxy-advisory firm to which your firm subscribes, what percentage of the time has your firm voted consistent with that proxy-advisory firm's recommendations regarding shareholder proposals in 2022 and in 2023 (through the date of this letter)?

4. For shareholder proposals in 2022 and in 2023 (through the date of this letter), what percentage of the time did your firm independently evaluate the research and recommendations of proxy-advisory firms?

5. What processes does your firm have in place to evaluate whether the recommendations of a for-profit proxy-advisory firm are in the best economic interests of the shareholders at the company receiving the proposal?

C. Conflicts of Interest

1. Is your firm a signatory to the Glasgow Financial Alliance for Net Zero, the Net Zero Asset Managers Initiative, or other related organizations?[4] If so, how do you reconcile your commitment to those initiatives with your fiduciary duty to shareholders? Have you obtained the consent of your customers for this material conflict of interest?[5]

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[3] *Id.*

[4] *See* Our Members, GLASGOW FINANCIAL ALLIANCE FOR NET ZERO, https://www.gfanzero.com/membership/ (last visited Feb. 13, 2023); Signatories, NET ZERO ASSET MANAGERS INITIATIVE, https://www.netzeroassetmanagers.org/signatories/ (last visited Feb. 13, 2023).

[5] *See* 15 U.S.C. §80b-11.

2. Is your firm a signatory to the U.N.'s Principles for Responsible Investment?[6] If so, how do you reconcile your fiduciary duty to shareholders with your commitment to an organization that seeks to "establish that asset owners' responsibilities to their beneficiaries extend beyond the risk/return profile of their investments to include making decisions that benefit the world beneficiaries live in."[7]

3. Has your firm committed to pursuing the goals or initiatives of any other ESG-related organizations?

4. What controls does your firm have in place to ensure that its commitments to other projects and organizations do not interfere with your firm's fiduciary duty to shareholders?

5. Does your firm have controls in place to ensure that personal views on ESG issues or political issues are not reflected in your firm's vote decisions on shareholder proposals? If so, please describe them. If not, please explain why your firm lacks such controls.

II. Evaluating Shareholder Proposals on Specific Topics

A. Shareholder Proposals Relating to Climate Reporting

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform climate-related audits or to prepare reports on climate-related risks? For any "yes" votes, please explain whether and how your firm determined whether such reports or audits would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with such reports or audits, and how you determined whether the existing climate reporting of such companies was insufficient.

2. Do you have empirical evidence that any climate report or audit that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to conduct a climate report or audit? If so, and if your firm has voted in favor of shareholder proposals requiring climate reports or audits at other companies, please explain the discrepancy between your board's recommendation regarding climate reports or audits at your firm and your firm's vote regarding climate reports or audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

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[6] PRINCIPLES FOR RESPONSIBLE INVESTMENT, A BLUEPRINT FOR RESPONSIBLE INVESTMENT, https://www.unpri.org/download?ac=5330.
[7] *Id.* at 14.

4. In considering shareholder proposals requiring insurance companies to report how they measure, disclose, and reduce the greenhouse gas (GHG) emissions associated with underwriting, insurance, and investment activities, did your firm consider the broadly applicable concern, as expressed by Chubb, that "we are not aware of any method by which we could reasonably measure the GHG emissions of our insureds?"[8] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

5. In considering shareholder proposals requiring a net-zero emissions analysis report, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e consider the likelihood of the IEA's NZE 2050 scenario to be remote… [y]our Board believes it would not be a responsible use of Company resources to produce a further report to address a speculative scenario?"[9] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

6. In considering shareholder proposals requiring reporting on Scope 3 GHG emissions, did your firm consider the broadly applicable concern, as expressed by Dollar Tree, that "[t]he proponent's suggestion that such goal include Scope 3 emissions in particular is premature and very difficult to do given the level of information available across the Company's global value chain."[10] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

B. Shareholder Proposals Relating to Actions to Reduce Greenhouse-Gas Emissions

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to take actions to reduce GHG emissions? For any "yes" vote, please explain whether and how your firm determined whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with proposals requesting a reduction of GHG emissions.

2. Do you have empirical evidence that any GHG emissions-reduction requirement that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

[8] Chubb Limited, Definitive Proxy Statement (Schedule 14A), May 19, 2022, at 51, https://www.sec.gov/Archives/edgar/data/0000896159/000110465922042195/tm2135945-3_def14a.htm#tI.
[9] Chevron Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 93, https://www.sec.gov/Archives/edgar/data/0000093410/000119312522098301/d292137ddef14a.htm.
[10] Dollar Tree, Inc., Definitive Proxy Statement (Schedule 14A), May 18, 2022, at 105, https://www.sec.gov/Archives/edgar/data/0000935703/000110465922062246/tm223490-2_def14a.htm.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to take an action to reduce GHG emissions? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to reduce GHG emissions, please explain the discrepancy between your board's recommendation regarding GHG emissions at your firm and your firm's vote regarding GHG emissions at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

4. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by DTE Energy, that "[t]he Board considers that the science behind measuring Scope 3 emissions is currently too unsettled for full incorporation into the company's emissions reduction goals"?[11] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the DTE Energy proposal and similar proposals?

5. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e could reduce our GHG emissions by changing our portfolio and selling our emissions-producing assets, but that would not serve our stockholders, who benefit from our strong asset base,"[12] and the similar concern, as expressed by Exxon, that "the proponent has confirmed in an interview available on its website that their proposal is designed with the explicit intent to constrain Exxon Mobil's future investments in oil and gas"?[13] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Chevron and Exxon proposals, as well as similar proposals?

6. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Phillips 66, that "[s]etting targets that require even more significant technological and social transformation outside our control could create reputational risk and potential harm to shareholders"?[14] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Phillips 66 and similar proposals?

7. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley "knows that Vanguard can't promise to be a fiduciary to its clients while also committing to align its assets with the 2050 net-zero target," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[15] Do you agree with his conclusion? If not, please explain your disagreement.

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[11] DTE Energy Co., Definitive Proxy Statement (Schedule 14A), Mar. 17, 2022, at 60, https://www.sec.gov/Archives/edgar/data/936340/000093634022000105/def14a2022.htm.
[12] Chevron Corp., Definitive Proxy Statement, *supra* note 9, at 91.
[13] Exxon Mobil Corp., Definitive Proxy Statement, *supra* note 2, at 72.
[14] Phillips 66, Definitive Proxy Statement (Schedule 14A), Mar. 31, 2022, at 96, https://www.sec.gov/Archives/edgar/data/0001534701/000120677422000928/psx3965551_def14a.htm.
[15] Keeley, *supra* note **Error! Bookmark not defined.**.

8. According to Vanguard CEO Tim Buckley, "[p]oliticians and regulators have a central role to play in setting the ground rules to achieve a just transition." The Wall Street Journal reported that "Mr. Buckley understands that progress toward net-zero emissions doesn't depend on how people invest."[16] Do you agree with his conclusion? If not, please explain your disagreement.

C. Shareholder Proposals Relating to Diversity or Racial Equity

1. Is it your firm's position that diversity or racial equity should be a factor in forming decisions on shareholder proposals? If so, please provide your firm's definition of racial equity, and explain the role it plays in your decisions on shareholder proposals.

2. At what rate did your firm vote in favor of shareholder proposals requiring the company to increase diversity among its board of directors or workforce?

3. Do you have empirical evidence that any diversity requirement that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

4. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal relating to board or workforce diversity? If so, and if your firm has voted in favor of shareholder proposals at other companies relating to board or workforce diversity, please explain the discrepancy between your board's recommendation regarding diversity at your firm and your firm's vote regarding diversity at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

5. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform a racial-equity or civil-rights audit?

6. Do you have empirical evidence that any racial-equity or civil-rights audit that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

7. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to perform a racial-equity or civil-rights audit? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to conduct such audits, please explain the discrepancy between your board's recommendation regarding racial audits at your firm and your firm's vote regarding racial audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

[16] *Id.*

8. In considering shareholder proposals relating to diversity or racial equity, please explain whether and how your firm determines whether such proposals would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with performing a racial-equity or civil-rights audit, and how you determine whether such companies' existing efforts regarding diversity or racial equity are insufficient.

9. In considering shareholder proposals relating to diversity or racial equity, did your firm consider the legality of the proposal? For example, did your firm consider the concern, as expressed by Travelers, an insurance company, that "[t]aking race into account in underwriting or rate-setting … is unlawful under the insurance laws of virtually every state and would improperly inject racial considerations into a heavily regulated decision-making process?"[17] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on this proposal?

III. Votes on Proposals Submitted by Specific Proponents

1. At what rate did your firm vote in favor of proposals submitted by the National Legal and Policy Center in 2022 and 2023 (through the date of this letter)?

2. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter)?

3. At what rate did your firm vote in favor of proposals submitted by Steven Milloy in 2022 and 2023 (through the date of this letter)?

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5. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit?

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[17] The Travelers Companies, Inc., Definitive Proxy Statement, *supra* note 4, at 80.

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8. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities? If there is any discrepancy between your answer to this question and your answer to question III.7, please explain that discrepancy.

May 15, 2023

Charles Lowery
Chief Executive Officer
Prudential Financial
751 Broad Street, Prudential Plaza, Newark, NJ 07102

Dear Charles Lowery,

We, the undersigned state treasurers and financial officers, have been elected to safeguard our States' public funds, which may include public funds from our States that you manage.[1] Recent headlines have given us cause to question whether management decisions being provided properly pursue our taxpayers' best long-term economic interests. Specifically, we are concerned that taxpayers' best long-term economic interests might have become subordinated to environmental, social, and political interests often divorced from shareholder value—and often pushed through shareholder proposals.[2]

To take just a few examples, some recent shareholder proposals would require oil companies to pledge fealty to the Paris Climate Agreement,[3] social media companies to crack down on "hate

[1] We recognize that not all the states represented in this letter directly use your services as they manage state funds with internal staff. However, because of the role your firm has in voting proxies, the information you provide in response to this letter is of importance to all states due to its general impact on the investing universe.
[2] *See* Hannah Orowitz, Rajeev Kumar & Lee Anne Hagel, GEORGESON, *An Early Look at the 2022 Proxy Season*, June 7, 2022, at 4, 12, 14, https://corpgov.law.harvard.edu/wp-content/uploads/2022/06/Georgeson_EPS_whitepaper_2022_v6.pdf.
[3] Exxon Mobil Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 71, https://www.sec.gov/Archives/edgar/data/34088/000119312522098314/d280259ddef14a.htm.

speech,"[4] insurance companies to consider race in underwriting insurance policies,[5] and retailers to weigh in on state abortion policy.[6] At best, those kinds of ESG proposals require expensive audits, time-consuming reports, and cumbersome policies with no apparent link to a targeted company's business. At worst, they require the targeted companies to spend significant management time and corporate resources pursuing goals untethered to shareholder value, or to relinquish parts of their business—including products or services that investors deemed worthy investments of their hard-earned capital in the first place.

Your core fiduciary obligations as asset managers require you to act in the economic interest of those who have entrusted you with their investments.[7] That means your votes on shareholder proposals must advance your investors' interests—not your own, or the interests of third parties. And make no mistake: Your votes wield significant influence on behalf of your clients. The largest one percent of asset managers manage 61 percent of total industry assets.[8] Given the significant impact that your firm's votes have on corporate practices, your voting decisions simply must promote the best economic interests of the ultimate asset owners in order for you to discharge your fiduciary responsibilities.

To help us understand how your firm makes voting decisions—and to allay concerns that some of those decisions might be based on factors other than the best economic interests of shareholders—please respond to the attached questionnaire by June 29, 2023. To aid in an efficient dialogue on these topics, please tailor your responses to shareholder proposals related to the issues described below and submitted for a vote at annual meetings conducted in 2022 and 2023 (through the date of this letter).

Thank you for your careful attention to these important requests. Your candid, prompt responses are critical to helping us properly discharge the fiduciary duties we owe to our constituents. If you have any questions about the contents of this letter, please contact the Utah Office of State Treasurer by phone (801-538-1042) or email (sto@utah.gov).

Respectfully,

Alaska Commissioner of Revenue Adam Crum

Arizona Treasurer Kimberly Yee

[4] Meta Platforms, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 74, https://www.sec.gov/Archives/edgar/data/1326801/000132680122000043/meta2022definitiveproxysta.htm.

[5] The Travelers Companies, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 79, https://www.sec.gov/Archives/edgar/data/86312/000008631222000019/a2022proxystatement.htm.

[6] Walmart, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 21, 2022, at 90, https://www.sec.gov/Archives/edgar/data/0000104169/000010416922000019/a2022proxystatement.htm.

[7] *See* 15 U.S.C. §80b-11; 5 U.S.C. 8477(b).

[8] *See* Siobhan Riding, *Trillion-Dollar Club Tightens Grip on Fund Market During Crisis*, FINANCIAL TIMES, May 10, 2020, https://www.ft.com/content/a6aa1010-3dff-4521-af52-fbadb496c89d.

Florida Chief Financial Officer Jimmy Patronis

Idaho Treasurer Julie Ellsworth

Indiana Treasurer Dan Elliott

Iowa Treasurer Roby Smith

Kansas Treasurer Steven Johnson

Louisiana Treasurer John Schroder

Mississippi Treasurer David McRae

Missouri State Auditor Scott Fitzpatrick

Missouri Treasurer Vivek Malek

Nebraska Treasurer John Murante

Nebraska Auditor Mike Foley

North Carolina Treasurer Dale Folwell

North Dakota Treasurer Thomas Beadle

Oklahoma Auditor & Inspector Cindy Byrd

Oklahoma Treasurer Todd Russ

South Carolina Treasurer Curtis M. Loftis, Jr.

Utah Treasurer Marlo Oaks

West Virginia Treasurer Riley Moore

Wyoming Treasurer Curt Meier

Proxy Voting Questionnaire

I. Evaluating Shareholder Proposals Generally

A. General Principles

1. Does your firm vote on shareholder proposals based solely on what your firm considers to be in the best economic interest of shareholders of the company subject to the proposal?

2. What is your firm's process for evaluating whether a shareholder proposal is in the best economic interest of shareholders of the company subject to the proposal?

3. Does your firm conduct economic analysis to determine whether a shareholder proposal in the best economic interest of shareholders of the company subject to the proposal? If so, please describe it. If not, please explain why, and on what basis you determine whether a shareholder proposal would be in the best interest of those shareholders.

4. When evaluating a shareholder proposal, in addition to considering long-term risks to a business associated with the concern raised by a shareholder proposal, do you also evaluate the short-term costs involved in implementing the proposal's request? If so, please explain your analysis and how you balance the potential long-term risks and the near-term costs.

5. Does your firm evaluate shareholder proposals by forecasting the expected impact of the proposal on the economic interests of the shareholders of the company subject to the proposal? If so, what timeframe does your forecast consider? Do you back-test your forecasts to evaluate whether they were accurate?

6. Do your proxy-voting teams engage with the portfolio managers to get their views as to what is in the best economic interest of shareholders?

7. Has your firm ever made a vote determination based in whole or in part on any noneconomic factors? If so, please describe such noneconomic factors and explain how such a vote determination is consistent with acting in the best economic interest of shareholders.

8. Does your firm clearly inform your investors or asset holders about any noneconomic factors that you consider when voting on shareholder proposals? If so, please describe the process by which you inform your clients of those noneconomic factors.

9. What process does your firm have in place for determining how to vote on a proposal when your firm agrees with only a portion of the proposal's request?

10. With respect to a shareholder proposal, when your firm considers a vote that is not aligned with the recommendation of a board composed of a majority of independent directors, how do you determine whether your vote is more in line with the best economic interests of shareholders than with the independent board's recommendation? And how, if at all, do you consider the fact that an independent board of directors is bound by its fiduciary duties to shareholders to make a vote recommendation based on the best economic interests of shareholders?

11. Does your firm have controls in place to ensure that your firm's votes on shareholder proposals do not discourage legal activities (such as business associated with fossil fuel, guns, or tobacco) for noneconomic reasons? If so, please describe them. If not, please explain why your firm lacks such controls.

12. Does your firm have an established set of goals against which you measure shareholder proposals on environmental, social and/or political proposals? If so, what are those goals?

13. Does your firm have voting policies with respect to environmental, social and/or political shareholder proposals? If so, please describe those policies and explain the process for developing those policies, including whether such process involved an economic analysis to determine whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. Please also identify any processes you have in place to override any of those policies, and explain in what circumstances your firm would override those policies.

14. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley has concluded that "ESG investing does not have any advantage over broad-based investing," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[1] Do you agree with his conclusion? If not, please explain the basis for your disagreement.

15. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, noting that "[s]ome resolutions ask companies to address social or environmental concerns that are already subject to regulation."[2] And when "a proposal asks an individual issuer to adopt a standard that is higher than the regulatory requirement and peers' practices," T. Rowe Price "will take potential competitive harm into consideration in [its] voting decision." Does your firm also consider competitive harm in your voting decisions in such circumstances? If not, why not?

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[1] Terrence Keeley, *Vanguard's CEO Bucks the ESG Orthodoxy*, WALL ST. J. (Feb. 26, 2023), https://www.wsj.com/articles/vanguards-ceo-bucks-the-esg-orthodoxy-tim-buckley-net-zero-emissions-united-nations-initiative-nzam-f6ae910d.

[2] T. ROWE PRICE, PROXY VOTING GUIDELINES (Feb. 2023) 17, https://www.troweprice.com/content/dam/trowecorp/Pdfs/proxy-voting-guidelines-TRPA.pdf.

16. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, as "[s]ome resolutions ask investors to impose company-level, private-market solutions to problems that are clearly better addressed by other stakeholders, including regulators, legislators, the courts, or communities."[3] And when "a proposal seeks to apply company-level solutions to a broad societal problem, and the company has little influence over the problem," T. Rowe Price "may deem the resolution to be poorly crafted or misdirected." Does your firm also deem such proposals to be poorly crafted or misdirected? If not, why not?

B. Use of Proxy-Advisory Firms

1. Does your firm subscribe to the services of proxy-advisory firms? If so, please name the proxy-advisory firms whose services your firm has used.

2. What is your firm's process for evaluating proxy-advisory firms' recommendations?

3. For each proxy-advisory firm to which your firm subscribes, what percentage of the time has your firm voted consistent with that proxy-advisory firm's recommendations regarding shareholder proposals in 2022 and in 2023 (through the date of this letter)?

4. For shareholder proposals in 2022 and in 2023 (through the date of this letter), what percentage of the time did your firm independently evaluate the research and recommendations of proxy-advisory firms?

5. What processes does your firm have in place to evaluate whether the recommendations of a for-profit proxy-advisory firm are in the best economic interests of the shareholders at the company receiving the proposal?

C. Conflicts of Interest

1. Is your firm a signatory to the Glasgow Financial Alliance for Net Zero, the Net Zero Asset Managers Initiative, or other related organizations?[4] If so, how do you reconcile your commitment to those initiatives with your fiduciary duty to shareholders? Have you obtained the consent of your customers for this material conflict of interest?[5]

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[3] *Id.*
[4] *See* Our Members, GLASGOW FINANCIAL ALLIANCE FOR NET ZERO, https://www.gfanzero.com/membership/ (last visited Feb. 13, 2023); Signatories, NET ZERO ASSET MANAGERS INITIATIVE, https://www.netzeroassetmanagers.org/signatories/ (last visited Feb. 13, 2023).
[5] *See* 15 U.S.C. §80b-11.

2. Is your firm a signatory to the U.N.'s Principles for Responsible Investment?[6] If so, how do you reconcile your fiduciary duty to shareholders with your commitment to an organization that seeks to "establish that asset owners' responsibilities to their beneficiaries extend beyond the risk/return profile of their investments to include making decisions that benefit the world beneficiaries live in."[7]

3. Has your firm committed to pursuing the goals or initiatives of any other ESG-related organizations?

4. What controls does your firm have in place to ensure that its commitments to other projects and organizations do not interfere with your firm's fiduciary duty to shareholders?

5. Does your firm have controls in place to ensure that personal views on ESG issues or political issues are not reflected in your firm's vote decisions on shareholder proposals? If so, please describe them. If not, please explain why your firm lacks such controls.

II. Evaluating Shareholder Proposals on Specific Topics

A. Shareholder Proposals Relating to Climate Reporting

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform climate-related audits or to prepare reports on climate-related risks? For any "yes" votes, please explain whether and how your firm determined whether such reports or audits would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with such reports or audits, and how you determined whether the existing climate reporting of such companies was insufficient.

2. Do you have empirical evidence that any climate report or audit that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to conduct a climate report or audit? If so, and if your firm has voted in favor of shareholder proposals requiring climate reports or audits at other companies, please explain the discrepancy between your board's recommendation regarding climate reports or audits at your firm and your firm's vote regarding climate reports or audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

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[6] PRINCIPLES FOR RESPONSIBLE INVESTMENT, A BLUEPRINT FOR RESPONSIBLE INVESTMENT, https://www.unpri.org/download?ac=5330.
[7] *Id.* at 14.

4. In considering shareholder proposals requiring insurance companies to report how they measure, disclose, and reduce the greenhouse gas (GHG) emissions associated with underwriting, insurance, and investment activities, did your firm consider the broadly applicable concern, as expressed by Chubb, that "we are not aware of any method by which we could reasonably measure the GHG emissions of our insureds?"[8] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

5. In considering shareholder proposals requiring a net-zero emissions analysis report, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e consider the likelihood of the IEA's NZE 2050 scenario to be remote… [y]our Board believes it would not be a responsible use of Company resources to produce a further report to address a speculative scenario?"[9] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

6. In considering shareholder proposals requiring reporting on Scope 3 GHG emissions, did your firm consider the broadly applicable concern, as expressed by Dollar Tree, that "[t]he proponent's suggestion that such goal include Scope 3 emissions in particular is premature and very difficult to do given the level of information available across the Company's global value chain."[10] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

B. Shareholder Proposals Relating to Actions to Reduce Greenhouse-Gas Emissions

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to take actions to reduce GHG emissions? For any "yes" vote, please explain whether and how your firm determined whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with proposals requesting a reduction of GHG emissions.

2. Do you have empirical evidence that any GHG emissions-reduction requirement that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

[8] Chubb Limited, Definitive Proxy Statement (Schedule 14A), May 19, 2022, at 51, https://www.sec.gov/Archives/edgar/data/0000896159/000110465922042195/tm2135945-3_def14a.htm#tI.
[9] Chevron Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 93, https://www.sec.gov/Archives/edgar/data/0000093410/000119312522098301/d292137ddef14a.htm.
[10] Dollar Tree, Inc., Definitive Proxy Statement (Schedule 14A), May 18, 2022, at 105, https://www.sec.gov/Archives/edgar/data/0000935703/000110465922062246/tm223490-2_def14a.htm.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to take an action to reduce GHG emissions? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to reduce GHG emissions, please explain the discrepancy between your board's recommendation regarding GHG emissions at your firm and your firm's vote regarding GHG emissions at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

4. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by DTE Energy, that "[t]he Board considers that the science behind measuring Scope 3 emissions is currently too unsettled for full incorporation into the company's emissions reduction goals"?[11] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the DTE Energy proposal and similar proposals?

5. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e could reduce our GHG emissions by changing our portfolio and selling our emissions-producing assets, but that would not serve our stockholders, who benefit from our strong asset base,"[12] and the similar concern, as expressed by Exxon, that "the proponent has confirmed in an interview available on its website that their proposal is designed with the explicit intent to constrain Exxon Mobil's future investments in oil and gas"?[13] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Chevron and Exxon proposals, as well as similar proposals?

6. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Phillips 66, that "[s]etting targets that require even more significant technological and social transformation outside our control could create reputational risk and potential harm to shareholders"?[14] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Phillips 66 and similar proposals?

7. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley "knows that Vanguard can't promise to be a fiduciary to its clients while also committing to align its assets with the 2050 net-zero target," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[15] Do you agree with his conclusion? If not, please explain your disagreement.

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[11] DTE Energy Co., Definitive Proxy Statement (Schedule 14A), Mar. 17, 2022, at 60, https://www.sec.gov/Archives/edgar/data/936340/000093634022000105/def14a2022.htm.
[12] Chevron Corp., Definitive Proxy Statement, *supra* note 9, at 91.
[13] Exxon Mobil Corp., Definitive Proxy Statement, *supra* note 2, at 72.
[14] Phillips 66, Definitive Proxy Statement (Schedule 14A), Mar. 31, 2022, at 96, https://www.sec.gov/Archives/edgar/data/0001534701/000120677422000928/psx3965551_def14a.htm.
[15] Keeley, *supra* note **Error! Bookmark not defined.**.

8. According to Vanguard CEO Tim Buckley, "[p]oliticians and regulators have a central role to play in setting the ground rules to achieve a just transition." The Wall Street Journal reported that "Mr. Buckley understands that progress toward net-zero emissions doesn't depend on how people invest."[16] Do you agree with his conclusion? If not, please explain your disagreement.

C. Shareholder Proposals Relating to Diversity or Racial Equity

1. Is it your firm's position that diversity or racial equity should be a factor in forming decisions on shareholder proposals? If so, please provide your firm's definition of racial equity, and explain the role it plays in your decisions on shareholder proposals.

2. At what rate did your firm vote in favor of shareholder proposals requiring the company to increase diversity among its board of directors or workforce?

3. Do you have empirical evidence that any diversity requirement that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

4. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal relating to board or workforce diversity? If so, and if your firm has voted in favor of shareholder proposals at other companies relating to board or workforce diversity, please explain the discrepancy between your board's recommendation regarding diversity at your firm and your firm's vote regarding diversity at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

5. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform a racial-equity or civil-rights audit?

6. Do you have empirical evidence that any racial-equity or civil-rights audit that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

7. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to perform a racial-equity or civil-rights audit? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to conduct such audits, please explain the discrepancy between your board's recommendation regarding racial audits at your firm and your firm's vote regarding racial audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

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[16] *Id.*

8. In considering shareholder proposals relating to diversity or racial equity, please explain whether and how your firm determines whether such proposals would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with performing a racial-equity or civil-rights audit, and how you determine whether such companies' existing efforts regarding diversity or racial equity are insufficient.

9. In considering shareholder proposals relating to diversity or racial equity, did your firm consider the legality of the proposal? For example, did your firm consider the concern, as expressed by Travelers, an insurance company, that "[t]aking race into account in underwriting or rate-setting … is unlawful under the insurance laws of virtually every state and would improperly inject racial considerations into a heavily regulated decision-making process?"[17] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on this proposal?

III. Votes on Proposals Submitted by Specific Proponents

1. At what rate did your firm vote in favor of proposals submitted by the National Legal and Policy Center in 2022 and 2023 (through the date of this letter)?

2. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter)?

3. At what rate did your firm vote in favor of proposals submitted by Steven Milloy in 2022 and 2023 (through the date of this letter)?

4. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Legal and Policy Center, the National Center for Public Policy Research, and Steven Milloy in 2022 and 2023 (through the date of this letter)? If there are any discrepancy between your answer to this question and your answers to questions III.1 through III.3, please explain those discrepancies.

5. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit?

6. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit? If there is any discrepancy between your answer to this question and your answers to question III.5, please explain that discrepancy.

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[17] The Travelers Companies, Inc., Definitive Proxy Statement, *supra* note 4, at 80.

7. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities?

8. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities? If there is any discrepancy between your answer to this question and your answer to question III.7, please explain that discrepancy.

May 15, 2023

Sergio Ermotti
Chief Executive Officer
UBS Group
1285 Avenue of the Americas, New York, NY 10019

Dear Sergio Ermotti,

We, the undersigned state treasurers and financial officers, have been elected to safeguard our States' public funds, which may include public funds from our States that you manage.[1] Recent headlines have given us cause to question whether management decisions being provided properly pursue our taxpayers' best long-term economic interests. Specifically, we are concerned that taxpayers' best long-term economic interests might have become subordinated to environmental, social, and political interests often divorced from shareholder value—and often pushed through shareholder proposals.[2]

To take just a few examples, some recent shareholder proposals would require oil companies to pledge fealty to the Paris Climate Agreement,[3] social media companies to crack down on "hate

[1] We recognize that not all the states represented in this letter directly use your services as they manage state funds with internal staff. However, because of the role your firm has in voting proxies, the information you provide in response to this letter is of importance to all states due to its general impact on the investing universe.
[2] *See* Hannah Orowitz, Rajeev Kumar & Lee Anne Hagel, Georgeson, *An Early Look at the 2022 Proxy Season*, June 7, 2022, at 4, 12, 14, https://corpgov.law.harvard.edu/wp-content/uploads/2022/06/Georgeson_EPS_whitepaper_2022_v6.pdf.
[3] Exxon Mobil Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 71, https://www.sec.gov/Archives/edgar/data/34088/000119312522098314/d280259ddef14a.htm.

speech,"[4] insurance companies to consider race in underwriting insurance policies,[5] and retailers to weigh in on state abortion policy.[6] At best, those kinds of ESG proposals require expensive audits, time-consuming reports, and cumbersome policies with no apparent link to a targeted company's business. At worst, they require the targeted companies to spend significant management time and corporate resources pursuing goals untethered to shareholder value, or to relinquish parts of their business—including products or services that investors deemed worthy investments of their hard-earned capital in the first place.

Your core fiduciary obligations as asset managers require you to act in the economic interest of those who have entrusted you with their investments.[7] That means your votes on shareholder proposals must advance your investors' interests—not your own, or the interests of third parties. And make no mistake: Your votes wield significant influence on behalf of your clients. The largest one percent of asset managers manage 61 percent of total industry assets.[8] Given the significant impact that your firm's votes have on corporate practices, your voting decisions simply must promote the best economic interests of the ultimate asset owners in order for you to discharge your fiduciary responsibilities.

To help us understand how your firm makes voting decisions—and to allay concerns that some of those decisions might be based on factors other than the best economic interests of shareholders—please respond to the attached questionnaire by June 29, 2023. To aid in an efficient dialogue on these topics, please tailor your responses to shareholder proposals related to the issues described below and submitted for a vote at annual meetings conducted in 2022 and 2023 (through the date of this letter).

Thank you for your careful attention to these important requests. Your candid, prompt responses are critical to helping us properly discharge the fiduciary duties we owe to our constituents. If you have any questions about the contents of this letter, please contact the Utah Office of State Treasurer by phone (801-538-1042) or email (sto@utah.gov).

Respectfully,

Alaska Commissioner of Revenue Adam Crum

Arizona Treasurer Kimberly Yee

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[4] Meta Platforms, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 74, https://www.sec.gov/Archives/edgar/data/1326801/000132680122000043/meta2022definitiveproxysta.htm.

[5] The Travelers Companies, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 79, https://www.sec.gov/Archives/edgar/data/86312/000008631222000019/a2022proxystatement.htm.

[6] Walmart, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 21, 2022, at 90, https://www.sec.gov/Archives/edgar/data/0000104169/000010416922000019/a2022proxystatement.htm.

[7] *See* 15 U.S.C. §80b-11; 5 U.S.C. 8477(b).

[8] *See* Siobhan Riding, *Trillion-Dollar Club Tightens Grip on Fund Market During Crisis*, FINANCIAL TIMES, May 10, 2020, https://www.ft.com/content/a6aa1010-3dff-4521-af52-fbadb496c89d.

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Indiana Treasurer Dan Elliott

Iowa Treasurer Roby Smith

Kansas Treasurer Steven Johnson

Louisiana Treasurer John Schroder

Mississippi Treasurer David McRae

Missouri State Auditor Scott Fitzpatrick

Missouri Treasurer Vivek Malek

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Nebraska Auditor Mike Foley

North Carolina Treasurer Dale Folwell

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Oklahoma Auditor & Inspector Cindy Byrd

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Utah Treasurer Marlo Oaks

West Virginia Treasurer Riley Moore

Wyoming Treasurer Curt Meier

Proxy Voting Questionnaire

I. Evaluating Shareholder Proposals Generally

A. General Principles

1. Does your firm vote on shareholder proposals based solely on what your firm considers to be in the best economic interest of shareholders of the company subject to the proposal?

2. What is your firm's process for evaluating whether a shareholder proposal is in the best economic interest of shareholders of the company subject to the proposal?

3. Does your firm conduct economic analysis to determine whether a shareholder proposal in the best economic interest of shareholders of the company subject to the proposal? If so, please describe it. If not, please explain why, and on what basis you determine whether a shareholder proposal would be in the best interest of those shareholders.

4. When evaluating a shareholder proposal, in addition to considering long-term risks to a business associated with the concern raised by a shareholder proposal, do you also evaluate the short-term costs involved in implementing the proposal's request? If so, please explain your analysis and how you balance the potential long-term risks and the near-term costs.

5. Does your firm evaluate shareholder proposals by forecasting the expected impact of the proposal on the economic interests of the shareholders of the company subject to the proposal? If so, what timeframe does your forecast consider? Do you back-test your forecasts to evaluate whether they were accurate?

6. Do your proxy-voting teams engage with the portfolio managers to get their views as to what is in the best economic interest of shareholders?

7. Has your firm ever made a vote determination based in whole or in part on any noneconomic factors? If so, please describe such noneconomic factors and explain how such a vote determination is consistent with acting in the best economic interest of shareholders.

8. Does your firm clearly inform your investors or asset holders about any noneconomic factors that you consider when voting on shareholder proposals? If so, please describe the process by which you inform your clients of those noneconomic factors.

9. What process does your firm have in place for determining how to vote on a proposal when your firm agrees with only a portion of the proposal's request?

10. With respect to a shareholder proposal, when your firm considers a vote that is not aligned with the recommendation of a board composed of a majority of independent directors, how do you determine whether your vote is more in line with the best economic interests of shareholders than with the independent board's recommendation? And how, if at all, do you consider the fact that an independent board of directors is bound by its fiduciary duties to shareholders to make a vote recommendation based on the best economic interests of shareholders?

11. Does your firm have controls in place to ensure that your firm's votes on shareholder proposals do not discourage legal activities (such as business associated with fossil fuel, guns, or tobacco) for noneconomic reasons? If so, please describe them. If not, please explain why your firm lacks such controls.

12. Does your firm have an established set of goals against which you measure shareholder proposals on environmental, social and/or political proposals? If so, what are those goals?

13. Does your firm have voting policies with respect to environmental, social and/or political shareholder proposals? If so, please describe those policies and explain the process for developing those policies, including whether such process involved an economic analysis to determine whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. Please also identify any processes you have in place to override any of those policies, and explain in what circumstances your firm would override those policies.

14. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley has concluded that "ESG investing does not have any advantage over broad-based investing," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[1] Do you agree with his conclusion? If not, please explain the basis for your disagreement.

15. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, noting that "[s]ome resolutions ask companies to address social or environmental concerns that are already subject to regulation."[2] And when "a proposal asks an individual issuer to adopt a standard that is higher than the regulatory requirement and peers' practices," T. Rowe Price "will take potential competitive harm into consideration in [its] voting decision." Does your firm also consider competitive harm in your voting decisions in such circumstances? If not, why not?

[1] Terrence Keeley, *Vanguard's CEO Bucks the ESG Orthodoxy*, WALL ST. J. (Feb. 26, 2023), https://www.wsj.com/articles/vanguards-ceo-bucks-the-esg-orthodoxy-tim-buckley-net-zero-emissions-united-nations-initiative-nzam-f6ae910d.

[2] T. ROWE PRICE, PROXY VOTING GUIDELINES (Feb. 2023) 17, https://www.troweprice.com/content/dam/trowecorp/Pdfs/proxy-voting-guidelines-TRPA.pdf.

16. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, as "[s]ome resolutions ask investors to impose company-level, private-market solutions to problems that are clearly better addressed by other stakeholders, including regulators, legislators, the courts, or communities."[3] And when "a proposal seeks to apply company-level solutions to a broad societal problem, and the company has little influence over the problem," T. Rowe Price "may deem the resolution to be poorly crafted or misdirected." Does your firm also deem such proposals to be poorly crafted or misdirected? If not, why not?

B. Use of Proxy-Advisory Firms

1. Does your firm subscribe to the services of proxy-advisory firms? If so, please name the proxy-advisory firms whose services your firm has used.

2. What is your firm's process for evaluating proxy-advisory firms' recommendations?

3. For each proxy-advisory firm to which your firm subscribes, what percentage of the time has your firm voted consistent with that proxy-advisory firm's recommendations regarding shareholder proposals in 2022 and in 2023 (through the date of this letter)?

4. For shareholder proposals in 2022 and in 2023 (through the date of this letter), what percentage of the time did your firm independently evaluate the research and recommendations of proxy-advisory firms?

5. What processes does your firm have in place to evaluate whether the recommendations of a for-profit proxy-advisory firm are in the best economic interests of the shareholders at the company receiving the proposal?

C. Conflicts of Interest

1. Is your firm a signatory to the Glasgow Financial Alliance for Net Zero, the Net Zero Asset Managers Initiative, or other related organizations?[4] If so, how do you reconcile your commitment to those initiatives with your fiduciary duty to shareholders? Have you obtained the consent of your customers for this material conflict of interest?[5]

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[3] *Id.*

[4] *See* Our Members, GLASGOW FINANCIAL ALLIANCE FOR NET ZERO, https://www.gfanzero.com/membership/ (last visited Feb. 13, 2023); Signatories, NET ZERO ASSET MANAGERS INITIATIVE, https://www.netzeroassetmanagers.org/signatories/ (last visited Feb. 13, 2023).

[5] *See* 15 U.S.C. §80b-11.

2. Is your firm a signatory to the U.N.'s Principles for Responsible Investment?[6] If so, how do you reconcile your fiduciary duty to shareholders with your commitment to an organization that seeks to "establish that asset owners' responsibilities to their beneficiaries extend beyond the risk/return profile of their investments to include making decisions that benefit the world beneficiaries live in."[7]

3. Has your firm committed to pursuing the goals or initiatives of any other ESG-related organizations?

4. What controls does your firm have in place to ensure that its commitments to other projects and organizations do not interfere with your firm's fiduciary duty to shareholders?

5. Does your firm have controls in place to ensure that personal views on ESG issues or political issues are not reflected in your firm's vote decisions on shareholder proposals? If so, please describe them. If not, please explain why your firm lacks such controls.

II. Evaluating Shareholder Proposals on Specific Topics

A. Shareholder Proposals Relating to Climate Reporting

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform climate-related audits or to prepare reports on climate-related risks? For any "yes" votes, please explain whether and how your firm determined whether such reports or audits would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with such reports or audits, and how you determined whether the existing climate reporting of such companies was insufficient.

2. Do you have empirical evidence that any climate report or audit that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to conduct a climate report or audit? If so, and if your firm has voted in favor of shareholder proposals requiring climate reports or audits at other companies, please explain the discrepancy between your board's recommendation regarding climate reports or audits at your firm and your firm's vote regarding climate reports or audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

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[6] PRINCIPLES FOR RESPONSIBLE INVESTMENT, A BLUEPRINT FOR RESPONSIBLE INVESTMENT, https://www.unpri.org/download?ac=5330.
[7] *Id.* at 14.

4. In considering shareholder proposals requiring insurance companies to report how they measure, disclose, and reduce the greenhouse gas (GHG) emissions associated with underwriting, insurance, and investment activities, did your firm consider the broadly applicable concern, as expressed by Chubb, that "we are not aware of any method by which we could reasonably measure the GHG emissions of our insureds?"[8] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

5. In considering shareholder proposals requiring a net-zero emissions analysis report, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e consider the likelihood of the IEA's NZE 2050 scenario to be remote… [y]our Board believes it would not be a responsible use of Company resources to produce a further report to address a speculative scenario?"[9] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

6. In considering shareholder proposals requiring reporting on Scope 3 GHG emissions, did your firm consider the broadly applicable concern, as expressed by Dollar Tree, that "[t]he proponent's suggestion that such goal include Scope 3 emissions in particular is premature and very difficult to do given the level of information available across the Company's global value chain."[10] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

B. Shareholder Proposals Relating to Actions to Reduce Greenhouse-Gas Emissions

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to take actions to reduce GHG emissions? For any "yes" vote, please explain whether and how your firm determined whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with proposals requesting a reduction of GHG emissions.

2. Do you have empirical evidence that any GHG emissions-reduction requirement that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

[8] Chubb Limited, Definitive Proxy Statement (Schedule 14A), May 19, 2022, at 51, https://www.sec.gov/Archives/edgar/data/0000896159/000110465922042195/tm2135945-3_def14a.htm#tI.
[9] Chevron Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 93, https://www.sec.gov/Archives/edgar/data/0000093410/000119312522098301/d292137ddef14a.htm.
[10] Dollar Tree, Inc., Definitive Proxy Statement (Schedule 14A), May 18, 2022, at 105, https://www.sec.gov/Archives/edgar/data/0000935703/000110465922062246/tm223490-2_def14a.htm.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to take an action to reduce GHG emissions? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to reduce GHG emissions, please explain the discrepancy between your board's recommendation regarding GHG emissions at your firm and your firm's vote regarding GHG emissions at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

4. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by DTE Energy, that "[t]he Board considers that the science behind measuring Scope 3 emissions is currently too unsettled for full incorporation into the company's emissions reduction goals"?[11] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the DTE Energy proposal and similar proposals?

5. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e could reduce our GHG emissions by changing our portfolio and selling our emissions-producing assets, but that would not serve our stockholders, who benefit from our strong asset base,"[12] and the similar concern, as expressed by Exxon, that "the proponent has confirmed in an interview available on its website that their proposal is designed with the explicit intent to constrain Exxon Mobil's future investments in oil and gas"?[13] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Chevron and Exxon proposals, as well as similar proposals?

6. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Phillips 66, that "[s]etting targets that require even more significant technological and social transformation outside our control could create reputational risk and potential harm to shareholders"?[14] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Phillips 66 and similar proposals?

7. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley "knows that Vanguard can't promise to be a fiduciary to its clients while also committing to align its assets with the 2050 net-zero target," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[15] Do you agree with his conclusion? If not, please explain your disagreement.

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[11] DTE Energy Co., Definitive Proxy Statement (Schedule 14A), Mar. 17, 2022, at 60, https://www.sec.gov/Archives/edgar/data/936340/000093634022000105/def14a2022.htm.
[12] Chevron Corp., Definitive Proxy Statement, *supra* note 9, at 91.
[13] Exxon Mobil Corp., Definitive Proxy Statement, *supra* note 2, at 72.
[14] Phillips 66, Definitive Proxy Statement (Schedule 14A), Mar. 31, 2022, at 96, https://www.sec.gov/Archives/edgar/data/0001534701/000120677422000928/psx3965551_def14a.htm.
[15] Keeley, *supra* note **Error! Bookmark not defined.**.

8. According to Vanguard CEO Tim Buckley, "[p]oliticians and regulators have a central role to play in setting the ground rules to achieve a just transition." The Wall Street Journal reported that "Mr. Buckley understands that progress toward net-zero emissions doesn't depend on how people invest."[16] Do you agree with his conclusion? If not, please explain your disagreement.

C. Shareholder Proposals Relating to Diversity or Racial Equity

1. Is it your firm's position that diversity or racial equity should be a factor in forming decisions on shareholder proposals? If so, please provide your firm's definition of racial equity, and explain the role it plays in your decisions on shareholder proposals.

2. At what rate did your firm vote in favor of shareholder proposals requiring the company to increase diversity among its board of directors or workforce?

3. Do you have empirical evidence that any diversity requirement that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

4. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal relating to board or workforce diversity? If so, and if your firm has voted in favor of shareholder proposals at other companies relating to board or workforce diversity, please explain the discrepancy between your board's recommendation regarding diversity at your firm and your firm's vote regarding diversity at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

5. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform a racial-equity or civil-rights audit?

6. Do you have empirical evidence that any racial-equity or civil-rights audit that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

7. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to perform a racial-equity or civil-rights audit? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to conduct such audits, please explain the discrepancy between your board's recommendation regarding racial audits at your firm and your firm's vote regarding racial audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

[16] *Id.*

8. In considering shareholder proposals relating to diversity or racial equity, please explain whether and how your firm determines whether such proposals would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with performing a racial-equity or civil-rights audit, and how you determine whether such companies' existing efforts regarding diversity or racial equity are insufficient.

9. In considering shareholder proposals relating to diversity or racial equity, did your firm consider the legality of the proposal? For example, did your firm consider the concern, as expressed by Travelers, an insurance company, that "[t]aking race into account in underwriting or rate-setting … is unlawful under the insurance laws of virtually every state and would improperly inject racial considerations into a heavily regulated decision-making process?"[17] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on this proposal?

III. Votes on Proposals Submitted by Specific Proponents

1. At what rate did your firm vote in favor of proposals submitted by the National Legal and Policy Center in 2022 and 2023 (through the date of this letter)?

2. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter)?

3. At what rate did your firm vote in favor of proposals submitted by Steven Milloy in 2022 and 2023 (through the date of this letter)?

4. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Legal and Policy Center, the National Center for Public Policy Research, and Steven Milloy in 2022 and 2023 (through the date of this letter)? If there are any discrepancy between your answer to this question and your answers to questions III.1 through III.3, please explain those discrepancies.

5. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit?

6. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit? If there is any discrepancy between your answer to this question and your answers to question III.5, please explain that discrepancy.

[17] The Travelers Companies, Inc., Definitive Proxy Statement, *supra* note 4, at 80.

7. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities?

8. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities? If there is any discrepancy between your answer to this question and your answer to question III.7, please explain that discrepancy.

May 15, 2023

Emmanuel Roman
Chief Executive Officer
PIMCO
1633 Broadway, New York, NY 10019

Dear Emmanuel Roman,

We, the undersigned state treasurers and financial officers, have been elected to safeguard our States' public funds, which may include public funds from our States that you manage.[1] Recent headlines have given us cause to question whether management decisions being provided properly pursue our taxpayers' best long-term economic interests. Specifically, we are concerned that taxpayers' best long-term economic interests might have become subordinated to environmental, social, and political interests often divorced from shareholder value—and often pushed through shareholder proposals.[2]

To take just a few examples, some recent shareholder proposals would require oil companies to pledge fealty to the Paris Climate Agreement,[3] social media companies to crack down on "hate

[1] We recognize that not all the states represented in this letter directly use your services as they manage state funds with internal staff. However, because of the role your firm has in voting proxies, the information you provide in response to this letter is of importance to all states due to its general impact on the investing universe.
[2] *See* Hannah Orowitz, Rajeev Kumar & Lee Anne Hagel, GEORGESON, *An Early Look at the 2022 Proxy Season*, June 7, 2022, at 4, 12, 14, https://corpgov.law.harvard.edu/wp-content/uploads/2022/06/Georgeson_EPS_whitepaper_2022_v6.pdf.
[3] Exxon Mobil Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 71, https://www.sec.gov/Archives/edgar/data/34088/000119312522098314/d280259ddef14a.htm.

speech,"[4] insurance companies to consider race in underwriting insurance policies,[5] and retailers to weigh in on state abortion policy.[6] At best, those kinds of ESG proposals require expensive audits, time-consuming reports, and cumbersome policies with no apparent link to a targeted company's business. At worst, they require the targeted companies to spend significant management time and corporate resources pursuing goals untethered to shareholder value, or to relinquish parts of their business—including products or services that investors deemed worthy investments of their hard-earned capital in the first place.

Your core fiduciary obligations as asset managers require you to act in the economic interest of those who have entrusted you with their investments.[7] That means your votes on shareholder proposals must advance your investors' interests—not your own, or the interests of third parties. And make no mistake: Your votes wield significant influence on behalf of your clients. The largest one percent of asset managers manage 61 percent of total industry assets.[8] Given the significant impact that your firm's votes have on corporate practices, your voting decisions simply must promote the best economic interests of the ultimate asset owners in order for you to discharge your fiduciary responsibilities.

To help us understand how your firm makes voting decisions—and to allay concerns that some of those decisions might be based on factors other than the best economic interests of shareholders—please respond to the attached questionnaire by June 29, 2023. To aid in an efficient dialogue on these topics, please tailor your responses to shareholder proposals related to the issues described below and submitted for a vote at annual meetings conducted in 2022 and 2023 (through the date of this letter).

Thank you for your careful attention to these important requests. Your candid, prompt responses are critical to helping us properly discharge the fiduciary duties we owe to our constituents. If you have any questions about the contents of this letter, please contact the Utah Office of State Treasurer by phone (801-538-1042) or email (sto@utah.gov).

Respectfully,

Alaska Commissioner of Revenue Adam Crum

Arizona Treasurer Kimberly Yee

[4] Meta Platforms, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 74, https://www.sec.gov/Archives/edgar/data/1326801/000132680122000043/meta2022definitiveproxysta.htm.

[5] The Travelers Companies, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 79, https://www.sec.gov/Archives/edgar/data/86312/000008631222000019/a2022proxystatement.htm.

[6] Walmart, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 21, 2022, at 90, https://www.sec.gov/Archives/edgar/data/0000104169/000010416922000019/a2022proxystatement.htm.

[7] *See* 15 U.S.C. §80b-11; 5 U.S.C. 8477(b).

[8] *See* Siobhan Riding, *Trillion-Dollar Club Tightens Grip on Fund Market During Crisis*, FINANCIAL TIMES, May 10, 2020, https://www.ft.com/content/a6aa1010-3dff-4521-af52-fbadb496c89d.

Florida Chief Financial Officer Jimmy Patronis

Idaho Treasurer Julie Ellsworth

Indiana Treasurer Dan Elliott

Iowa Treasurer Roby Smith

Kansas Treasurer Steven Johnson

Louisiana Treasurer John Schroder

Mississippi Treasurer David McRae

Missouri State Auditor Scott Fitzpatrick

Missouri Treasurer Vivek Malek

Nebraska Treasurer John Murante

Nebraska Auditor Mike Foley

North Carolina Treasurer Dale Folwell

North Dakota Treasurer Thomas Beadle

Oklahoma Auditor & Inspector Cindy Byrd

Oklahoma Treasurer Todd Russ

South Carolina Treasurer Curtis M. Loftis, Jr.

Utah Treasurer Marlo Oaks

West Virginia Treasurer Riley Moore

Wyoming Treasurer Curt Meier

Proxy Voting Questionnaire

I. Evaluating Shareholder Proposals Generally

A. General Principles

1. Does your firm vote on shareholder proposals based solely on what your firm considers to be in the best economic interest of shareholders of the company subject to the proposal?

2. What is your firm's process for evaluating whether a shareholder proposal is in the best economic interest of shareholders of the company subject to the proposal?

3. Does your firm conduct economic analysis to determine whether a shareholder proposal in the best economic interest of shareholders of the company subject to the proposal? If so, please describe it. If not, please explain why, and on what basis you determine whether a shareholder proposal would be in the best interest of those shareholders.

4. When evaluating a shareholder proposal, in addition to considering long-term risks to a business associated with the concern raised by a shareholder proposal, do you also evaluate the short-term costs involved in implementing the proposal's request? If so, please explain your analysis and how you balance the potential long-term risks and the near-term costs.

5. Does your firm evaluate shareholder proposals by forecasting the expected impact of the proposal on the economic interests of the shareholders of the company subject to the proposal? If so, what timeframe does your forecast consider? Do you back-test your forecasts to evaluate whether they were accurate?

6. Do your proxy-voting teams engage with the portfolio managers to get their views as to what is in the best economic interest of shareholders?

7. Has your firm ever made a vote determination based in whole or in part on any noneconomic factors? If so, please describe such noneconomic factors and explain how such a vote determination is consistent with acting in the best economic interest of shareholders.

8. Does your firm clearly inform your investors or asset holders about any noneconomic factors that you consider when voting on shareholder proposals? If so, please describe the process by which you inform your clients of those noneconomic factors.

9. What process does your firm have in place for determining how to vote on a proposal when your firm agrees with only a portion of the proposal's request?

10. With respect to a shareholder proposal, when your firm considers a vote that is not aligned with the recommendation of a board composed of a majority of independent directors, how do you determine whether your vote is more in line with the best economic interests of shareholders than with the independent board's recommendation? And how, if at all, do you consider the fact that an independent board of directors is bound by its fiduciary duties to shareholders to make a vote recommendation based on the best economic interests of shareholders?

11. Does your firm have controls in place to ensure that your firm's votes on shareholder proposals do not discourage legal activities (such as business associated with fossil fuel, guns, or tobacco) for noneconomic reasons? If so, please describe them. If not, please explain why your firm lacks such controls.

12. Does your firm have an established set of goals against which you measure shareholder proposals on environmental, social and/or political proposals? If so, what are those goals?

13. Does your firm have voting policies with respect to environmental, social and/or political shareholder proposals? If so, please describe those policies and explain the process for developing those policies, including whether such process involved an economic analysis to determine whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. Please also identify any processes you have in place to override any of those policies, and explain in what circumstances your firm would override those policies.

14. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley has concluded that "ESG investing does not have any advantage over broad-based investing," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[1] Do you agree with his conclusion? If not, please explain the basis for your disagreement.

15. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, noting that "[s]ome resolutions ask companies to address social or environmental concerns that are already subject to regulation."[2] And when "a proposal asks an individual issuer to adopt a standard that is higher than the regulatory requirement and peers' practices," T. Rowe Price "will take potential competitive harm into consideration in [its] voting decision." Does your firm also consider competitive harm in your voting decisions in such circumstances? If not, why not?

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[1] Terrence Keeley, *Vanguard's CEO Bucks the ESG Orthodoxy*, WALL ST. J. (Feb. 26, 2023), https://www.wsj.com/articles/vanguards-ceo-bucks-the-esg-orthodoxy-tim-buckley-net-zero-emissions-united-nations-initiative-nzam-f6ae910d.

[2] T. ROWE PRICE, PROXY VOTING GUIDELINES (Feb. 2023) 17, https://www.troweprice.com/content/dam/trowecorp/Pdfs/proxy-voting-guidelines-TRPA.pdf.

16. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, as "[s]ome resolutions ask investors to impose company-level, private-market solutions to problems that are clearly better addressed by other stakeholders, including regulators, legislators, the courts, or communities."[3] And when "a proposal seeks to apply company-level solutions to a broad societal problem, and the company has little influence over the problem," T. Rowe Price "may deem the resolution to be poorly crafted or misdirected." Does your firm also deem such proposals to be poorly crafted or misdirected? If not, why not?

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1. Does your firm subscribe to the services of proxy-advisory firms? If so, please name the proxy-advisory firms whose services your firm has used.

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3. For each proxy-advisory firm to which your firm subscribes, what percentage of the time has your firm voted consistent with that proxy-advisory firm's recommendations regarding shareholder proposals in 2022 and in 2023 (through the date of this letter)?

4. For shareholder proposals in 2022 and in 2023 (through the date of this letter), what percentage of the time did your firm independently evaluate the research and recommendations of proxy-advisory firms?

5. What processes does your firm have in place to evaluate whether the recommendations of a for-profit proxy-advisory firm are in the best economic interests of the shareholders at the company receiving the proposal?

C. Conflicts of Interest

1. Is your firm a signatory to the Glasgow Financial Alliance for Net Zero, the Net Zero Asset Managers Initiative, or other related organizations?[4] If so, how do you reconcile your commitment to those initiatives with your fiduciary duty to shareholders? Have you obtained the consent of your customers for this material conflict of interest?[5]

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[3] *Id.*

[4] *See* Our Members, GLASGOW FINANCIAL ALLIANCE FOR NET ZERO, https://www.gfanzero.com/membership/ (last visited Feb. 13, 2023); Signatories, NET ZERO ASSET MANAGERS INITIATIVE, https://www.netzeroassetmanagers.org/signatories/ (last visited Feb. 13, 2023).

[5] *See* 15 U.S.C. §80b-11.

2. Is your firm a signatory to the U.N.'s Principles for Responsible Investment?[6] If so, how do you reconcile your fiduciary duty to shareholders with your commitment to an organization that seeks to "establish that asset owners' responsibilities to their beneficiaries extend beyond the risk/return profile of their investments to include making decisions that benefit the world beneficiaries live in."[7]

3. Has your firm committed to pursuing the goals or initiatives of any other ESG-related organizations?

4. What controls does your firm have in place to ensure that its commitments to other projects and organizations do not interfere with your firm's fiduciary duty to shareholders?

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2. Do you have empirical evidence that any climate report or audit that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to conduct a climate report or audit? If so, and if your firm has voted in favor of shareholder proposals requiring climate reports or audits at other companies, please explain the discrepancy between your board's recommendation regarding climate reports or audits at your firm and your firm's vote regarding climate reports or audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

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4. In considering shareholder proposals requiring insurance companies to report how they measure, disclose, and reduce the greenhouse gas (GHG) emissions associated with underwriting, insurance, and investment activities, did your firm consider the broadly applicable concern, as expressed by Chubb, that "we are not aware of any method by which we could reasonably measure the GHG emissions of our insureds?"[8] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

5. In considering shareholder proposals requiring a net-zero emissions analysis report, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e consider the likelihood of the IEA's NZE 2050 scenario to be remote… [y]our Board believes it would not be a responsible use of Company resources to produce a further report to address a speculative scenario?"[9] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

6. In considering shareholder proposals requiring reporting on Scope 3 GHG emissions, did your firm consider the broadly applicable concern, as expressed by Dollar Tree, that "[t]he proponent's suggestion that such goal include Scope 3 emissions in particular is premature and very difficult to do given the level of information available across the Company's global value chain."[10] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

B. Shareholder Proposals Relating to Actions to Reduce Greenhouse-Gas Emissions

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to take actions to reduce GHG emissions? For any "yes" vote, please explain whether and how your firm determined whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with proposals requesting a reduction of GHG emissions.

2. Do you have empirical evidence that any GHG emissions-reduction requirement that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

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[8] Chubb Limited, Definitive Proxy Statement (Schedule 14A), May 19, 2022, at 51, https://www.sec.gov/Archives/edgar/data/0000896159/000110465922042195/tm2135945-3_def14a.htm#tI.

[9] Chevron Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 93, https://www.sec.gov/Archives/edgar/data/0000093410/000119312522098301/d292137ddef14a.htm.

[10] Dollar Tree, Inc., Definitive Proxy Statement (Schedule 14A), May 18, 2022, at 105, https://www.sec.gov/Archives/edgar/data/0000935703/000110465922062246/tm223490-2_def14a.htm.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to take an action to reduce GHG emissions? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to reduce GHG emissions, please explain the discrepancy between your board's recommendation regarding GHG emissions at your firm and your firm's vote regarding GHG emissions at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

4. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by DTE Energy, that "[t]he Board considers that the science behind measuring Scope 3 emissions is currently too unsettled for full incorporation into the company's emissions reduction goals"?[11] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the DTE Energy proposal and similar proposals?

5. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e could reduce our GHG emissions by changing our portfolio and selling our emissions-producing assets, but that would not serve our stockholders, who benefit from our strong asset base,"[12] and the similar concern, as expressed by Exxon, that "the proponent has confirmed in an interview available on its website that their proposal is designed with the explicit intent to constrain Exxon Mobil's future investments in oil and gas"?[13] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Chevron and Exxon proposals, as well as similar proposals?

6. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Phillips 66, that "[s]etting targets that require even more significant technological and social transformation outside our control could create reputational risk and potential harm to shareholders"?[14] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Phillips 66 and similar proposals?

7. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley "knows that Vanguard can't promise to be a fiduciary to its clients while also committing to align its assets with the 2050 net-zero target," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[15] Do you agree with his conclusion? If not, please explain your disagreement.

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[11] DTE Energy Co., Definitive Proxy Statement (Schedule 14A), Mar. 17, 2022, at 60, https://www.sec.gov/Archives/edgar/data/936340/000093634022000105/def14a2022.htm.
[12] Chevron Corp., Definitive Proxy Statement, *supra* note 9, at 91.
[13] Exxon Mobil Corp., Definitive Proxy Statement, *supra* note 2, at 72.
[14] Phillips 66, Definitive Proxy Statement (Schedule 14A), Mar. 31, 2022, at 96, https://www.sec.gov/Archives/edgar/data/0001534701/000120677422000928/psx3965551_def14a.htm.
[15] Keeley, *supra* note **Error! Bookmark not defined.**.

8. According to Vanguard CEO Tim Buckley, "[p]oliticians and regulators have a central role to play in setting the ground rules to achieve a just transition." The Wall Street Journal reported that "Mr. Buckley understands that progress toward net-zero emissions doesn't depend on how people invest."[16] Do you agree with his conclusion? If not, please explain your disagreement.

C. Shareholder Proposals Relating to Diversity or Racial Equity

1. Is it your firm's position that diversity or racial equity should be a factor in forming decisions on shareholder proposals? If so, please provide your firm's definition of racial equity, and explain the role it plays in your decisions on shareholder proposals.

2. At what rate did your firm vote in favor of shareholder proposals requiring the company to increase diversity among its board of directors or workforce?

3. Do you have empirical evidence that any diversity requirement that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

4. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal relating to board or workforce diversity? If so, and if your firm has voted in favor of shareholder proposals at other companies relating to board or workforce diversity, please explain the discrepancy between your board's recommendation regarding diversity at your firm and your firm's vote regarding diversity at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

5. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform a racial-equity or civil-rights audit?

6. Do you have empirical evidence that any racial-equity or civil-rights audit that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

7. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to perform a racial-equity or civil-rights audit? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to conduct such audits, please explain the discrepancy between your board's recommendation regarding racial audits at your firm and your firm's vote regarding racial audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

[16] *Id.*

8. In considering shareholder proposals relating to diversity or racial equity, please explain whether and how your firm determines whether such proposals would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with performing a racial-equity or civil-rights audit, and how you determine whether such companies' existing efforts regarding diversity or racial equity are insufficient.

9. In considering shareholder proposals relating to diversity or racial equity, did your firm consider the legality of the proposal? For example, did your firm consider the concern, as expressed by Travelers, an insurance company, that "[t]aking race into account in underwriting or rate-setting … is unlawful under the insurance laws of virtually every state and would improperly inject racial considerations into a heavily regulated decision-making process?"[17] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on this proposal?

III. Votes on Proposals Submitted by Specific Proponents

1. At what rate did your firm vote in favor of proposals submitted by the National Legal and Policy Center in 2022 and 2023 (through the date of this letter)?

2. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter)?

3. At what rate did your firm vote in favor of proposals submitted by Steven Milloy in 2022 and 2023 (through the date of this letter)?

4. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Legal and Policy Center, the National Center for Public Policy Research, and Steven Milloy in 2022 and 2023 (through the date of this letter)? If there are any discrepancy between your answer to this question and your answers to questions III.1 through III.3, please explain those discrepancies.

5. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit?

6. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit? If there is any discrepancy between your answer to this question and your answers to question III.5, please explain that discrepancy.

[17] The Travelers Companies, Inc., Definitive Proxy Statement, *supra* note 4, at 80.

7. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities?

8. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities? If there is any discrepancy between your answer to this question and your answer to question III.7, please explain that discrepancy.

May 15, 2023

Oliver Bäte
Chairman and Chief Executive Officer
Allianz Group
680 Newport Center Dr, Suite 250, Newport Beach, CA 92660

Dear Oliver Bäte,

We, the undersigned state treasurers and financial officers, have been elected to safeguard our States' public funds, which may include public funds from our States that you manage.[1] Recent headlines have given us cause to question whether management decisions being provided properly pursue our taxpayers' best long-term economic interests. Specifically, we are concerned that taxpayers' best long-term economic interests might have become subordinated to environmental, social, and political interests often divorced from shareholder value—and often pushed through shareholder proposals.[2]

To take just a few examples, some recent shareholder proposals would require oil companies to pledge fealty to the Paris Climate Agreement,[3] social media companies to crack down on "hate

[1] We recognize that not all the states represented in this letter directly use your services as they manage state funds with internal staff. However, because of the role your firm has in voting proxies, the information you provide in response to this letter is of importance to all states due to its general impact on the investing universe.
[2] *See* Hannah Orowitz, Rajeev Kumar & Lee Anne Hagel, GEORGESON, *An Early Look at the 2022 Proxy Season*, June 7, 2022, at 4, 12, 14, https://corpgov.law.harvard.edu/wp-content/uploads/2022/06/Georgeson_EPS_whitepaper_2022_v6.pdf.
[3] Exxon Mobil Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 71, https://www.sec.gov/Archives/edgar/data/34088/000119312522098314/d280259ddef14a.htm.

speech,"[4] insurance companies to consider race in underwriting insurance policies,[5] and retailers to weigh in on state abortion policy.[6] At best, those kinds of ESG proposals require expensive audits, time-consuming reports, and cumbersome policies with no apparent link to a targeted company's business. At worst, they require the targeted companies to spend significant management time and corporate resources pursuing goals untethered to shareholder value, or to relinquish parts of their business—including products or services that investors deemed worthy investments of their hard-earned capital in the first place.

Your core fiduciary obligations as asset managers require you to act in the economic interest of those who have entrusted you with their investments.[7] That means your votes on shareholder proposals must advance your investors' interests—not your own, or the interests of third parties. And make no mistake: Your votes wield significant influence on behalf of your clients. The largest one percent of asset managers manage 61 percent of total industry assets.[8] Given the significant impact that your firm's votes have on corporate practices, your voting decisions simply must promote the best economic interests of the ultimate asset owners in order for you to discharge your fiduciary responsibilities.

To help us understand how your firm makes voting decisions—and to allay concerns that some of those decisions might be based on factors other than the best economic interests of shareholders—please respond to the attached questionnaire by June 29, 2023. To aid in an efficient dialogue on these topics, please tailor your responses to shareholder proposals related to the issues described below and submitted for a vote at annual meetings conducted in 2022 and 2023 (through the date of this letter).

Thank you for your careful attention to these important requests. Your candid, prompt responses are critical to helping us properly discharge the fiduciary duties we owe to our constituents. If you have any questions about the contents of this letter, please contact the Utah Office of State Treasurer by phone (801-538-1042) or email (sto@utah.gov).

Respectfully,

Alaska Commissioner of Revenue Adam Crum

Arizona Treasurer Kimberly Yee

4 Meta Platforms, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 74, https://www.sec.gov/Archives/edgar/data/1326801/000132680122000043/meta2022definitiveproxysta.htm.

5 The Travelers Companies, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 79, https://www.sec.gov/Archives/edgar/data/86312/000008631222000019/a2022proxystatement.htm.

6 Walmart, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 21, 2022, at 90, https://www.sec.gov/Archives/edgar/data/0000104169/000010416922000019/a2022proxystatement.htm.

7 *See* 15 U.S.C. §80b-11; 5 U.S.C. 8477(b).

8 *See* Siobhan Riding, *Trillion-Dollar Club Tightens Grip on Fund Market During Crisis*, FINANCIAL TIMES, May 10, 2020, https://www.ft.com/content/a6aa1010-3dff-4521-af52-fbadb496c89d.

Florida Chief Financial Officer Jimmy Patronis

Idaho Treasurer Julie Ellsworth

Indiana Treasurer Dan Elliott

Iowa Treasurer Roby Smith

Kansas Treasurer Steven Johnson

Louisiana Treasurer John Schroder

Mississippi Treasurer David McRae

Missouri State Auditor Scott Fitzpatrick

Missouri Treasurer Vivek Malek

Nebraska Treasurer John Murante

Nebraska Auditor Mike Foley

North Carolina Treasurer Dale Folwell

North Dakota Treasurer Thomas Beadle

Oklahoma Auditor & Inspector Cindy Byrd

Oklahoma Treasurer Todd Russ

South Carolina Treasurer Curtis M. Loftis, Jr.

Utah Treasurer Marlo Oaks

West Virginia Treasurer Riley Moore

Wyoming Treasurer Curt Meier

Proxy Voting Questionnaire

I. Evaluating Shareholder Proposals Generally

A. General Principles

1. Does your firm vote on shareholder proposals based solely on what your firm considers to be in the best economic interest of shareholders of the company subject to the proposal?

2. What is your firm's process for evaluating whether a shareholder proposal is in the best economic interest of shareholders of the company subject to the proposal?

3. Does your firm conduct economic analysis to determine whether a shareholder proposal in the best economic interest of shareholders of the company subject to the proposal? If so, please describe it. If not, please explain why, and on what basis you determine whether a shareholder proposal would be in the best interest of those shareholders.

4. When evaluating a shareholder proposal, in addition to considering long-term risks to a business associated with the concern raised by a shareholder proposal, do you also evaluate the short-term costs involved in implementing the proposal's request? If so, please explain your analysis and how you balance the potential long-term risks and the near-term costs.

5. Does your firm evaluate shareholder proposals by forecasting the expected impact of the proposal on the economic interests of the shareholders of the company subject to the proposal? If so, what timeframe does your forecast consider? Do you back-test your forecasts to evaluate whether they were accurate?

6. Do your proxy-voting teams engage with the portfolio managers to get their views as to what is in the best economic interest of shareholders?

7. Has your firm ever made a vote determination based in whole or in part on any noneconomic factors? If so, please describe such noneconomic factors and explain how such a vote determination is consistent with acting in the best economic interest of shareholders.

8. Does your firm clearly inform your investors or asset holders about any noneconomic factors that you consider when voting on shareholder proposals? If so, please describe the process by which you inform your clients of those noneconomic factors.

9. What process does your firm have in place for determining how to vote on a proposal when your firm agrees with only a portion of the proposal's request?

10. With respect to a shareholder proposal, when your firm considers a vote that is not aligned with the recommendation of a board composed of a majority of independent directors, how do you determine whether your vote is more in line with the best economic interests of shareholders than with the independent board's recommendation? And how, if at all, do you consider the fact that an independent board of directors is bound by its fiduciary duties to shareholders to make a vote recommendation based on the best economic interests of shareholders?

11. Does your firm have controls in place to ensure that your firm's votes on shareholder proposals do not discourage legal activities (such as business associated with fossil fuel, guns, or tobacco) for noneconomic reasons? If so, please describe them. If not, please explain why your firm lacks such controls.

12. Does your firm have an established set of goals against which you measure shareholder proposals on environmental, social and/or political proposals? If so, what are those goals?

13. Does your firm have voting policies with respect to environmental, social and/or political shareholder proposals? If so, please describe those policies and explain the process for developing those policies, including whether such process involved an economic analysis to determine whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. Please also identify any processes you have in place to override any of those policies, and explain in what circumstances your firm would override those policies.

14. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley has concluded that "ESG investing does not have any advantage over broad-based investing," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[1] Do you agree with his conclusion? If not, please explain the basis for your disagreement.

15. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, noting that "[s]ome resolutions ask companies to address social or environmental concerns that are already subject to regulation."[2] And when "a proposal asks an individual issuer to adopt a standard that is higher than the regulatory requirement and peers' practices," T. Rowe Price "will take potential competitive harm into consideration in [its] voting decision." Does your firm also consider competitive harm in your voting decisions in such circumstances? If not, why not?

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[1] Terrence Keeley, *Vanguard's CEO Bucks the ESG Orthodoxy*, WALL ST. J. (Feb. 26, 2023), https://www.wsj.com/articles/vanguards-ceo-bucks-the-esg-orthodoxy-tim-buckley-net-zero-emissions-united-nations-initiative-nzam-f6ae910d.

[2] T. ROWE PRICE, PROXY VOTING GUIDELINES (Feb. 2023) 17, https://www.troweprice.com/content/dam/trowecorp/Pdfs/proxy-voting-guidelines-TRPA.pdf.

16. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, as "[s]ome resolutions ask investors to impose company-level, private-market solutions to problems that are clearly better addressed by other stakeholders, including regulators, legislators, the courts, or communities."[3] And when "a proposal seeks to apply company-level solutions to a broad societal problem, and the company has little influence over the problem," T. Rowe Price "may deem the resolution to be poorly crafted or misdirected." Does your firm also deem such proposals to be poorly crafted or misdirected? If not, why not?

B. Use of Proxy-Advisory Firms

1. Does your firm subscribe to the services of proxy-advisory firms? If so, please name the proxy-advisory firms whose services your firm has used.

2. What is your firm's process for evaluating proxy-advisory firms' recommendations?

3. For each proxy-advisory firm to which your firm subscribes, what percentage of the time has your firm voted consistent with that proxy-advisory firm's recommendations regarding shareholder proposals in 2022 and in 2023 (through the date of this letter)?

4. For shareholder proposals in 2022 and in 2023 (through the date of this letter), what percentage of the time did your firm independently evaluate the research and recommendations of proxy-advisory firms?

5. What processes does your firm have in place to evaluate whether the recommendations of a for-profit proxy-advisory firm are in the best economic interests of the shareholders at the company receiving the proposal?

C. Conflicts of Interest

1. Is your firm a signatory to the Glasgow Financial Alliance for Net Zero, the Net Zero Asset Managers Initiative, or other related organizations?[4] If so, how do you reconcile your commitment to those initiatives with your fiduciary duty to shareholders? Have you obtained the consent of your customers for this material conflict of interest?[5]

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[3] *Id.*

[4] *See* Our Members, GLASGOW FINANCIAL ALLIANCE FOR NET ZERO, https://www.gfanzero.com/membership/ (last visited Feb. 13, 2023); Signatories, NET ZERO ASSET MANAGERS INITIATIVE, https://www.netzeroassetmanagers.org/signatories/ (last visited Feb. 13, 2023).

[5] *See* 15 U.S.C. §80b-11.

2. Is your firm a signatory to the U.N.'s Principles for Responsible Investment?[6] If so, how do you reconcile your fiduciary duty to shareholders with your commitment to an organization that seeks to "establish that asset owners' responsibilities to their beneficiaries extend beyond the risk/return profile of their investments to include making decisions that benefit the world beneficiaries live in."[7]

3. Has your firm committed to pursuing the goals or initiatives of any other ESG-related organizations?

4. What controls does your firm have in place to ensure that its commitments to other projects and organizations do not interfere with your firm's fiduciary duty to shareholders?

5. Does your firm have controls in place to ensure that personal views on ESG issues or political issues are not reflected in your firm's vote decisions on shareholder proposals? If so, please describe them. If not, please explain why your firm lacks such controls.

II. Evaluating Shareholder Proposals on Specific Topics

A. Shareholder Proposals Relating to Climate Reporting

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform climate-related audits or to prepare reports on climate-related risks? For any "yes" votes, please explain whether and how your firm determined whether such reports or audits would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with such reports or audits, and how you determined whether the existing climate reporting of such companies was insufficient.

2. Do you have empirical evidence that any climate report or audit that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to conduct a climate report or audit? If so, and if your firm has voted in favor of shareholder proposals requiring climate reports or audits at other companies, please explain the discrepancy between your board's recommendation regarding climate reports or audits at your firm and your firm's vote regarding climate reports or audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

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[6] PRINCIPLES FOR RESPONSIBLE INVESTMENT, A BLUEPRINT FOR RESPONSIBLE INVESTMENT, https://www.unpri.org/download?ac=5330.
[7] *Id.* at 14.

4. In considering shareholder proposals requiring insurance companies to report how they measure, disclose, and reduce the greenhouse gas (GHG) emissions associated with underwriting, insurance, and investment activities, did your firm consider the broadly applicable concern, as expressed by Chubb, that "we are not aware of any method by which we could reasonably measure the GHG emissions of our insureds?"[8] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

5. In considering shareholder proposals requiring a net-zero emissions analysis report, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e consider the likelihood of the IEA's NZE 2050 scenario to be remote… [y]our Board believes it would not be a responsible use of Company resources to produce a further report to address a speculative scenario?"[9] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

6. In considering shareholder proposals requiring reporting on Scope 3 GHG emissions, did your firm consider the broadly applicable concern, as expressed by Dollar Tree, that "[t]he proponent's suggestion that such goal include Scope 3 emissions in particular is premature and very difficult to do given the level of information available across the Company's global value chain."[10] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

B. Shareholder Proposals Relating to Actions to Reduce Greenhouse-Gas Emissions

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to take actions to reduce GHG emissions? For any "yes" vote, please explain whether and how your firm determined whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with proposals requesting a reduction of GHG emissions.

2. Do you have empirical evidence that any GHG emissions-reduction requirement that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

[8] Chubb Limited, Definitive Proxy Statement (Schedule 14A), May 19, 2022, at 51, https://www.sec.gov/Archives/edgar/data/0000896159/000110465922042195/tm2135945-3_def14a.htm#tI.
[9] Chevron Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 93, https://www.sec.gov/Archives/edgar/data/0000093410/000119312522098301/d292137ddef14a.htm.
[10] Dollar Tree, Inc., Definitive Proxy Statement (Schedule 14A), May 18, 2022, at 105, https://www.sec.gov/Archives/edgar/data/0000935703/000110465922062246/tm223490-2_def14a.htm.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to take an action to reduce GHG emissions? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to reduce GHG emissions, please explain the discrepancy between your board's recommendation regarding GHG emissions at your firm and your firm's vote regarding GHG emissions at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

4. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by DTE Energy, that "[t]he Board considers that the science behind measuring Scope 3 emissions is currently too unsettled for full incorporation into the company's emissions reduction goals"?[11] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the DTE Energy proposal and similar proposals?

5. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e could reduce our GHG emissions by changing our portfolio and selling our emissions-producing assets, but that would not serve our stockholders, who benefit from our strong asset base,"[12] and the similar concern, as expressed by Exxon, that "the proponent has confirmed in an interview available on its website that their proposal is designed with the explicit intent to constrain Exxon Mobil's future investments in oil and gas"?[13] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Chevron and Exxon proposals, as well as similar proposals?

6. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Phillips 66, that "[s]etting targets that require even more significant technological and social transformation outside our control could create reputational risk and potential harm to shareholders"?[14] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Phillips 66 and similar proposals?

7. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley "knows that Vanguard can't promise to be a fiduciary to its clients while also committing to align its assets with the 2050 net-zero target," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[15] Do you agree with his conclusion? If not, please explain your disagreement.

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[11] DTE Energy Co., Definitive Proxy Statement (Schedule 14A), Mar. 17, 2022, at 60, https://www.sec.gov/Archives/edgar/data/936340/000093634022000105/def14a2022.htm.
[12] Chevron Corp., Definitive Proxy Statement, *supra* note 9, at 91.
[13] Exxon Mobil Corp., Definitive Proxy Statement, *supra* note 2, at 72.
[14] Phillips 66, Definitive Proxy Statement (Schedule 14A), Mar. 31, 2022, at 96, https://www.sec.gov/Archives/edgar/data/0001534701/000120677422000928/psx3965551_def14a.htm.
[15] Keeley, *supra* note **Error! Bookmark not defined.**.

8. According to Vanguard CEO Tim Buckley, "[p]oliticians and regulators have a central role to play in setting the ground rules to achieve a just transition." The Wall Street Journal reported that "Mr. Buckley understands that progress toward net-zero emissions doesn't depend on how people invest."[16] Do you agree with his conclusion? If not, please explain your disagreement.

C. Shareholder Proposals Relating to Diversity or Racial Equity

1. Is it your firm's position that diversity or racial equity should be a factor in forming decisions on shareholder proposals? If so, please provide your firm's definition of racial equity, and explain the role it plays in your decisions on shareholder proposals.

2. At what rate did your firm vote in favor of shareholder proposals requiring the company to increase diversity among its board of directors or workforce?

3. Do you have empirical evidence that any diversity requirement that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

4. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal relating to board or workforce diversity? If so, and if your firm has voted in favor of shareholder proposals at other companies relating to board or workforce diversity, please explain the discrepancy between your board's recommendation regarding diversity at your firm and your firm's vote regarding diversity at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

5. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform a racial-equity or civil-rights audit?

6. Do you have empirical evidence that any racial-equity or civil-rights audit that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

7. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to perform a racial-equity or civil-rights audit? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to conduct such audits, please explain the discrepancy between your board's recommendation regarding racial audits at your firm and your firm's vote regarding racial audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

[16] *Id.*

8. In considering shareholder proposals relating to diversity or racial equity, please explain whether and how your firm determines whether such proposals would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with performing a racial-equity or civil-rights audit, and how you determine whether such companies' existing efforts regarding diversity or racial equity are insufficient.

9. In considering shareholder proposals relating to diversity or racial equity, did your firm consider the legality of the proposal? For example, did your firm consider the concern, as expressed by Travelers, an insurance company, that "[t]aking race into account in underwriting or rate-setting … is unlawful under the insurance laws of virtually every state and would improperly inject racial considerations into a heavily regulated decision-making process?"[17] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on this proposal?

III. Votes on Proposals Submitted by Specific Proponents

1. At what rate did your firm vote in favor of proposals submitted by the National Legal and Policy Center in 2022 and 2023 (through the date of this letter)?

2. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter)?

3. At what rate did your firm vote in favor of proposals submitted by Steven Milloy in 2022 and 2023 (through the date of this letter)?

4. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Legal and Policy Center, the National Center for Public Policy Research, and Steven Milloy in 2022 and 2023 (through the date of this letter)? If there are any discrepancy between your answer to this question and your answers to questions III.1 through III.3, please explain those discrepancies.

5. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit?

6. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit? If there is any discrepancy between your answer to this question and your answers to question III.5, please explain that discrepancy.

[17] The Travelers Companies, Inc., Definitive Proxy Statement, *supra* note 4, at 80.

7. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities?

8. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities? If there is any discrepancy between your answer to this question and your answer to question III.7, please explain that discrepancy.

May 15, 2023

Valerie Baudson
Group Chief Executive Officer
Amundi
60 State Street, Boston, MA 02109

Dear Valerie Baudson,

We, the undersigned state treasurers and financial officers, have been elected to safeguard our States' public funds, which may include public funds from our States that you manage.[1] Recent headlines have given us cause to question whether management decisions being provided properly pursue our taxpayers' best long-term economic interests. Specifically, we are concerned that taxpayers' best long-term economic interests might have become subordinated to environmental, social, and political interests often divorced from shareholder value—and often pushed through shareholder proposals.[2]

To take just a few examples, some recent shareholder proposals would require oil companies to pledge fealty to the Paris Climate Agreement,[3] social media companies to crack down on "hate

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[1] We recognize that not all the states represented in this letter directly use your services as they manage state funds with internal staff. However, because of the role your firm has in voting proxies, the information you provide in response to this letter is of importance to all states due to its general impact on the investing universe.

[2] *See* Hannah Orowitz, Rajeev Kumar & Lee Anne Hagel, GEORGESON, *An Early Look at the 2022 Proxy Season*, June 7, 2022, at 4, 12, 14, https://corpgov.law.harvard.edu/wp-content/uploads/2022/06/Georgeson_EPS_whitepaper_2022_v6.pdf.

[3] Exxon Mobil Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 71, https://www.sec.gov/Archives/edgar/data/34088/000119312522098314/d280259ddef14a.htm.

speech,"[4] insurance companies to consider race in underwriting insurance policies,[5] and retailers to weigh in on state abortion policy.[6] At best, those kinds of ESG proposals require expensive audits, time-consuming reports, and cumbersome policies with no apparent link to a targeted company's business. At worst, they require the targeted companies to spend significant management time and corporate resources pursuing goals untethered to shareholder value, or to relinquish parts of their business—including products or services that investors deemed worthy investments of their hard-earned capital in the first place.

Your core fiduciary obligations as asset managers require you to act in the economic interest of those who have entrusted you with their investments.[7] That means your votes on shareholder proposals must advance your investors' interests—not your own, or the interests of third parties. And make no mistake: Your votes wield significant influence on behalf of your clients. The largest one percent of asset managers manage 61 percent of total industry assets.[8] Given the significant impact that your firm's votes have on corporate practices, your voting decisions simply must promote the best economic interests of the ultimate asset owners in order for you to discharge your fiduciary responsibilities.

To help us understand how your firm makes voting decisions—and to allay concerns that some of those decisions might be based on factors other than the best economic interests of shareholders—please respond to the attached questionnaire by June 29, 2023. To aid in an efficient dialogue on these topics, please tailor your responses to shareholder proposals related to the issues described below and submitted for a vote at annual meetings conducted in 2022 and 2023 (through the date of this letter).

Thank you for your careful attention to these important requests. Your candid, prompt responses are critical to helping us properly discharge the fiduciary duties we owe to our constituents. If you have any questions about the contents of this letter, please contact the Utah Office of State Treasurer by phone (801-538-1042) or email (sto@utah.gov).

Respectfully,

Alaska Commissioner of Revenue Adam Crum

Arizona Treasurer Kimberly Yee

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[4] Meta Platforms, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 74, https://www.sec.gov/Archives/edgar/data/1326801/000132680122000043/meta2022definitiveproxysta.htm.

[5] The Travelers Companies, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 79, https://www.sec.gov/Archives/edgar/data/86312/000008631222000019/a2022proxystatement.htm.

[6] Walmart, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 21, 2022, at 90, https://www.sec.gov/Archives/edgar/data/0000104169/000010416922000019/a2022proxystatement.htm.

[7] *See* 15 U.S.C. §80b-11; 5 U.S.C. 8477(b).

[8] *See* Siobhan Riding, *Trillion-Dollar Club Tightens Grip on Fund Market During Crisis*, FINANCIAL TIMES, May 10, 2020, https://www.ft.com/content/a6aa1010-3dff-4521-af52-fbadb496c89d.

Florida Chief Financial Officer Jimmy Patronis

Idaho Treasurer Julie Ellsworth

Indiana Treasurer Dan Elliott

Iowa Treasurer Roby Smith

Kansas Treasurer Steven Johnson

Louisiana Treasurer John Schroder

Mississippi Treasurer David McRae

Missouri State Auditor Scott Fitzpatrick

Missouri Treasurer Vivek Malek

Nebraska Treasurer John Murante

Nebraska Auditor Mike Foley

North Carolina Treasurer Dale Folwell

North Dakota Treasurer Thomas Beadle

Oklahoma Auditor & Inspector Cindy Byrd

Oklahoma Treasurer Todd Russ

South Carolina Treasurer Curtis M. Loftis, Jr.

Utah Treasurer Marlo Oaks

West Virginia Treasurer Riley Moore

Wyoming Treasurer Curt Meier

Proxy Voting Questionnaire

I. Evaluating Shareholder Proposals Generally

A. General Principles

1. Does your firm vote on shareholder proposals based solely on what your firm considers to be in the best economic interest of shareholders of the company subject to the proposal?

2. What is your firm's process for evaluating whether a shareholder proposal is in the best economic interest of shareholders of the company subject to the proposal?

3. Does your firm conduct economic analysis to determine whether a shareholder proposal in the best economic interest of shareholders of the company subject to the proposal? If so, please describe it. If not, please explain why, and on what basis you determine whether a shareholder proposal would be in the best interest of those shareholders.

4. When evaluating a shareholder proposal, in addition to considering long-term risks to a business associated with the concern raised by a shareholder proposal, do you also evaluate the short-term costs involved in implementing the proposal's request? If so, please explain your analysis and how you balance the potential long-term risks and the near-term costs.

5. Does your firm evaluate shareholder proposals by forecasting the expected impact of the proposal on the economic interests of the shareholders of the company subject to the proposal? If so, what timeframe does your forecast consider? Do you back-test your forecasts to evaluate whether they were accurate?

6. Do your proxy-voting teams engage with the portfolio managers to get their views as to what is in the best economic interest of shareholders?

7. Has your firm ever made a vote determination based in whole or in part on any noneconomic factors? If so, please describe such noneconomic factors and explain how such a vote determination is consistent with acting in the best economic interest of shareholders.

8. Does your firm clearly inform your investors or asset holders about any noneconomic factors that you consider when voting on shareholder proposals? If so, please describe the process by which you inform your clients of those noneconomic factors.

9. What process does your firm have in place for determining how to vote on a proposal when your firm agrees with only a portion of the proposal's request?

10. With respect to a shareholder proposal, when your firm considers a vote that is not aligned with the recommendation of a board composed of a majority of independent directors, how do you determine whether your vote is more in line with the best economic interests of shareholders than with the independent board's recommendation? And how, if at all, do you consider the fact that an independent board of directors is bound by its fiduciary duties to shareholders to make a vote recommendation based on the best economic interests of shareholders?

11. Does your firm have controls in place to ensure that your firm's votes on shareholder proposals do not discourage legal activities (such as business associated with fossil fuel, guns, or tobacco) for noneconomic reasons? If so, please describe them. If not, please explain why your firm lacks such controls.

12. Does your firm have an established set of goals against which you measure shareholder proposals on environmental, social and/or political proposals? If so, what are those goals?

13. Does your firm have voting policies with respect to environmental, social and/or political shareholder proposals? If so, please describe those policies and explain the process for developing those policies, including whether such process involved an economic analysis to determine whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. Please also identify any processes you have in place to override any of those policies, and explain in what circumstances your firm would override those policies.

14. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley has concluded that "ESG investing does not have any advantage over broad-based investing," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[1] Do you agree with his conclusion? If not, please explain the basis for your disagreement.

15. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, noting that "[s]ome resolutions ask companies to address social or environmental concerns that are already subject to regulation."[2] And when "a proposal asks an individual issuer to adopt a standard that is higher than the regulatory requirement and peers' practices," T. Rowe Price "will take potential competitive harm into consideration in [its] voting decision." Does your firm also consider competitive harm in your voting decisions in such circumstances? If not, why not?

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[1] Terrence Keeley, *Vanguard's CEO Bucks the ESG Orthodoxy*, WALL ST. J. (Feb. 26, 2023), https://www.wsj.com/articles/vanguards-ceo-bucks-the-esg-orthodoxy-tim-buckley-net-zero-emissions-united-nations-initiative-nzam-f6ae910d.

[2] T. ROWE PRICE, PROXY VOTING GUIDELINES (Feb. 2023) 17, https://www.troweprice.com/content/dam/trowecorp/Pdfs/proxy-voting-guidelines-TRPA.pdf.

16. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, as "[s]ome resolutions ask investors to impose company-level, private-market solutions to problems that are clearly better addressed by other stakeholders, including regulators, legislators, the courts, or communities."[3] And when "a proposal seeks to apply company-level solutions to a broad societal problem, and the company has little influence over the problem," T. Rowe Price "may deem the resolution to be poorly crafted or misdirected." Does your firm also deem such proposals to be poorly crafted or misdirected? If not, why not?

B. Use of Proxy-Advisory Firms

1. Does your firm subscribe to the services of proxy-advisory firms? If so, please name the proxy-advisory firms whose services your firm has used.

2. What is your firm's process for evaluating proxy-advisory firms' recommendations?

3. For each proxy-advisory firm to which your firm subscribes, what percentage of the time has your firm voted consistent with that proxy-advisory firm's recommendations regarding shareholder proposals in 2022 and in 2023 (through the date of this letter)?

4. For shareholder proposals in 2022 and in 2023 (through the date of this letter), what percentage of the time did your firm independently evaluate the research and recommendations of proxy-advisory firms?

5. What processes does your firm have in place to evaluate whether the recommendations of a for-profit proxy-advisory firm are in the best economic interests of the shareholders at the company receiving the proposal?

C. Conflicts of Interest

1. Is your firm a signatory to the Glasgow Financial Alliance for Net Zero, the Net Zero Asset Managers Initiative, or other related organizations?[4] If so, how do you reconcile your commitment to those initiatives with your fiduciary duty to shareholders? Have you obtained the consent of your customers for this material conflict of interest?[5]

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[3] *Id.*

[4] *See* Our Members, GLASGOW FINANCIAL ALLIANCE FOR NET ZERO, https://www.gfanzero.com/membership/ (last visited Feb. 13, 2023); Signatories, NET ZERO ASSET MANAGERS INITIATIVE, https://www.netzeroassetmanagers.org/signatories/ (last visited Feb. 13, 2023).

[5] *See* 15 U.S.C. §80b-11.

2. Is your firm a signatory to the U.N.'s Principles for Responsible Investment?[6] If so, how do you reconcile your fiduciary duty to shareholders with your commitment to an organization that seeks to "establish that asset owners' responsibilities to their beneficiaries extend beyond the risk/return profile of their investments to include making decisions that benefit the world beneficiaries live in."[7]

3. Has your firm committed to pursuing the goals or initiatives of any other ESG-related organizations?

4. What controls does your firm have in place to ensure that its commitments to other projects and organizations do not interfere with your firm's fiduciary duty to shareholders?

5. Does your firm have controls in place to ensure that personal views on ESG issues or political issues are not reflected in your firm's vote decisions on shareholder proposals? If so, please describe them. If not, please explain why your firm lacks such controls.

II. Evaluating Shareholder Proposals on Specific Topics

A. Shareholder Proposals Relating to Climate Reporting

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform climate-related audits or to prepare reports on climate-related risks? For any "yes" votes, please explain whether and how your firm determined whether such reports or audits would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with such reports or audits, and how you determined whether the existing climate reporting of such companies was insufficient.

2. Do you have empirical evidence that any climate report or audit that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to conduct a climate report or audit? If so, and if your firm has voted in favor of shareholder proposals requiring climate reports or audits at other companies, please explain the discrepancy between your board's recommendation regarding climate reports or audits at your firm and your firm's vote regarding climate reports or audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

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[6] PRINCIPLES FOR RESPONSIBLE INVESTMENT, A BLUEPRINT FOR RESPONSIBLE INVESTMENT, https://www.unpri.org/download?ac=5330.
[7] *Id.* at 14.

4. In considering shareholder proposals requiring insurance companies to report how they measure, disclose, and reduce the greenhouse gas (GHG) emissions associated with underwriting, insurance, and investment activities, did your firm consider the broadly applicable concern, as expressed by Chubb, that "we are not aware of any method by which we could reasonably measure the GHG emissions of our insureds?"[8] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

5. In considering shareholder proposals requiring a net-zero emissions analysis report, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e consider the likelihood of the IEA's NZE 2050 scenario to be remote… [y]our Board believes it would not be a responsible use of Company resources to produce a further report to address a speculative scenario?"[9] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

6. In considering shareholder proposals requiring reporting on Scope 3 GHG emissions, did your firm consider the broadly applicable concern, as expressed by Dollar Tree, that "[t]he proponent's suggestion that such goal include Scope 3 emissions in particular is premature and very difficult to do given the level of information available across the Company's global value chain."[10] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

B. Shareholder Proposals Relating to Actions to Reduce Greenhouse-Gas Emissions

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to take actions to reduce GHG emissions? For any "yes" vote, please explain whether and how your firm determined whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with proposals requesting a reduction of GHG emissions.

2. Do you have empirical evidence that any GHG emissions-reduction requirement that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

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[8] Chubb Limited, Definitive Proxy Statement (Schedule 14A), May 19, 2022, at 51, https://www.sec.gov/Archives/edgar/data/0000896159/000110465922042195/tm2135945-3_def14a.htm#tI.
[9] Chevron Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 93, https://www.sec.gov/Archives/edgar/data/0000093410/000119312522098301/d292137ddef14a.htm.
[10] Dollar Tree, Inc., Definitive Proxy Statement (Schedule 14A), May 18, 2022, at 105, https://www.sec.gov/Archives/edgar/data/0000935703/000110465922062246/tm223490-2_def14a.htm.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to take an action to reduce GHG emissions? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to reduce GHG emissions, please explain the discrepancy between your board's recommendation regarding GHG emissions at your firm and your firm's vote regarding GHG emissions at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

4. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by DTE Energy, that "[t]he Board considers that the science behind measuring Scope 3 emissions is currently too unsettled for full incorporation into the company's emissions reduction goals"?[11] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the DTE Energy proposal and similar proposals?

5. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e could reduce our GHG emissions by changing our portfolio and selling our emissions-producing assets, but that would not serve our stockholders, who benefit from our strong asset base,"[12] and the similar concern, as expressed by Exxon, that "the proponent has confirmed in an interview available on its website that their proposal is designed with the explicit intent to constrain Exxon Mobil's future investments in oil and gas"?[13] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Chevron and Exxon proposals, as well as similar proposals?

6. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Phillips 66, that "[s]etting targets that require even more significant technological and social transformation outside our control could create reputational risk and potential harm to shareholders"?[14] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Phillips 66 and similar proposals?

7. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley "knows that Vanguard can't promise to be a fiduciary to its clients while also committing to align its assets with the 2050 net-zero target," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[15] Do you agree with his conclusion? If not, please explain your disagreement.

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[11] DTE Energy Co., Definitive Proxy Statement (Schedule 14A), Mar. 17, 2022, at 60, https://www.sec.gov/Archives/edgar/data/936340/000093634022000105/def14a2022.htm.
[12] Chevron Corp., Definitive Proxy Statement, *supra* note 9, at 91.
[13] Exxon Mobil Corp., Definitive Proxy Statement, *supra* note 2, at 72.
[14] Phillips 66, Definitive Proxy Statement (Schedule 14A), Mar. 31, 2022, at 96, https://www.sec.gov/Archives/edgar/data/0001534701/000120677422000928/psx3965551_def14a.htm.
[15] Keeley, *supra* note **Error! Bookmark not defined.**.

8. According to Vanguard CEO Tim Buckley, "[p]oliticians and regulators have a central role to play in setting the ground rules to achieve a just transition." The Wall Street Journal reported that "Mr. Buckley understands that progress toward net-zero emissions doesn't depend on how people invest."[16] Do you agree with his conclusion? If not, please explain your disagreement.

C. Shareholder Proposals Relating to Diversity or Racial Equity

1. Is it your firm's position that diversity or racial equity should be a factor in forming decisions on shareholder proposals? If so, please provide your firm's definition of racial equity, and explain the role it plays in your decisions on shareholder proposals.

2. At what rate did your firm vote in favor of shareholder proposals requiring the company to increase diversity among its board of directors or workforce?

3. Do you have empirical evidence that any diversity requirement that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

4. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal relating to board or workforce diversity? If so, and if your firm has voted in favor of shareholder proposals at other companies relating to board or workforce diversity, please explain the discrepancy between your board's recommendation regarding diversity at your firm and your firm's vote regarding diversity at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

5. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform a racial-equity or civil-rights audit?

6. Do you have empirical evidence that any racial-equity or civil-rights audit that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

7. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to perform a racial-equity or civil-rights audit? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to conduct such audits, please explain the discrepancy between your board's recommendation regarding racial audits at your firm and your firm's vote regarding racial audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

[16] *Id.*

8. In considering shareholder proposals relating to diversity or racial equity, please explain whether and how your firm determines whether such proposals would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with performing a racial-equity or civil-rights audit, and how you determine whether such companies' existing efforts regarding diversity or racial equity are insufficient.

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III. Votes on Proposals Submitted by Specific Proponents

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[17] The Travelers Companies, Inc., Definitive Proxy Statement, *supra* note 4, at 80.

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May 15, 2023

Timothy Armour
Chairman and Chief Executive Officer
Capital Group
333 South Hope Street, 53rd Floor, Los Angeles, CA 90071

Dear Timothy Armour,

We, the undersigned state treasurers and financial officers, have been elected to safeguard our States' public funds, which may include public funds from our States that you manage.[1] Recent headlines have given us cause to question whether management decisions being provided properly pursue our taxpayers' best long-term economic interests. Specifically, we are concerned that taxpayers' best long-term economic interests might have become subordinated to environmental, social, and political interests often divorced from shareholder value—and often pushed through shareholder proposals.[2]

To take just a few examples, some recent shareholder proposals would require oil companies to pledge fealty to the Paris Climate Agreement,[3] social media companies to crack down on "hate

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[1] We recognize that not all the states represented in this letter directly use your services as they manage state funds with internal staff. However, because of the role your firm has in voting proxies, the information you provide in response to this letter is of importance to all states due to its general impact on the investing universe.

[2] *See* Hannah Orowitz, Rajeev Kumar & Lee Anne Hagel, GEORGESON, *An Early Look at the 2022 Proxy Season*, June 7, 2022, at 4, 12, 14, https://corpgov.law.harvard.edu/wp-content/uploads/2022/06/Georgeson_EPS_whitepaper_2022_v6.pdf.

[3] Exxon Mobil Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 71, https://www.sec.gov/Archives/edgar/data/34088/000119312522098314/d280259ddef14a.htm.

speech,"[4] insurance companies to consider race in underwriting insurance policies,[5] and retailers to weigh in on state abortion policy.[6] At best, those kinds of ESG proposals require expensive audits, time-consuming reports, and cumbersome policies with no apparent link to a targeted company's business. At worst, they require the targeted companies to spend significant management time and corporate resources pursuing goals untethered to shareholder value, or to relinquish parts of their business—including products or services that investors deemed worthy investments of their hard-earned capital in the first place.

Your core fiduciary obligations as asset managers require you to act in the economic interest of those who have entrusted you with their investments.[7] That means your votes on shareholder proposals must advance your investors' interests—not your own, or the interests of third parties. And make no mistake: Your votes wield significant influence on behalf of your clients. The largest one percent of asset managers manage 61 percent of total industry assets.[8] Given the significant impact that your firm's votes have on corporate practices, your voting decisions simply must promote the best economic interests of the ultimate asset owners in order for you to discharge your fiduciary responsibilities.

To help us understand how your firm makes voting decisions—and to allay concerns that some of those decisions might be based on factors other than the best economic interests of shareholders—please respond to the attached questionnaire by June 29, 2023. To aid in an efficient dialogue on these topics, please tailor your responses to shareholder proposals related to the issues described below and submitted for a vote at annual meetings conducted in 2022 and 2023 (through the date of this letter).

Thank you for your careful attention to these important requests. Your candid, prompt responses are critical to helping us properly discharge the fiduciary duties we owe to our constituents. If you have any questions about the contents of this letter, please contact the Utah Office of State Treasurer by phone (801-538-1042) or email (sto@utah.gov).

Respectfully,

Alaska Commissioner of Revenue Adam Crum

Arizona Treasurer Kimberly Yee

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4 Meta Platforms, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 74, https://www.sec.gov/Archives/edgar/data/1326801/000132680122000043/meta2022definitiveproxysta.htm.

5 The Travelers Companies, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 79, https://www.sec.gov/Archives/edgar/data/86312/000008631222000019/a2022proxystatement.htm.

6 Walmart, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 21, 2022, at 90, https://www.sec.gov/Archives/edgar/data/0000104169/000010416922000019/a2022proxystatement.htm.

7 *See* 15 U.S.C. §80b-11; 5 U.S.C. 8477(b).

8 *See* Siobhan Riding, *Trillion-Dollar Club Tightens Grip on Fund Market During Crisis*, FINANCIAL TIMES, May 10, 2020, https://www.ft.com/content/a6aa1010-3dff-4521-af52-fbadb496c89d.

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Iowa Treasurer Roby Smith

Kansas Treasurer Steven Johnson

Louisiana Treasurer John Schroder

Mississippi Treasurer David McRae

Missouri State Auditor Scott Fitzpatrick

Missouri Treasurer Vivek Malek

Nebraska Treasurer John Murante

Nebraska Auditor Mike Foley

North Carolina Treasurer Dale Folwell

North Dakota Treasurer Thomas Beadle

Oklahoma Auditor & Inspector Cindy Byrd

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South Carolina Treasurer Curtis M. Loftis, Jr.

Utah Treasurer Marlo Oaks

West Virginia Treasurer Riley Moore

Wyoming Treasurer Curt Meier

Proxy Voting Questionnaire

I. Evaluating Shareholder Proposals Generally

A. General Principles

1. Does your firm vote on shareholder proposals based solely on what your firm considers to be in the best economic interest of shareholders of the company subject to the proposal?

2. What is your firm's process for evaluating whether a shareholder proposal is in the best economic interest of shareholders of the company subject to the proposal?

3. Does your firm conduct economic analysis to determine whether a shareholder proposal in the best economic interest of shareholders of the company subject to the proposal? If so, please describe it. If not, please explain why, and on what basis you determine whether a shareholder proposal would be in the best interest of those shareholders.

4. When evaluating a shareholder proposal, in addition to considering long-term risks to a business associated with the concern raised by a shareholder proposal, do you also evaluate the short-term costs involved in implementing the proposal's request? If so, please explain your analysis and how you balance the potential long-term risks and the near-term costs.

5. Does your firm evaluate shareholder proposals by forecasting the expected impact of the proposal on the economic interests of the shareholders of the company subject to the proposal? If so, what timeframe does your forecast consider? Do you back-test your forecasts to evaluate whether they were accurate?

6. Do your proxy-voting teams engage with the portfolio managers to get their views as to what is in the best economic interest of shareholders?

7. Has your firm ever made a vote determination based in whole or in part on any noneconomic factors? If so, please describe such noneconomic factors and explain how such a vote determination is consistent with acting in the best economic interest of shareholders.

8. Does your firm clearly inform your investors or asset holders about any noneconomic factors that you consider when voting on shareholder proposals? If so, please describe the process by which you inform your clients of those noneconomic factors.

9. What process does your firm have in place for determining how to vote on a proposal when your firm agrees with only a portion of the proposal's request?

10. With respect to a shareholder proposal, when your firm considers a vote that is not aligned with the recommendation of a board composed of a majority of independent directors, how do you determine whether your vote is more in line with the best economic interests of shareholders than with the independent board's recommendation? And how, if at all, do you consider the fact that an independent board of directors is bound by its fiduciary duties to shareholders to make a vote recommendation based on the best economic interests of shareholders?

11. Does your firm have controls in place to ensure that your firm's votes on shareholder proposals do not discourage legal activities (such as business associated with fossil fuel, guns, or tobacco) for noneconomic reasons? If so, please describe them. If not, please explain why your firm lacks such controls.

12. Does your firm have an established set of goals against which you measure shareholder proposals on environmental, social and/or political proposals? If so, what are those goals?

13. Does your firm have voting policies with respect to environmental, social and/or political shareholder proposals? If so, please describe those policies and explain the process for developing those policies, including whether such process involved an economic analysis to determine whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. Please also identify any processes you have in place to override any of those policies, and explain in what circumstances your firm would override those policies.

14. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley has concluded that "ESG investing does not have any advantage over broad-based investing," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[1] Do you agree with his conclusion? If not, please explain the basis for your disagreement.

15. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, noting that "[s]ome resolutions ask companies to address social or environmental concerns that are already subject to regulation."[2] And when "a proposal asks an individual issuer to adopt a standard that is higher than the regulatory requirement and peers' practices," T. Rowe Price "will take potential competitive harm into consideration in [its] voting decision." Does your firm also consider competitive harm in your voting decisions in such circumstances? If not, why not?

[1] Terrence Keeley, *Vanguard's CEO Bucks the ESG Orthodoxy*, WALL ST. J. (Feb. 26, 2023), https://www.wsj.com/articles/vanguards-ceo-bucks-the-esg-orthodoxy-tim-buckley-net-zero-emissions-united-nations-initiative-nzam-f6ae910d.

[2] T. ROWE PRICE, PROXY VOTING GUIDELINES (Feb. 2023) 17, https://www.troweprice.com/content/dam/trowecorp/Pdfs/proxy-voting-guidelines-TRPA.pdf.

16. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, as "[s]ome resolutions ask investors to impose company-level, private-market solutions to problems that are clearly better addressed by other stakeholders, including regulators, legislators, the courts, or communities."[3] And when "a proposal seeks to apply company-level solutions to a broad societal problem, and the company has little influence over the problem," T. Rowe Price "may deem the resolution to be poorly crafted or misdirected." Does your firm also deem such proposals to be poorly crafted or misdirected? If not, why not?

B. Use of Proxy-Advisory Firms

1. Does your firm subscribe to the services of proxy-advisory firms? If so, please name the proxy-advisory firms whose services your firm has used.

2. What is your firm's process for evaluating proxy-advisory firms' recommendations?

3. For each proxy-advisory firm to which your firm subscribes, what percentage of the time has your firm voted consistent with that proxy-advisory firm's recommendations regarding shareholder proposals in 2022 and in 2023 (through the date of this letter)?

4. For shareholder proposals in 2022 and in 2023 (through the date of this letter), what percentage of the time did your firm independently evaluate the research and recommendations of proxy-advisory firms?

5. What processes does your firm have in place to evaluate whether the recommendations of a for-profit proxy-advisory firm are in the best economic interests of the shareholders at the company receiving the proposal?

C. Conflicts of Interest

1. Is your firm a signatory to the Glasgow Financial Alliance for Net Zero, the Net Zero Asset Managers Initiative, or other related organizations?[4] If so, how do you reconcile your commitment to those initiatives with your fiduciary duty to shareholders? Have you obtained the consent of your customers for this material conflict of interest?[5]

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[3] *Id.*

[4] *See* Our Members, GLASGOW FINANCIAL ALLIANCE FOR NET ZERO, https://www.gfanzero.com/membership/ (last visited Feb. 13, 2023); Signatories, NET ZERO ASSET MANAGERS INITIATIVE, https://www.netzeroassetmanagers.org/signatories/ (last visited Feb. 13, 2023).

[5] *See* 15 U.S.C. §80b-11.

2. Is your firm a signatory to the U.N.'s Principles for Responsible Investment?[6] If so, how do you reconcile your fiduciary duty to shareholders with your commitment to an organization that seeks to "establish that asset owners' responsibilities to their beneficiaries extend beyond the risk/return profile of their investments to include making decisions that benefit the world beneficiaries live in."[7]

3. Has your firm committed to pursuing the goals or initiatives of any other ESG-related organizations?

4. What controls does your firm have in place to ensure that its commitments to other projects and organizations do not interfere with your firm's fiduciary duty to shareholders?

5. Does your firm have controls in place to ensure that personal views on ESG issues or political issues are not reflected in your firm's vote decisions on shareholder proposals? If so, please describe them. If not, please explain why your firm lacks such controls.

II. Evaluating Shareholder Proposals on Specific Topics

A. Shareholder Proposals Relating to Climate Reporting

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform climate-related audits or to prepare reports on climate-related risks? For any "yes" votes, please explain whether and how your firm determined whether such reports or audits would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with such reports or audits, and how you determined whether the existing climate reporting of such companies was insufficient.

2. Do you have empirical evidence that any climate report or audit that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to conduct a climate report or audit? If so, and if your firm has voted in favor of shareholder proposals requiring climate reports or audits at other companies, please explain the discrepancy between your board's recommendation regarding climate reports or audits at your firm and your firm's vote regarding climate reports or audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

[6] PRINCIPLES FOR RESPONSIBLE INVESTMENT, A BLUEPRINT FOR RESPONSIBLE INVESTMENT, https://www.unpri.org/download?ac=5330.
[7] *Id.* at 14.

4. In considering shareholder proposals requiring insurance companies to report how they measure, disclose, and reduce the greenhouse gas (GHG) emissions associated with underwriting, insurance, and investment activities, did your firm consider the broadly applicable concern, as expressed by Chubb, that "we are not aware of any method by which we could reasonably measure the GHG emissions of our insureds?"[8] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

5. In considering shareholder proposals requiring a net-zero emissions analysis report, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e consider the likelihood of the IEA's NZE 2050 scenario to be remote… [y]our Board believes it would not be a responsible use of Company resources to produce a further report to address a speculative scenario?"[9] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

6. In considering shareholder proposals requiring reporting on Scope 3 GHG emissions, did your firm consider the broadly applicable concern, as expressed by Dollar Tree, that "[t]he proponent's suggestion that such goal include Scope 3 emissions in particular is premature and very difficult to do given the level of information available across the Company's global value chain."[10] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

B. Shareholder Proposals Relating to Actions to Reduce Greenhouse-Gas Emissions

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to take actions to reduce GHG emissions? For any "yes" vote, please explain whether and how your firm determined whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with proposals requesting a reduction of GHG emissions.

2. Do you have empirical evidence that any GHG emissions-reduction requirement that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

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[8] Chubb Limited, Definitive Proxy Statement (Schedule 14A), May 19, 2022, at 51, https://www.sec.gov/Archives/edgar/data/0000896159/000110465922042195/tm2135945-3_def14a.htm#tI.

[9] Chevron Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 93, https://www.sec.gov/Archives/edgar/data/0000093410/000119312522098301/d292137ddef14a.htm.

[10] Dollar Tree, Inc., Definitive Proxy Statement (Schedule 14A), May 18, 2022, at 105, https://www.sec.gov/Archives/edgar/data/0000935703/000110465922062246/tm223490-2_def14a.htm.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to take an action to reduce GHG emissions? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to reduce GHG emissions, please explain the discrepancy between your board's recommendation regarding GHG emissions at your firm and your firm's vote regarding GHG emissions at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

4. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by DTE Energy, that "[t]he Board considers that the science behind measuring Scope 3 emissions is currently too unsettled for full incorporation into the company's emissions reduction goals"?[11] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the DTE Energy proposal and similar proposals?

5. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e could reduce our GHG emissions by changing our portfolio and selling our emissions-producing assets, but that would not serve our stockholders, who benefit from our strong asset base,"[12] and the similar concern, as expressed by Exxon, that "the proponent has confirmed in an interview available on its website that their proposal is designed with the explicit intent to constrain Exxon Mobil's future investments in oil and gas"?[13] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Chevron and Exxon proposals, as well as similar proposals?

6. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Phillips 66, that "[s]etting targets that require even more significant technological and social transformation outside our control could create reputational risk and potential harm to shareholders"?[14] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Phillips 66 and similar proposals?

7. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley "knows that Vanguard can't promise to be a fiduciary to its clients while also committing to align its assets with the 2050 net-zero target," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[15] Do you agree with his conclusion? If not, please explain your disagreement.

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[11] DTE Energy Co., Definitive Proxy Statement (Schedule 14A), Mar. 17, 2022, at 60, https://www.sec.gov/Archives/edgar/data/936340/000093634022000105/def14a2022.htm.
[12] Chevron Corp., Definitive Proxy Statement, *supra* note 9, at 91.
[13] Exxon Mobil Corp., Definitive Proxy Statement, *supra* note 2, at 72.
[14] Phillips 66, Definitive Proxy Statement (Schedule 14A), Mar. 31, 2022, at 96, https://www.sec.gov/Archives/edgar/data/0001534701/000120677422000928/psx3965551_def14a.htm.
[15] Keeley, *supra* note **Error! Bookmark not defined.**.

8. According to Vanguard CEO Tim Buckley, "[p]oliticians and regulators have a central role to play in setting the ground rules to achieve a just transition." The Wall Street Journal reported that "Mr. Buckley understands that progress toward net-zero emissions doesn't depend on how people invest."[16] Do you agree with his conclusion? If not, please explain your disagreement.

C. Shareholder Proposals Relating to Diversity or Racial Equity

1. Is it your firm's position that diversity or racial equity should be a factor in forming decisions on shareholder proposals? If so, please provide your firm's definition of racial equity, and explain the role it plays in your decisions on shareholder proposals.

2. At what rate did your firm vote in favor of shareholder proposals requiring the company to increase diversity among its board of directors or workforce?

3. Do you have empirical evidence that any diversity requirement that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

4. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal relating to board or workforce diversity? If so, and if your firm has voted in favor of shareholder proposals at other companies relating to board or workforce diversity, please explain the discrepancy between your board's recommendation regarding diversity at your firm and your firm's vote regarding diversity at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

5. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform a racial-equity or civil-rights audit?

6. Do you have empirical evidence that any racial-equity or civil-rights audit that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

7. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to perform a racial-equity or civil-rights audit? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to conduct such audits, please explain the discrepancy between your board's recommendation regarding racial audits at your firm and your firm's vote regarding racial audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

[16] *Id.*

8. In considering shareholder proposals relating to diversity or racial equity, please explain whether and how your firm determines whether such proposals would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with performing a racial-equity or civil-rights audit, and how you determine whether such companies' existing efforts regarding diversity or racial equity are insufficient.

9. In considering shareholder proposals relating to diversity or racial equity, did your firm consider the legality of the proposal? For example, did your firm consider the concern, as expressed by Travelers, an insurance company, that "[t]aking race into account in underwriting or rate-setting … is unlawful under the insurance laws of virtually every state and would improperly inject racial considerations into a heavily regulated decision-making process?"[17] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on this proposal?

III. Votes on Proposals Submitted by Specific Proponents

1. At what rate did your firm vote in favor of proposals submitted by the National Legal and Policy Center in 2022 and 2023 (through the date of this letter)?

2. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter)?

3. At what rate did your firm vote in favor of proposals submitted by Steven Milloy in 2022 and 2023 (through the date of this letter)?

4. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Legal and Policy Center, the National Center for Public Policy Research, and Steven Milloy in 2022 and 2023 (through the date of this letter)? If there are any discrepancy between your answer to this question and your answers to questions III.1 through III.3, please explain those discrepancies.

5. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit?

6. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit? If there is any discrepancy between your answer to this question and your answers to question III.5, please explain that discrepancy.

[17] The Travelers Companies, Inc., Definitive Proxy Statement, *supra* note 4, at 80.

7. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities?

8. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities? If there is any discrepancy between your answer to this question and your answer to question III.7, please explain that discrepancy.

May 15, 2023

Christian Sewing
Chief Executive Officer
Deutsche Bank
60 Wall Street, New York, NY 10005

Dear Christian Sewing,

We, the undersigned state treasurers and financial officers, have been elected to safeguard our States' public funds, which may include public funds from our States that you manage.[1] Recent headlines have given us cause to question whether management decisions being provided properly pursue our taxpayers' best long-term economic interests. Specifically, we are concerned that taxpayers' best long-term economic interests might have become subordinated to environmental, social, and political interests often divorced from shareholder value—and often pushed through shareholder proposals.[2]

To take just a few examples, some recent shareholder proposals would require oil companies to pledge fealty to the Paris Climate Agreement,[3] social media companies to crack down on "hate

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[1] We recognize that not all the states represented in this letter directly use your services as they manage state funds with internal staff. However, because of the role your firm has in voting proxies, the information you provide in response to this letter is of importance to all states due to its general impact on the investing universe.

[2] *See* Hannah Orowitz, Rajeev Kumar & Lee Anne Hagel, GEORGESON, *An Early Look at the 2022 Proxy Season*, June 7, 2022, at 4, 12, 14, https://corpgov.law.harvard.edu/wp-content/uploads/2022/06/Georgeson_EPS_whitepaper_2022_v6.pdf.

[3] Exxon Mobil Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 71, https://www.sec.gov/Archives/edgar/data/34088/000119312522098314/d280259ddef14a.htm.

speech,"[4] insurance companies to consider race in underwriting insurance policies,[5] and retailers to weigh in on state abortion policy.[6] At best, those kinds of ESG proposals require expensive audits, time-consuming reports, and cumbersome policies with no apparent link to a targeted company's business. At worst, they require the targeted companies to spend significant management time and corporate resources pursuing goals untethered to shareholder value, or to relinquish parts of their business—including products or services that investors deemed worthy investments of their hard-earned capital in the first place.

Your core fiduciary obligations as asset managers require you to act in the economic interest of those who have entrusted you with their investments.[7] That means your votes on shareholder proposals must advance your investors' interests—not your own, or the interests of third parties. And make no mistake: Your votes wield significant influence on behalf of your clients. The largest one percent of asset managers manage 61 percent of total industry assets.[8] Given the significant impact that your firm's votes have on corporate practices, your voting decisions simply must promote the best economic interests of the ultimate asset owners in order for you to discharge your fiduciary responsibilities.

To help us understand how your firm makes voting decisions—and to allay concerns that some of those decisions might be based on factors other than the best economic interests of shareholders—please respond to the attached questionnaire by June 29, 2023. To aid in an efficient dialogue on these topics, please tailor your responses to shareholder proposals related to the issues described below and submitted for a vote at annual meetings conducted in 2022 and 2023 (through the date of this letter).

Thank you for your careful attention to these important requests. Your candid, prompt responses are critical to helping us properly discharge the fiduciary duties we owe to our constituents. If you have any questions about the contents of this letter, please contact the Utah Office of State Treasurer by phone (801-538-1042) or email (sto@utah.gov).

Respectfully,

Alaska Commissioner of Revenue Adam Crum

Arizona Treasurer Kimberly Yee

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4 Meta Platforms, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 74, https://www.sec.gov/Archives/edgar/data/1326801/000132680122000043/meta2022definitiveproxysta.htm.

5 The Travelers Companies, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 79, https://www.sec.gov/Archives/edgar/data/86312/000008631222000019/a2022proxystatement.htm.

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7 *See* 15 U.S.C. §80b-11; 5 U.S.C. 8477(b).

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I. Evaluating Shareholder Proposals Generally

A. General Principles

1. Does your firm vote on shareholder proposals based solely on what your firm considers to be in the best economic interest of shareholders of the company subject to the proposal?

2. What is your firm's process for evaluating whether a shareholder proposal is in the best economic interest of shareholders of the company subject to the proposal?

3. Does your firm conduct economic analysis to determine whether a shareholder proposal in the best economic interest of shareholders of the company subject to the proposal? If so, please describe it. If not, please explain why, and on what basis you determine whether a shareholder proposal would be in the best interest of those shareholders.

4. When evaluating a shareholder proposal, in addition to considering long-term risks to a business associated with the concern raised by a shareholder proposal, do you also evaluate the short-term costs involved in implementing the proposal's request? If so, please explain your analysis and how you balance the potential long-term risks and the near-term costs.

5. Does your firm evaluate shareholder proposals by forecasting the expected impact of the proposal on the economic interests of the shareholders of the company subject to the proposal? If so, what timeframe does your forecast consider? Do you back-test your forecasts to evaluate whether they were accurate?

6. Do your proxy-voting teams engage with the portfolio managers to get their views as to what is in the best economic interest of shareholders?

7. Has your firm ever made a vote determination based in whole or in part on any noneconomic factors? If so, please describe such noneconomic factors and explain how such a vote determination is consistent with acting in the best economic interest of shareholders.

8. Does your firm clearly inform your investors or asset holders about any noneconomic factors that you consider when voting on shareholder proposals? If so, please describe the process by which you inform your clients of those noneconomic factors.

9. What process does your firm have in place for determining how to vote on a proposal when your firm agrees with only a portion of the proposal's request?

10. With respect to a shareholder proposal, when your firm considers a vote that is not aligned with the recommendation of a board composed of a majority of independent directors, how do you determine whether your vote is more in line with the best economic interests of shareholders than with the independent board's recommendation? And how, if at all, do you consider the fact that an independent board of directors is bound by its fiduciary duties to shareholders to make a vote recommendation based on the best economic interests of shareholders?

11. Does your firm have controls in place to ensure that your firm's votes on shareholder proposals do not discourage legal activities (such as business associated with fossil fuel, guns, or tobacco) for noneconomic reasons? If so, please describe them. If not, please explain why your firm lacks such controls.

12. Does your firm have an established set of goals against which you measure shareholder proposals on environmental, social and/or political proposals? If so, what are those goals?

13. Does your firm have voting policies with respect to environmental, social and/or political shareholder proposals? If so, please describe those policies and explain the process for developing those policies, including whether such process involved an economic analysis to determine whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. Please also identify any processes you have in place to override any of those policies, and explain in what circumstances your firm would override those policies.

14. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley has concluded that "ESG investing does not have any advantage over broad-based investing," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[1] Do you agree with his conclusion? If not, please explain the basis for your disagreement.

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[1] Terrence Keeley, *Vanguard's CEO Bucks the ESG Orthodoxy*, WALL ST. J. (Feb. 26, 2023), https://www.wsj.com/articles/vanguards-ceo-bucks-the-esg-orthodoxy-tim-buckley-net-zero-emissions-united-nations-initiative-nzam-f6ae910d.

[2] T. ROWE PRICE, PROXY VOTING GUIDELINES (Feb. 2023) 17, https://www.troweprice.com/content/dam/trowecorp/Pdfs/proxy-voting-guidelines-TRPA.pdf.

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1. Does your firm subscribe to the services of proxy-advisory firms? If so, please name the proxy-advisory firms whose services your firm has used.

2. What is your firm's process for evaluating proxy-advisory firms' recommendations?

3. For each proxy-advisory firm to which your firm subscribes, what percentage of the time has your firm voted consistent with that proxy-advisory firm's recommendations regarding shareholder proposals in 2022 and in 2023 (through the date of this letter)?

4. For shareholder proposals in 2022 and in 2023 (through the date of this letter), what percentage of the time did your firm independently evaluate the research and recommendations of proxy-advisory firms?

5. What processes does your firm have in place to evaluate whether the recommendations of a for-profit proxy-advisory firm are in the best economic interests of the shareholders at the company receiving the proposal?

C. Conflicts of Interest

1. Is your firm a signatory to the Glasgow Financial Alliance for Net Zero, the Net Zero Asset Managers Initiative, or other related organizations?[4] If so, how do you reconcile your commitment to those initiatives with your fiduciary duty to shareholders? Have you obtained the consent of your customers for this material conflict of interest?[5]

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3 *Id.*

4 *See* Our Members, GLASGOW FINANCIAL ALLIANCE FOR NET ZERO, https://www.gfanzero.com/membership/ (last visited Feb. 13, 2023); Signatories, NET ZERO ASSET MANAGERS INITIATIVE, https://www.netzeroassetmanagers.org/signatories/ (last visited Feb. 13, 2023).

5 *See* 15 U.S.C. §80b-11.

2. Is your firm a signatory to the U.N.'s Principles for Responsible Investment?[6] If so, how do you reconcile your fiduciary duty to shareholders with your commitment to an organization that seeks to "establish that asset owners' responsibilities to their beneficiaries extend beyond the risk/return profile of their investments to include making decisions that benefit the world beneficiaries live in."[7]

3. Has your firm committed to pursuing the goals or initiatives of any other ESG-related organizations?

4. What controls does your firm have in place to ensure that its commitments to other projects and organizations do not interfere with your firm's fiduciary duty to shareholders?

5. Does your firm have controls in place to ensure that personal views on ESG issues or political issues are not reflected in your firm's vote decisions on shareholder proposals? If so, please describe them. If not, please explain why your firm lacks such controls.

II. Evaluating Shareholder Proposals on Specific Topics

A. Shareholder Proposals Relating to Climate Reporting

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform climate-related audits or to prepare reports on climate-related risks? For any "yes" votes, please explain whether and how your firm determined whether such reports or audits would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with such reports or audits, and how you determined whether the existing climate reporting of such companies was insufficient.

2. Do you have empirical evidence that any climate report or audit that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to conduct a climate report or audit? If so, and if your firm has voted in favor of shareholder proposals requiring climate reports or audits at other companies, please explain the discrepancy between your board's recommendation regarding climate reports or audits at your firm and your firm's vote regarding climate reports or audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

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[6] PRINCIPLES FOR RESPONSIBLE INVESTMENT, A BLUEPRINT FOR RESPONSIBLE INVESTMENT, https://www.unpri.org/download?ac=5330.
[7] *Id.* at 14.

4. In considering shareholder proposals requiring insurance companies to report how they measure, disclose, and reduce the greenhouse gas (GHG) emissions associated with underwriting, insurance, and investment activities, did your firm consider the broadly applicable concern, as expressed by Chubb, that "we are not aware of any method by which we could reasonably measure the GHG emissions of our insureds?"[8] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

5. In considering shareholder proposals requiring a net-zero emissions analysis report, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e consider the likelihood of the IEA's NZE 2050 scenario to be remote… [y]our Board believes it would not be a responsible use of Company resources to produce a further report to address a speculative scenario?"[9] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

6. In considering shareholder proposals requiring reporting on Scope 3 GHG emissions, did your firm consider the broadly applicable concern, as expressed by Dollar Tree, that "[t]he proponent's suggestion that such goal include Scope 3 emissions in particular is premature and very difficult to do given the level of information available across the Company's global value chain."[10] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

B. Shareholder Proposals Relating to Actions to Reduce Greenhouse-Gas Emissions

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to take actions to reduce GHG emissions? For any "yes" vote, please explain whether and how your firm determined whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with proposals requesting a reduction of GHG emissions.

2. Do you have empirical evidence that any GHG emissions-reduction requirement that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

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[8] Chubb Limited, Definitive Proxy Statement (Schedule 14A), May 19, 2022, at 51, https://www.sec.gov/Archives/edgar/data/0000896159/000110465922042195/tm2135945-3_def14a.htm#tI.
[9] Chevron Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 93, https://www.sec.gov/Archives/edgar/data/0000093410/000119312522098301/d292137ddef14a.htm.
[10] Dollar Tree, Inc., Definitive Proxy Statement (Schedule 14A), May 18, 2022, at 105, https://www.sec.gov/Archives/edgar/data/0000935703/000110465922062246/tm223490-2_def14a.htm.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to take an action to reduce GHG emissions? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to reduce GHG emissions, please explain the discrepancy between your board's recommendation regarding GHG emissions at your firm and your firm's vote regarding GHG emissions at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

4. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by DTE Energy, that "[t]he Board considers that the science behind measuring Scope 3 emissions is currently too unsettled for full incorporation into the company's emissions reduction goals"?[11] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the DTE Energy proposal and similar proposals?

5. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e could reduce our GHG emissions by changing our portfolio and selling our emissions-producing assets, but that would not serve our stockholders, who benefit from our strong asset base,"[12] and the similar concern, as expressed by Exxon, that "the proponent has confirmed in an interview available on its website that their proposal is designed with the explicit intent to constrain Exxon Mobil's future investments in oil and gas"?[13] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Chevron and Exxon proposals, as well as similar proposals?

6. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Phillips 66, that "[s]etting targets that require even more significant technological and social transformation outside our control could create reputational risk and potential harm to shareholders"?[14] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Phillips 66 and similar proposals?

7. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley "knows that Vanguard can't promise to be a fiduciary to its clients while also committing to align its assets with the 2050 net-zero target," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[15] Do you agree with his conclusion? If not, please explain your disagreement.

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[11] DTE Energy Co., Definitive Proxy Statement (Schedule 14A), Mar. 17, 2022, at 60, https://www.sec.gov/Archives/edgar/data/936340/000093634022000105/def14a2022.htm.
[12] Chevron Corp., Definitive Proxy Statement, *supra* note 9, at 91.
[13] Exxon Mobil Corp., Definitive Proxy Statement, *supra* note 2, at 72.
[14] Phillips 66, Definitive Proxy Statement (Schedule 14A), Mar. 31, 2022, at 96, https://www.sec.gov/Archives/edgar/data/0001534701/000120677422000928/psx3965551_def14a.htm.
[15] Keeley, *supra* note **Error! Bookmark not defined.**.

8. According to Vanguard CEO Tim Buckley, "[p]oliticians and regulators have a central role to play in setting the ground rules to achieve a just transition." The Wall Street Journal reported that "Mr. Buckley understands that progress toward net-zero emissions doesn't depend on how people invest."[16] Do you agree with his conclusion? If not, please explain your disagreement.

C. Shareholder Proposals Relating to Diversity or Racial Equity

1. Is it your firm's position that diversity or racial equity should be a factor in forming decisions on shareholder proposals? If so, please provide your firm's definition of racial equity, and explain the role it plays in your decisions on shareholder proposals.

2. At what rate did your firm vote in favor of shareholder proposals requiring the company to increase diversity among its board of directors or workforce?

3. Do you have empirical evidence that any diversity requirement that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

4. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal relating to board or workforce diversity? If so, and if your firm has voted in favor of shareholder proposals at other companies relating to board or workforce diversity, please explain the discrepancy between your board's recommendation regarding diversity at your firm and your firm's vote regarding diversity at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

5. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform a racial-equity or civil-rights audit?

6. Do you have empirical evidence that any racial-equity or civil-rights audit that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

7. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to perform a racial-equity or civil-rights audit? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to conduct such audits, please explain the discrepancy between your board's recommendation regarding racial audits at your firm and your firm's vote regarding racial audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

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[16] *Id.*

8. In considering shareholder proposals relating to diversity or racial equity, please explain whether and how your firm determines whether such proposals would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with performing a racial-equity or civil-rights audit, and how you determine whether such companies' existing efforts regarding diversity or racial equity are insufficient.

9. In considering shareholder proposals relating to diversity or racial equity, did your firm consider the legality of the proposal? For example, did your firm consider the concern, as expressed by Travelers, an insurance company, that "[t]aking race into account in underwriting or rate-setting … is unlawful under the insurance laws of virtually every state and would improperly inject racial considerations into a heavily regulated decision-making process?"[17] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on this proposal?

III. Votes on Proposals Submitted by Specific Proponents

1. At what rate did your firm vote in favor of proposals submitted by the National Legal and Policy Center in 2022 and 2023 (through the date of this letter)?

2. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter)?

3. At what rate did your firm vote in favor of proposals submitted by Steven Milloy in 2022 and 2023 (through the date of this letter)?

4. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Legal and Policy Center, the National Center for Public Policy Research, and Steven Milloy in 2022 and 2023 (through the date of this letter)? If there are any discrepancy between your answer to this question and your answers to questions III.1 through III.3, please explain those discrepancies.

5. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit?

6. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit? If there is any discrepancy between your answer to this question and your answers to question III.5, please explain that discrepancy.

[17] The Travelers Companies, Inc., Definitive Proxy Statement, *supra* note 4, at 80.

7. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities?

8. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities? If there is any discrepancy between your answer to this question and your answer to question III.7, please explain that discrepancy.

May 15, 2023

Martin Flanagan
President and Chief Executive Officer
Invesco Ltd
1555 Peachtree Street, N.E., Suite 1800, Atlanta, GA 30309

Dear Martin Flanagan,

We, the undersigned state treasurers and financial officers, have been elected to safeguard our States' public funds, which may include public funds from our States that you manage.[1] Recent headlines have given us cause to question whether management decisions being provided properly pursue our taxpayers' best long-term economic interests. Specifically, we are concerned that taxpayers' best long-term economic interests might have become subordinated to environmental, social, and political interests often divorced from shareholder value—and often pushed through shareholder proposals.[2]

To take just a few examples, some recent shareholder proposals would require oil companies to pledge fealty to the Paris Climate Agreement,[3] social media companies to crack down on "hate

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[1] We recognize that not all the states represented in this letter directly use your services as they manage state funds with internal staff. However, because of the role your firm has in voting proxies, the information you provide in response to this letter is of importance to all states due to its general impact on the investing universe.
[2] *See* Hannah Orowitz, Rajeev Kumar & Lee Anne Hagel, GEORGESON, *An Early Look at the 2022 Proxy Season*, June 7, 2022, at 4, 12, 14, https://corpgov.law.harvard.edu/wp-content/uploads/2022/06/Georgeson_EPS_whitepaper_2022_v6.pdf.
[3] Exxon Mobil Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 71, https://www.sec.gov/Archives/edgar/data/34088/000119312522098314/d280259ddef14a.htm.

speech,"[4] insurance companies to consider race in underwriting insurance policies,[5] and retailers to weigh in on state abortion policy.[6] At best, those kinds of ESG proposals require expensive audits, time-consuming reports, and cumbersome policies with no apparent link to a targeted company's business. At worst, they require the targeted companies to spend significant management time and corporate resources pursuing goals untethered to shareholder value, or to relinquish parts of their business—including products or services that investors deemed worthy investments of their hard-earned capital in the first place.

Your core fiduciary obligations as asset managers require you to act in the economic interest of those who have entrusted you with their investments.[7] That means your votes on shareholder proposals must advance your investors' interests—not your own, or the interests of third parties. And make no mistake: Your votes wield significant influence on behalf of your clients. The largest one percent of asset managers manage 61 percent of total industry assets.[8] Given the significant impact that your firm's votes have on corporate practices, your voting decisions simply must promote the best economic interests of the ultimate asset owners in order for you to discharge your fiduciary responsibilities.

To help us understand how your firm makes voting decisions—and to allay concerns that some of those decisions might be based on factors other than the best economic interests of shareholders—please respond to the attached questionnaire by June 29, 2023. To aid in an efficient dialogue on these topics, <u>please tailor your responses to shareholder proposals related to the issues described below and submitted for a vote at annual meetings conducted in 2022 and 2023 (through the date of this letter)</u>.

Thank you for your careful attention to these important requests. Your candid, prompt responses are critical to helping us properly discharge the fiduciary duties we owe to our constituents. If you have any questions about the contents of this letter, please contact the Utah Office of State Treasurer by phone (801-538-1042) or email (sto@utah.gov).

Respectfully,

Alaska Commissioner of Revenue Adam Crum

Arizona Treasurer Kimberly Yee

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4 Meta Platforms, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 74, https://www.sec.gov/Archives/edgar/data/1326801/000132680122000043/meta2022definitiveproxysta.htm.

5 The Travelers Companies, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 79, https://www.sec.gov/Archives/edgar/data/86312/000008631222000019/a2022proxystatement.htm.

6 Walmart, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 21, 2022, at 90, https://www.sec.gov/Archives/edgar/data/0000104169/000010416922000019/a2022proxystatement.htm.

7 *See* 15 U.S.C. §80b-11; 5 U.S.C. 8477(b).

8 *See* Siobhan Riding, *Trillion-Dollar Club Tightens Grip on Fund Market During Crisis*, FINANCIAL TIMES, May 10, 2020, https://www.ft.com/content/a6aa1010-3dff-4521-af52-fbadb496c89d.

Florida Chief Financial Officer Jimmy Patronis

Idaho Treasurer Julie Ellsworth

Indiana Treasurer Dan Elliott

Iowa Treasurer Roby Smith

Kansas Treasurer Steven Johnson

Louisiana Treasurer John Schroder

Mississippi Treasurer David McRae

Missouri State Auditor Scott Fitzpatrick

Missouri Treasurer Vivek Malek

Nebraska Treasurer John Murante

Nebraska Auditor Mike Foley

North Carolina Treasurer Dale Folwell

North Dakota Treasurer Thomas Beadle

Oklahoma Auditor & Inspector Cindy Byrd

Oklahoma Treasurer Todd Russ

South Carolina Treasurer Curtis M. Loftis, Jr.

Utah Treasurer Marlo Oaks

West Virginia Treasurer Riley Moore

Wyoming Treasurer Curt Meier

Proxy Voting Questionnaire

I. Evaluating Shareholder Proposals Generally

A. General Principles

1. Does your firm vote on shareholder proposals based solely on what your firm considers to be in the best economic interest of shareholders of the company subject to the proposal?

2. What is your firm's process for evaluating whether a shareholder proposal is in the best economic interest of shareholders of the company subject to the proposal?

3. Does your firm conduct economic analysis to determine whether a shareholder proposal in the best economic interest of shareholders of the company subject to the proposal? If so, please describe it. If not, please explain why, and on what basis you determine whether a shareholder proposal would be in the best interest of those shareholders.

4. When evaluating a shareholder proposal, in addition to considering long-term risks to a business associated with the concern raised by a shareholder proposal, do you also evaluate the short-term costs involved in implementing the proposal's request? If so, please explain your analysis and how you balance the potential long-term risks and the near-term costs.

5. Does your firm evaluate shareholder proposals by forecasting the expected impact of the proposal on the economic interests of the shareholders of the company subject to the proposal? If so, what timeframe does your forecast consider? Do you back-test your forecasts to evaluate whether they were accurate?

6. Do your proxy-voting teams engage with the portfolio managers to get their views as to what is in the best economic interest of shareholders?

7. Has your firm ever made a vote determination based in whole or in part on any noneconomic factors? If so, please describe such noneconomic factors and explain how such a vote determination is consistent with acting in the best economic interest of shareholders.

8. Does your firm clearly inform your investors or asset holders about any noneconomic factors that you consider when voting on shareholder proposals? If so, please describe the process by which you inform your clients of those noneconomic factors.

9. What process does your firm have in place for determining how to vote on a proposal when your firm agrees with only a portion of the proposal's request?

10. With respect to a shareholder proposal, when your firm considers a vote that is not aligned with the recommendation of a board composed of a majority of independent directors, how do you determine whether your vote is more in line with the best economic interests of shareholders than with the independent board's recommendation? And how, if at all, do you consider the fact that an independent board of directors is bound by its fiduciary duties to shareholders to make a vote recommendation based on the best economic interests of shareholders?

11. Does your firm have controls in place to ensure that your firm's votes on shareholder proposals do not discourage legal activities (such as business associated with fossil fuel, guns, or tobacco) for noneconomic reasons? If so, please describe them. If not, please explain why your firm lacks such controls.

12. Does your firm have an established set of goals against which you measure shareholder proposals on environmental, social and/or political proposals? If so, what are those goals?

13. Does your firm have voting policies with respect to environmental, social and/or political shareholder proposals? If so, please describe those policies and explain the process for developing those policies, including whether such process involved an economic analysis to determine whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. Please also identify any processes you have in place to override any of those policies, and explain in what circumstances your firm would override those policies.

14. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley has concluded that "ESG investing does not have any advantage over broad-based investing," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[1] Do you agree with his conclusion? If not, please explain the basis for your disagreement.

15. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, noting that "[s]ome resolutions ask companies to address social or environmental concerns that are already subject to regulation."[2] And when "a proposal asks an individual issuer to adopt a standard that is higher than the regulatory requirement and peers' practices," T. Rowe Price "will take potential competitive harm into consideration in [its] voting decision." Does your firm also consider competitive harm in your voting decisions in such circumstances? If not, why not?

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[1] Terrence Keeley, *Vanguard's CEO Bucks the ESG Orthodoxy*, WALL ST. J. (Feb. 26, 2023), https://www.wsj.com/articles/vanguards-ceo-bucks-the-esg-orthodoxy-tim-buckley-net-zero-emissions-united-nations-initiative-nzam-f6ae910d.

[2] T. ROWE PRICE, PROXY VOTING GUIDELINES (Feb. 2023) 17, https://www.troweprice.com/content/dam/trowecorp/Pdfs/proxy-voting-guidelines-TRPA.pdf.

16. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, as "[s]ome resolutions ask investors to impose company-level, private-market solutions to problems that are clearly better addressed by other stakeholders, including regulators, legislators, the courts, or communities."[3] And when "a proposal seeks to apply company-level solutions to a broad societal problem, and the company has little influence over the problem," T. Rowe Price "may deem the resolution to be poorly crafted or misdirected." Does your firm also deem such proposals to be poorly crafted or misdirected? If not, why not?

B. Use of Proxy-Advisory Firms

1. Does your firm subscribe to the services of proxy-advisory firms? If so, please name the proxy-advisory firms whose services your firm has used.

2. What is your firm's process for evaluating proxy-advisory firms' recommendations?

3. For each proxy-advisory firm to which your firm subscribes, what percentage of the time has your firm voted consistent with that proxy-advisory firm's recommendations regarding shareholder proposals in 2022 and in 2023 (through the date of this letter)?

4. For shareholder proposals in 2022 and in 2023 (through the date of this letter), what percentage of the time did your firm independently evaluate the research and recommendations of proxy-advisory firms?

5. What processes does your firm have in place to evaluate whether the recommendations of a for-profit proxy-advisory firm are in the best economic interests of the shareholders at the company receiving the proposal?

C. Conflicts of Interest

1. Is your firm a signatory to the Glasgow Financial Alliance for Net Zero, the Net Zero Asset Managers Initiative, or other related organizations?[4] If so, how do you reconcile your commitment to those initiatives with your fiduciary duty to shareholders? Have you obtained the consent of your customers for this material conflict of interest?[5]

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[3] *Id.*

[4] *See* Our Members, GLASGOW FINANCIAL ALLIANCE FOR NET ZERO, https://www.gfanzero.com/membership/ (last visited Feb. 13, 2023); Signatories, NET ZERO ASSET MANAGERS INITIATIVE, https://www.netzeroassetmanagers.org/signatories/ (last visited Feb. 13, 2023).

[5] *See* 15 U.S.C. §80b-11.

2. Is your firm a signatory to the U.N.'s Principles for Responsible Investment?[6] If so, how do you reconcile your fiduciary duty to shareholders with your commitment to an organization that seeks to "establish that asset owners' responsibilities to their beneficiaries extend beyond the risk/return profile of their investments to include making decisions that benefit the world beneficiaries live in."[7]

3. Has your firm committed to pursuing the goals or initiatives of any other ESG-related organizations?

4. What controls does your firm have in place to ensure that its commitments to other projects and organizations do not interfere with your firm's fiduciary duty to shareholders?

5. Does your firm have controls in place to ensure that personal views on ESG issues or political issues are not reflected in your firm's vote decisions on shareholder proposals? If so, please describe them. If not, please explain why your firm lacks such controls.

II. Evaluating Shareholder Proposals on Specific Topics

A. Shareholder Proposals Relating to Climate Reporting

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform climate-related audits or to prepare reports on climate-related risks? For any "yes" votes, please explain whether and how your firm determined whether such reports or audits would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with such reports or audits, and how you determined whether the existing climate reporting of such companies was insufficient.

2. Do you have empirical evidence that any climate report or audit that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to conduct a climate report or audit? If so, and if your firm has voted in favor of shareholder proposals requiring climate reports or audits at other companies, please explain the discrepancy between your board's recommendation regarding climate reports or audits at your firm and your firm's vote regarding climate reports or audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

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[6] PRINCIPLES FOR RESPONSIBLE INVESTMENT, A BLUEPRINT FOR RESPONSIBLE INVESTMENT, https://www.unpri.org/download?ac=5330.
[7] *Id.* at 14.

4. In considering shareholder proposals requiring insurance companies to report how they measure, disclose, and reduce the greenhouse gas (GHG) emissions associated with underwriting, insurance, and investment activities, did your firm consider the broadly applicable concern, as expressed by Chubb, that "we are not aware of any method by which we could reasonably measure the GHG emissions of our insureds?"[8] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

5. In considering shareholder proposals requiring a net-zero emissions analysis report, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e consider the likelihood of the IEA's NZE 2050 scenario to be remote… [y]our Board believes it would not be a responsible use of Company resources to produce a further report to address a speculative scenario?"[9] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

6. In considering shareholder proposals requiring reporting on Scope 3 GHG emissions, did your firm consider the broadly applicable concern, as expressed by Dollar Tree, that "[t]he proponent's suggestion that such goal include Scope 3 emissions in particular is premature and very difficult to do given the level of information available across the Company's global value chain."[10] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

B. Shareholder Proposals Relating to Actions to Reduce Greenhouse-Gas Emissions

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to take actions to reduce GHG emissions? For any "yes" vote, please explain whether and how your firm determined whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with proposals requesting a reduction of GHG emissions.

2. Do you have empirical evidence that any GHG emissions-reduction requirement that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

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[8] Chubb Limited, Definitive Proxy Statement (Schedule 14A), May 19, 2022, at 51, https://www.sec.gov/Archives/edgar/data/0000896159/000110465922042195/tm2135945-3_def14a.htm#tI.

[9] Chevron Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 93, https://www.sec.gov/Archives/edgar/data/0000093410/000119312522098301/d292137ddef14a.htm.

[10] Dollar Tree, Inc., Definitive Proxy Statement (Schedule 14A), May 18, 2022, at 105, https://www.sec.gov/Archives/edgar/data/0000935703/000110465922062246/tm223490-2_def14a.htm.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to take an action to reduce GHG emissions? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to reduce GHG emissions, please explain the discrepancy between your board's recommendation regarding GHG emissions at your firm and your firm's vote regarding GHG emissions at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

4. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by DTE Energy, that "[t]he Board considers that the science behind measuring Scope 3 emissions is currently too unsettled for full incorporation into the company's emissions reduction goals"?[11] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the DTE Energy proposal and similar proposals?

5. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e could reduce our GHG emissions by changing our portfolio and selling our emissions-producing assets, but that would not serve our stockholders, who benefit from our strong asset base,"[12] and the similar concern, as expressed by Exxon, that "the proponent has confirmed in an interview available on its website that their proposal is designed with the explicit intent to constrain Exxon Mobil's future investments in oil and gas"?[13] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Chevron and Exxon proposals, as well as similar proposals?

6. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Phillips 66, that "[s]etting targets that require even more significant technological and social transformation outside our control could create reputational risk and potential harm to shareholders"?[14] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Phillips 66 and similar proposals?

7. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley "knows that Vanguard can't promise to be a fiduciary to its clients while also committing to align its assets with the 2050 net-zero target," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[15] Do you agree with his conclusion? If not, please explain your disagreement.

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[11] DTE Energy Co., Definitive Proxy Statement (Schedule 14A), Mar. 17, 2022, at 60, https://www.sec.gov/Archives/edgar/data/936340/000093634022000105/def14a2022.htm.
[12] Chevron Corp., Definitive Proxy Statement, *supra* note 9, at 91.
[13] Exxon Mobil Corp., Definitive Proxy Statement, *supra* note 2, at 72.
[14] Phillips 66, Definitive Proxy Statement (Schedule 14A), Mar. 31, 2022, at 96, https://www.sec.gov/Archives/edgar/data/0001534701/000120677422000928/psx3965551_def14a.htm.
[15] Keeley, *supra* note **Error! Bookmark not defined.**.

8. According to Vanguard CEO Tim Buckley, "[p]oliticians and regulators have a central role to play in setting the ground rules to achieve a just transition." The Wall Street Journal reported that "Mr. Buckley understands that progress toward net-zero emissions doesn't depend on how people invest."[16] Do you agree with his conclusion? If not, please explain your disagreement.

C. Shareholder Proposals Relating to Diversity or Racial Equity

1. Is it your firm's position that diversity or racial equity should be a factor in forming decisions on shareholder proposals? If so, please provide your firm's definition of racial equity, and explain the role it plays in your decisions on shareholder proposals.

2. At what rate did your firm vote in favor of shareholder proposals requiring the company to increase diversity among its board of directors or workforce?

3. Do you have empirical evidence that any diversity requirement that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

4. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal relating to board or workforce diversity? If so, and if your firm has voted in favor of shareholder proposals at other companies relating to board or workforce diversity, please explain the discrepancy between your board's recommendation regarding diversity at your firm and your firm's vote regarding diversity at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

5. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform a racial-equity or civil-rights audit?

6. Do you have empirical evidence that any racial-equity or civil-rights audit that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

7. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to perform a racial-equity or civil-rights audit? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to conduct such audits, please explain the discrepancy between your board's recommendation regarding racial audits at your firm and your firm's vote regarding racial audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

[16] *Id.*

8. In considering shareholder proposals relating to diversity or racial equity, please explain whether and how your firm determines whether such proposals would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with performing a racial-equity or civil-rights audit, and how you determine whether such companies' existing efforts regarding diversity or racial equity are insufficient.

9. In considering shareholder proposals relating to diversity or racial equity, did your firm consider the legality of the proposal? For example, did your firm consider the concern, as expressed by Travelers, an insurance company, that "[t]aking race into account in underwriting or rate-setting … is unlawful under the insurance laws of virtually every state and would improperly inject racial considerations into a heavily regulated decision-making process?"[17] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on this proposal?

III. Votes on Proposals Submitted by Specific Proponents

1. At what rate did your firm vote in favor of proposals submitted by the National Legal and Policy Center in 2022 and 2023 (through the date of this letter)?

2. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter)?

3. At what rate did your firm vote in favor of proposals submitted by Steven Milloy in 2022 and 2023 (through the date of this letter)?

4. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Legal and Policy Center, the National Center for Public Policy Research, and Steven Milloy in 2022 and 2023 (through the date of this letter)? If there are any discrepancy between your answer to this question and your answers to questions III.1 through III.3, please explain those discrepancies.

5. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit?

6. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit? If there is any discrepancy between your answer to this question and your answers to question III.5, please explain that discrepancy.

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[17] The Travelers Companies, Inc., Definitive Proxy Statement, *supra* note 4, at 80.

7. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities?

8. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities? If there is any discrepancy between your answer to this question and your answer to question III.7, please explain that discrepancy.

May 15, 2023

Nigel Wilson
Chief Executive Officer
Legal & General
750 Washington Blvd., Suite 900, Stamford, CT 06901

Dear Nigel Wilson,

We, the undersigned state treasurers and financial officers, have been elected to safeguard our States' public funds, which may include public funds from our States that you manage.[1] Recent headlines have given us cause to question whether management decisions being provided properly pursue our taxpayers' best long-term economic interests. Specifically, we are concerned that taxpayers' best long-term economic interests might have become subordinated to environmental, social, and political interests often divorced from shareholder value—and often pushed through shareholder proposals.[2]

To take just a few examples, some recent shareholder proposals would require oil companies to pledge fealty to the Paris Climate Agreement,[3] social media companies to crack down on "hate

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[1] We recognize that not all the states represented in this letter directly use your services as they manage state funds with internal staff. However, because of the role your firm has in voting proxies, the information you provide in response to this letter is of importance to all states due to its general impact on the investing universe.

[2] *See* Hannah Orowitz, Rajeev Kumar & Lee Anne Hagel, GEORGESON, *An Early Look at the 2022 Proxy Season*, June 7, 2022, at 4, 12, 14, https://corpgov.law.harvard.edu/wp-content/uploads/2022/06/Georgeson_EPS_whitepaper_2022_v6.pdf.

[3] Exxon Mobil Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 71, https://www.sec.gov/Archives/edgar/data/34088/000119312522098314/d280259ddef14a.htm.

speech,"[4] insurance companies to consider race in underwriting insurance policies,[5] and retailers to weigh in on state abortion policy.[6] At best, those kinds of ESG proposals require expensive audits, time-consuming reports, and cumbersome policies with no apparent link to a targeted company's business. At worst, they require the targeted companies to spend significant management time and corporate resources pursuing goals untethered to shareholder value, or to relinquish parts of their business—including products or services that investors deemed worthy investments of their hard-earned capital in the first place.

Your core fiduciary obligations as asset managers require you to act in the economic interest of those who have entrusted you with their investments.[7] That means your votes on shareholder proposals must advance your investors' interests—not your own, or the interests of third parties. And make no mistake: Your votes wield significant influence on behalf of your clients. The largest one percent of asset managers manage 61 percent of total industry assets.[8] Given the significant impact that your firm's votes have on corporate practices, your voting decisions simply must promote the best economic interests of the ultimate asset owners in order for you to discharge your fiduciary responsibilities.

To help us understand how your firm makes voting decisions—and to allay concerns that some of those decisions might be based on factors other than the best economic interests of shareholders—please respond to the attached questionnaire by June 29, 2023. To aid in an efficient dialogue on these topics, please tailor your responses to shareholder proposals related to the issues described below and submitted for a vote at annual meetings conducted in 2022 and 2023 (through the date of this letter).

Thank you for your careful attention to these important requests. Your candid, prompt responses are critical to helping us properly discharge the fiduciary duties we owe to our constituents. If you have any questions about the contents of this letter, please contact the Utah Office of State Treasurer by phone (801-538-1042) or email (sto@utah.gov).

Respectfully,

Alaska Commissioner of Revenue Adam Crum

Arizona Treasurer Kimberly Yee

4 Meta Platforms, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 74, https://www.sec.gov/Archives/edgar/data/1326801/000132680122000043/meta2022definitiveproxysta.htm.

5 The Travelers Companies, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 79, https://www.sec.gov/Archives/edgar/data/86312/000008631222000019/a2022proxystatement.htm.

6 Walmart, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 21, 2022, at 90, https://www.sec.gov/Archives/edgar/data/0000104169/000010416922000019/a2022proxystatement.htm.

7 *See* 15 U.S.C. §80b-11; 5 U.S.C. 8477(b).

8 *See* Siobhan Riding, *Trillion-Dollar Club Tightens Grip on Fund Market During Crisis*, FINANCIAL TIMES, May 10, 2020, https://www.ft.com/content/a6aa1010-3dff-4521-af52-fbadb496c89d.

Florida Chief Financial Officer Jimmy Patronis

Idaho Treasurer Julie Ellsworth

Indiana Treasurer Dan Elliott

Iowa Treasurer Roby Smith

Kansas Treasurer Steven Johnson

Louisiana Treasurer John Schroder

Mississippi Treasurer David McRae

Missouri State Auditor Scott Fitzpatrick

Missouri Treasurer Vivek Malek

Nebraska Treasurer John Murante

Nebraska Auditor Mike Foley

North Carolina Treasurer Dale Folwell

North Dakota Treasurer Thomas Beadle

Oklahoma Auditor & Inspector Cindy Byrd

Oklahoma Treasurer Todd Russ

South Carolina Treasurer Curtis M. Loftis, Jr.

Utah Treasurer Marlo Oaks

West Virginia Treasurer Riley Moore

Wyoming Treasurer Curt Meier

Proxy Voting Questionnaire

I. Evaluating Shareholder Proposals Generally

A. General Principles

1. Does your firm vote on shareholder proposals based solely on what your firm considers to be in the best economic interest of shareholders of the company subject to the proposal?

2. What is your firm's process for evaluating whether a shareholder proposal is in the best economic interest of shareholders of the company subject to the proposal?

3. Does your firm conduct economic analysis to determine whether a shareholder proposal in the best economic interest of shareholders of the company subject to the proposal? If so, please describe it. If not, please explain why, and on what basis you determine whether a shareholder proposal would be in the best interest of those shareholders.

4. When evaluating a shareholder proposal, in addition to considering long-term risks to a business associated with the concern raised by a shareholder proposal, do you also evaluate the short-term costs involved in implementing the proposal's request? If so, please explain your analysis and how you balance the potential long-term risks and the near-term costs.

5. Does your firm evaluate shareholder proposals by forecasting the expected impact of the proposal on the economic interests of the shareholders of the company subject to the proposal? If so, what timeframe does your forecast consider? Do you back-test your forecasts to evaluate whether they were accurate?

6. Do your proxy-voting teams engage with the portfolio managers to get their views as to what is in the best economic interest of shareholders?

7. Has your firm ever made a vote determination based in whole or in part on any noneconomic factors? If so, please describe such noneconomic factors and explain how such a vote determination is consistent with acting in the best economic interest of shareholders.

8. Does your firm clearly inform your investors or asset holders about any noneconomic factors that you consider when voting on shareholder proposals? If so, please describe the process by which you inform your clients of those noneconomic factors.

9. What process does your firm have in place for determining how to vote on a proposal when your firm agrees with only a portion of the proposal's request?

10. With respect to a shareholder proposal, when your firm considers a vote that is not aligned with the recommendation of a board composed of a majority of independent directors, how do you determine whether your vote is more in line with the best economic interests of shareholders than with the independent board's recommendation? And how, if at all, do you consider the fact that an independent board of directors is bound by its fiduciary duties to shareholders to make a vote recommendation based on the best economic interests of shareholders?

11. Does your firm have controls in place to ensure that your firm's votes on shareholder proposals do not discourage legal activities (such as business associated with fossil fuel, guns, or tobacco) for noneconomic reasons? If so, please describe them. If not, please explain why your firm lacks such controls.

12. Does your firm have an established set of goals against which you measure shareholder proposals on environmental, social and/or political proposals? If so, what are those goals?

13. Does your firm have voting policies with respect to environmental, social and/or political shareholder proposals? If so, please describe those policies and explain the process for developing those policies, including whether such process involved an economic analysis to determine whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. Please also identify any processes you have in place to override any of those policies, and explain in what circumstances your firm would override those policies.

14. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley has concluded that "ESG investing does not have any advantage over broad-based investing," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[1] Do you agree with his conclusion? If not, please explain the basis for your disagreement.

15. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, noting that "[s]ome resolutions ask companies to address social or environmental concerns that are already subject to regulation."[2] And when "a proposal asks an individual issuer to adopt a standard that is higher than the regulatory requirement and peers' practices," T. Rowe Price "will take potential competitive harm into consideration in [its] voting decision." Does your firm also consider competitive harm in your voting decisions in such circumstances? If not, why not?

[1] Terrence Keeley, *Vanguard's CEO Bucks the ESG Orthodoxy*, WALL ST. J. (Feb. 26, 2023), https://www.wsj.com/articles/vanguards-ceo-bucks-the-esg-orthodoxy-tim-buckley-net-zero-emissions-united-nations-initiative-nzam-f6ae910d.

[2] T. ROWE PRICE, PROXY VOTING GUIDELINES (Feb. 2023) 17, https://www.troweprice.com/content/dam/trowecorp/Pdfs/proxy-voting-guidelines-TRPA.pdf.

16. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, as "[s]ome resolutions ask investors to impose company-level, private-market solutions to problems that are clearly better addressed by other stakeholders, including regulators, legislators, the courts, or communities."[3] And when "a proposal seeks to apply company-level solutions to a broad societal problem, and the company has little influence over the problem," T. Rowe Price "may deem the resolution to be poorly crafted or misdirected." Does your firm also deem such proposals to be poorly crafted or misdirected? If not, why not?

B. Use of Proxy-Advisory Firms

1. Does your firm subscribe to the services of proxy-advisory firms? If so, please name the proxy-advisory firms whose services your firm has used.

2. What is your firm's process for evaluating proxy-advisory firms' recommendations?

3. For each proxy-advisory firm to which your firm subscribes, what percentage of the time has your firm voted consistent with that proxy-advisory firm's recommendations regarding shareholder proposals in 2022 and in 2023 (through the date of this letter)?

4. For shareholder proposals in 2022 and in 2023 (through the date of this letter), what percentage of the time did your firm independently evaluate the research and recommendations of proxy-advisory firms?

5. What processes does your firm have in place to evaluate whether the recommendations of a for-profit proxy-advisory firm are in the best economic interests of the shareholders at the company receiving the proposal?

C. Conflicts of Interest

1. Is your firm a signatory to the Glasgow Financial Alliance for Net Zero, the Net Zero Asset Managers Initiative, or other related organizations?[4] If so, how do you reconcile your commitment to those initiatives with your fiduciary duty to shareholders? Have you obtained the consent of your customers for this material conflict of interest?[5]

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[3] *Id.*

[4] *See* Our Members, GLASGOW FINANCIAL ALLIANCE FOR NET ZERO, https://www.gfanzero.com/membership/ (last visited Feb. 13, 2023); Signatories, NET ZERO ASSET MANAGERS INITIATIVE, https://www.netzeroassetmanagers.org/signatories/ (last visited Feb. 13, 2023).

[5] *See* 15 U.S.C. §80b-11.

2. Is your firm a signatory to the U.N.'s Principles for Responsible Investment?[6] If so, how do you reconcile your fiduciary duty to shareholders with your commitment to an organization that seeks to "establish that asset owners' responsibilities to their beneficiaries extend beyond the risk/return profile of their investments to include making decisions that benefit the world beneficiaries live in."[7]

3. Has your firm committed to pursuing the goals or initiatives of any other ESG-related organizations?

4. What controls does your firm have in place to ensure that its commitments to other projects and organizations do not interfere with your firm's fiduciary duty to shareholders?

5. Does your firm have controls in place to ensure that personal views on ESG issues or political issues are not reflected in your firm's vote decisions on shareholder proposals? If so, please describe them. If not, please explain why your firm lacks such controls.

II. Evaluating Shareholder Proposals on Specific Topics

A. Shareholder Proposals Relating to Climate Reporting

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform climate-related audits or to prepare reports on climate-related risks? For any "yes" votes, please explain whether and how your firm determined whether such reports or audits would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with such reports or audits, and how you determined whether the existing climate reporting of such companies was insufficient.

2. Do you have empirical evidence that any climate report or audit that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to conduct a climate report or audit? If so, and if your firm has voted in favor of shareholder proposals requiring climate reports or audits at other companies, please explain the discrepancy between your board's recommendation regarding climate reports or audits at your firm and your firm's vote regarding climate reports or audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

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[6] PRINCIPLES FOR RESPONSIBLE INVESTMENT, A BLUEPRINT FOR RESPONSIBLE INVESTMENT, https://www.unpri.org/download?ac=5330.
[7] *Id.* at 14.

4. In considering shareholder proposals requiring insurance companies to report how they measure, disclose, and reduce the greenhouse gas (GHG) emissions associated with underwriting, insurance, and investment activities, did your firm consider the broadly applicable concern, as expressed by Chubb, that "we are not aware of any method by which we could reasonably measure the GHG emissions of our insureds?"[8] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

5. In considering shareholder proposals requiring a net-zero emissions analysis report, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e consider the likelihood of the IEA's NZE 2050 scenario to be remote… [y]our Board believes it would not be a responsible use of Company resources to produce a further report to address a speculative scenario?"[9] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

6. In considering shareholder proposals requiring reporting on Scope 3 GHG emissions, did your firm consider the broadly applicable concern, as expressed by Dollar Tree, that "[t]he proponent's suggestion that such goal include Scope 3 emissions in particular is premature and very difficult to do given the level of information available across the Company's global value chain."[10] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

B. Shareholder Proposals Relating to Actions to Reduce Greenhouse-Gas Emissions

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to take actions to reduce GHG emissions? For any "yes" vote, please explain whether and how your firm determined whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with proposals requesting a reduction of GHG emissions.

2. Do you have empirical evidence that any GHG emissions-reduction requirement that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

[8] Chubb Limited, Definitive Proxy Statement (Schedule 14A), May 19, 2022, at 51, https://www.sec.gov/Archives/edgar/data/0000896159/000110465922042195/tm2135945-3_def14a.htm#tI.
[9] Chevron Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 93, https://www.sec.gov/Archives/edgar/data/0000093410/000119312522098301/d292137ddef14a.htm.
[10] Dollar Tree, Inc., Definitive Proxy Statement (Schedule 14A), May 18, 2022, at 105, https://www.sec.gov/Archives/edgar/data/0000935703/000110465922062246/tm223490-2_def14a.htm.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to take an action to reduce GHG emissions? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to reduce GHG emissions, please explain the discrepancy between your board's recommendation regarding GHG emissions at your firm and your firm's vote regarding GHG emissions at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

4. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by DTE Energy, that "[t]he Board considers that the science behind measuring Scope 3 emissions is currently too unsettled for full incorporation into the company's emissions reduction goals"?[11] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the DTE Energy proposal and similar proposals?

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[12] Chevron Corp., Definitive Proxy Statement, *supra* note 9, at 91.
[13] Exxon Mobil Corp., Definitive Proxy Statement, *supra* note 2, at 72.
[14] Phillips 66, Definitive Proxy Statement (Schedule 14A), Mar. 31, 2022, at 96, https://www.sec.gov/Archives/edgar/data/0001534701/000120677422000928/psx3965551_def14a.htm.
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1. Is it your firm's position that diversity or racial equity should be a factor in forming decisions on shareholder proposals? If so, please provide your firm's definition of racial equity, and explain the role it plays in your decisions on shareholder proposals.

2. At what rate did your firm vote in favor of shareholder proposals requiring the company to increase diversity among its board of directors or workforce?

3. Do you have empirical evidence that any diversity requirement that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

4. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal relating to board or workforce diversity? If so, and if your firm has voted in favor of shareholder proposals at other companies relating to board or workforce diversity, please explain the discrepancy between your board's recommendation regarding diversity at your firm and your firm's vote regarding diversity at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

5. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform a racial-equity or civil-rights audit?

6. Do you have empirical evidence that any racial-equity or civil-rights audit that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

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[16] *Id.*

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2. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter)?

3. At what rate did your firm vote in favor of proposals submitted by Steven Milloy in 2022 and 2023 (through the date of this letter)?

4. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Legal and Policy Center, the National Center for Public Policy Research, and Steven Milloy in 2022 and 2023 (through the date of this letter)? If there are any discrepancy between your answer to this question and your answers to questions III.1 through III.3, please explain those discrepancies.

5. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit?

6. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit? If there is any discrepancy between your answer to this question and your answers to question III.5, please explain that discrepancy.

[17] The Travelers Companies, Inc., Definitive Proxy Statement, *supra* note 4, at 80.

7. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities?

8. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities? If there is any discrepancy between your answer to this question and your answer to question III.7, please explain that discrepancy.

May 15, 2023

Philippe Brassac
Chairman and Chief Executive Officer
Agricole
1301 Avenue of the Americas, New York, NY 10019

Dear Philippe Brassac,

We, the undersigned state treasurers and financial officers, have been elected to safeguard our States' public funds, which may include public funds from our States that you manage.[1] Recent headlines have given us cause to question whether management decisions being provided properly pursue our taxpayers' best long-term economic interests. Specifically, we are concerned that taxpayers' best long-term economic interests might have become subordinated to environmental, social, and political interests often divorced from shareholder value—and often pushed through shareholder proposals.[2]

To take just a few examples, some recent shareholder proposals would require oil companies to pledge fealty to the Paris Climate Agreement,[3] social media companies to crack down on "hate

[1] We recognize that not all the states represented in this letter directly use your services as they manage state funds with internal staff. However, because of the role your firm has in voting proxies, the information you provide in response to this letter is of importance to all states due to its general impact on the investing universe.
[2] *See* Hannah Orowitz, Rajeev Kumar & Lee Anne Hagel, GEORGESON, *An Early Look at the 2022 Proxy Season*, June 7, 2022, at 4, 12, 14, https://corpgov.law.harvard.edu/wp-content/uploads/2022/06/Georgeson_EPS_whitepaper_2022_v6.pdf.
[3] Exxon Mobil Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 71, https://www.sec.gov/Archives/edgar/data/34088/000119312522098314/d280259ddef14a.htm.

speech,"[4] insurance companies to consider race in underwriting insurance policies,[5] and retailers to weigh in on state abortion policy.[6] At best, those kinds of ESG proposals require expensive audits, time-consuming reports, and cumbersome policies with no apparent link to a targeted company's business. At worst, they require the targeted companies to spend significant management time and corporate resources pursuing goals untethered to shareholder value, or to relinquish parts of their business—including products or services that investors deemed worthy investments of their hard-earned capital in the first place.

Your core fiduciary obligations as asset managers require you to act in the economic interest of those who have entrusted you with their investments.[7] That means your votes on shareholder proposals must advance your investors' interests—not your own, or the interests of third parties. And make no mistake: Your votes wield significant influence on behalf of your clients. The largest one percent of asset managers manage 61 percent of total industry assets.[8] Given the significant impact that your firm's votes have on corporate practices, your voting decisions simply must promote the best economic interests of the ultimate asset owners in order for you to discharge your fiduciary responsibilities.

To help us understand how your firm makes voting decisions—and to allay concerns that some of those decisions might be based on factors other than the best economic interests of shareholders—please respond to the attached questionnaire by June 29, 2023. To aid in an efficient dialogue on these topics, please tailor your responses to shareholder proposals related to the issues described below and submitted for a vote at annual meetings conducted in 2022 and 2023 (through the date of this letter).

Thank you for your careful attention to these important requests. Your candid, prompt responses are critical to helping us properly discharge the fiduciary duties we owe to our constituents. If you have any questions about the contents of this letter, please contact the Utah Office of State Treasurer by phone (801-538-1042) or email (sto@utah.gov).

Respectfully,

Alaska Commissioner of Revenue Adam Crum

Arizona Treasurer Kimberly Yee

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[4] Meta Platforms, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 74, https://www.sec.gov/Archives/edgar/data/1326801/000132680122000043/meta2022definitiveproxysta.htm.
[5] The Travelers Companies, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 8, 2022, at 79, https://www.sec.gov/Archives/edgar/data/86312/000008631222000019/a2022proxystatement.htm.
[6] Walmart, Inc., Definitive Proxy Statement (Schedule 14A), Apr. 21, 2022, at 90, https://www.sec.gov/Archives/edgar/data/0000104169/000010416922000019/a2022proxystatement.htm.
[7] *See* 15 U.S.C. §80b-11; 5 U.S.C. 8477(b).
[8] *See* Siobhan Riding, *Trillion-Dollar Club Tightens Grip on Fund Market During Crisis*, FINANCIAL TIMES, May 10, 2020, https://www.ft.com/content/a6aa1010-3dff-4521-af52-fbadb496c89d.

Florida Chief Financial Officer Jimmy Patronis

Idaho Treasurer Julie Ellsworth

Indiana Treasurer Dan Elliott

Iowa Treasurer Roby Smith

Kansas Treasurer Steven Johnson

Louisiana Treasurer John Schroder

Mississippi Treasurer David McRae

Missouri State Auditor Scott Fitzpatrick

Missouri Treasurer Vivek Malek

Nebraska Treasurer John Murante

Nebraska Auditor Mike Foley

North Carolina Treasurer Dale Folwell

North Dakota Treasurer Thomas Beadle

Oklahoma Auditor & Inspector Cindy Byrd

Oklahoma Treasurer Todd Russ

South Carolina Treasurer Curtis M. Loftis, Jr.

Utah Treasurer Marlo Oaks

West Virginia Treasurer Riley Moore

Wyoming Treasurer Curt Meier

Proxy Voting Questionnaire

I. Evaluating Shareholder Proposals Generally

A. General Principles

1. Does your firm vote on shareholder proposals based solely on what your firm considers to be in the best economic interest of shareholders of the company subject to the proposal?

2. What is your firm's process for evaluating whether a shareholder proposal is in the best economic interest of shareholders of the company subject to the proposal?

3. Does your firm conduct economic analysis to determine whether a shareholder proposal in the best economic interest of shareholders of the company subject to the proposal? If so, please describe it. If not, please explain why, and on what basis you determine whether a shareholder proposal would be in the best interest of those shareholders.

4. When evaluating a shareholder proposal, in addition to considering long-term risks to a business associated with the concern raised by a shareholder proposal, do you also evaluate the short-term costs involved in implementing the proposal's request? If so, please explain your analysis and how you balance the potential long-term risks and the near-term costs.

5. Does your firm evaluate shareholder proposals by forecasting the expected impact of the proposal on the economic interests of the shareholders of the company subject to the proposal? If so, what timeframe does your forecast consider? Do you back-test your forecasts to evaluate whether they were accurate?

6. Do your proxy-voting teams engage with the portfolio managers to get their views as to what is in the best economic interest of shareholders?

7. Has your firm ever made a vote determination based in whole or in part on any noneconomic factors? If so, please describe such noneconomic factors and explain how such a vote determination is consistent with acting in the best economic interest of shareholders.

8. Does your firm clearly inform your investors or asset holders about any noneconomic factors that you consider when voting on shareholder proposals? If so, please describe the process by which you inform your clients of those noneconomic factors.

9. What process does your firm have in place for determining how to vote on a proposal when your firm agrees with only a portion of the proposal's request?

10. With respect to a shareholder proposal, when your firm considers a vote that is not aligned with the recommendation of a board composed of a majority of independent directors, how do you determine whether your vote is more in line with the best economic interests of shareholders than with the independent board's recommendation? And how, if at all, do you consider the fact that an independent board of directors is bound by its fiduciary duties to shareholders to make a vote recommendation based on the best economic interests of shareholders?

11. Does your firm have controls in place to ensure that your firm's votes on shareholder proposals do not discourage legal activities (such as business associated with fossil fuel, guns, or tobacco) for noneconomic reasons? If so, please describe them. If not, please explain why your firm lacks such controls.

12. Does your firm have an established set of goals against which you measure shareholder proposals on environmental, social and/or political proposals? If so, what are those goals?

13. Does your firm have voting policies with respect to environmental, social and/or political shareholder proposals? If so, please describe those policies and explain the process for developing those policies, including whether such process involved an economic analysis to determine whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. Please also identify any processes you have in place to override any of those policies, and explain in what circumstances your firm would override those policies.

14. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley has concluded that "ESG investing does not have any advantage over broad-based investing," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[1] Do you agree with his conclusion? If not, please explain the basis for your disagreement.

15. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, noting that "[s]ome resolutions ask companies to address social or environmental concerns that are already subject to regulation."[2] And when "a proposal asks an individual issuer to adopt a standard that is higher than the regulatory requirement and peers' practices," T. Rowe Price "will take potential competitive harm into consideration in [its] voting decision." Does your firm also consider competitive harm in your voting decisions in such circumstances? If not, why not?

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[1] Terrence Keeley, *Vanguard's CEO Bucks the ESG Orthodoxy*, WALL ST. J. (Feb. 26, 2023), https://www.wsj.com/articles/vanguards-ceo-bucks-the-esg-orthodoxy-tim-buckley-net-zero-emissions-united-nations-initiative-nzam-f6ae910d.

[2] T. ROWE PRICE, PROXY VOTING GUIDELINES (Feb. 2023) 17, https://www.troweprice.com/content/dam/trowecorp/Pdfs/proxy-voting-guidelines-TRPA.pdf.

16. T. Rowe Price's 2023 proxy-voting guidelines acknowledge that shareholders might not be "the optimal stakeholders" to "address the core issue that is the subject of" a resolution, as "[s]ome resolutions ask investors to impose company-level, private-market solutions to problems that are clearly better addressed by other stakeholders, including regulators, legislators, the courts, or communities."[3] And when "a proposal seeks to apply company-level solutions to a broad societal problem, and the company has little influence over the problem," T. Rowe Price "may deem the resolution to be poorly crafted or misdirected." Does your firm also deem such proposals to be poorly crafted or misdirected? If not, why not?

B. Use of Proxy-Advisory Firms

1. Does your firm subscribe to the services of proxy-advisory firms? If so, please name the proxy-advisory firms whose services your firm has used.

2. What is your firm's process for evaluating proxy-advisory firms' recommendations?

3. For each proxy-advisory firm to which your firm subscribes, what percentage of the time has your firm voted consistent with that proxy-advisory firm's recommendations regarding shareholder proposals in 2022 and in 2023 (through the date of this letter)?

4. For shareholder proposals in 2022 and in 2023 (through the date of this letter), what percentage of the time did your firm independently evaluate the research and recommendations of proxy-advisory firms?

5. What processes does your firm have in place to evaluate whether the recommendations of a for-profit proxy-advisory firm are in the best economic interests of the shareholders at the company receiving the proposal?

C. Conflicts of Interest

1. Is your firm a signatory to the Glasgow Financial Alliance for Net Zero, the Net Zero Asset Managers Initiative, or other related organizations?[4] If so, how do you reconcile your commitment to those initiatives with your fiduciary duty to shareholders? Have you obtained the consent of your customers for this material conflict of interest?[5]

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3 *Id.*
4 *See* Our Members, GLASGOW FINANCIAL ALLIANCE FOR NET ZERO, https://www.gfanzero.com/membership/ (last visited Feb. 13, 2023); Signatories, NET ZERO ASSET MANAGERS INITIATIVE, https://www.netzeroassetmanagers.org/signatories/ (last visited Feb. 13, 2023).
5 *See* 15 U.S.C. §80b-11.

2. Is your firm a signatory to the U.N.'s Principles for Responsible Investment?[6] If so, how do you reconcile your fiduciary duty to shareholders with your commitment to an organization that seeks to "establish that asset owners' responsibilities to their beneficiaries extend beyond the risk/return profile of their investments to include making decisions that benefit the world beneficiaries live in."[7]

3. Has your firm committed to pursuing the goals or initiatives of any other ESG-related organizations?

4. What controls does your firm have in place to ensure that its commitments to other projects and organizations do not interfere with your firm's fiduciary duty to shareholders?

5. Does your firm have controls in place to ensure that personal views on ESG issues or political issues are not reflected in your firm's vote decisions on shareholder proposals? If so, please describe them. If not, please explain why your firm lacks such controls.

II. Evaluating Shareholder Proposals on Specific Topics

A. Shareholder Proposals Relating to Climate Reporting

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform climate-related audits or to prepare reports on climate-related risks? For any "yes" votes, please explain whether and how your firm determined whether such reports or audits would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with such reports or audits, and how you determined whether the existing climate reporting of such companies was insufficient.

2. Do you have empirical evidence that any climate report or audit that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to conduct a climate report or audit? If so, and if your firm has voted in favor of shareholder proposals requiring climate reports or audits at other companies, please explain the discrepancy between your board's recommendation regarding climate reports or audits at your firm and your firm's vote regarding climate reports or audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

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[6] PRINCIPLES FOR RESPONSIBLE INVESTMENT, A BLUEPRINT FOR RESPONSIBLE INVESTMENT, https://www.unpri.org/download?ac=5330.
[7] *Id.* at 14.

4. In considering shareholder proposals requiring insurance companies to report how they measure, disclose, and reduce the greenhouse gas (GHG) emissions associated with underwriting, insurance, and investment activities, did your firm consider the broadly applicable concern, as expressed by Chubb, that "we are not aware of any method by which we could reasonably measure the GHG emissions of our insureds?"[8] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

5. In considering shareholder proposals requiring a net-zero emissions analysis report, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e consider the likelihood of the IEA's NZE 2050 scenario to be remote… [y]our Board believes it would not be a responsible use of Company resources to produce a further report to address a speculative scenario?"[9] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

6. In considering shareholder proposals requiring reporting on Scope 3 GHG emissions, did your firm consider the broadly applicable concern, as expressed by Dollar Tree, that "[t]he proponent's suggestion that such goal include Scope 3 emissions in particular is premature and very difficult to do given the level of information available across the Company's global value chain."[10] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on these types of proposals?

B. Shareholder Proposals Relating to Actions to Reduce Greenhouse-Gas Emissions

1. At what rate did your firm vote in favor of shareholder proposals requiring the company to take actions to reduce GHG emissions? For any "yes" vote, please explain whether and how your firm determined whether such proposals would be in the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with proposals requesting a reduction of GHG emissions.

2. Do you have empirical evidence that any GHG emissions-reduction requirement that your firm voted in favor of in fact benefited shareholders' economic interests? If so, please provide that evidence.

[8] Chubb Limited, Definitive Proxy Statement (Schedule 14A), May 19, 2022, at 51, https://www.sec.gov/Archives/edgar/data/0000896159/000110465922042195/tm2135945-3_def14a.htm#tI.
[9] Chevron Corp., Definitive Proxy Statement (Schedule 14A), Apr. 7, 2022, at 93, https://www.sec.gov/Archives/edgar/data/0000093410/000119312522098301/d292137ddef14a.htm.
[10] Dollar Tree, Inc., Definitive Proxy Statement (Schedule 14A), May 18, 2022, at 105, https://www.sec.gov/Archives/edgar/data/0000935703/000110465922062246/tm223490-2_def14a.htm.

3. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to take an action to reduce GHG emissions? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to reduce GHG emissions, please explain the discrepancy between your board's recommendation regarding GHG emissions at your firm and your firm's vote regarding GHG emissions at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

4. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by DTE Energy, that "[t]he Board considers that the science behind measuring Scope 3 emissions is currently too unsettled for full incorporation into the company's emissions reduction goals"?[11] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the DTE Energy proposal and similar proposals?

5. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Chevron, that "[w]e could reduce our GHG emissions by changing our portfolio and selling our emissions-producing assets, but that would not serve our stockholders, who benefit from our strong asset base,"[12] and the similar concern, as expressed by Exxon, that "the proponent has confirmed in an interview available on its website that their proposal is designed with the explicit intent to constrain Exxon Mobil's future investments in oil and gas"?[13] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Chevron and Exxon proposals, as well as similar proposals?

6. In considering shareholder proposals relating to actions to reduce GHG emissions, did your firm consider the broadly applicable concern, as expressed by Phillips 66, that "[s]etting targets that require even more significant technological and social transformation outside our control could create reputational risk and potential harm to shareholders"?[14] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on the Phillips 66 and similar proposals?

7. The Wall Street Journal reported on February 26, 2023, that Vanguard CEO Tim Buckley "knows that Vanguard can't promise to be a fiduciary to its clients while also committing to align its assets with the 2050 net-zero target," and as a result, Vanguard has pulled out of the Net Zero Asset Managers Initiative.[15] Do you agree with his conclusion? If not, please explain your disagreement.

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[11] DTE Energy Co., Definitive Proxy Statement (Schedule 14A), Mar. 17, 2022, at 60, https://www.sec.gov/Archives/edgar/data/936340/000093634022000105/def14a2022.htm.
[12] Chevron Corp., Definitive Proxy Statement, *supra* note 9, at 91.
[13] Exxon Mobil Corp., Definitive Proxy Statement, *supra* note 2, at 72.
[14] Phillips 66, Definitive Proxy Statement (Schedule 14A), Mar. 31, 2022, at 96, https://www.sec.gov/Archives/edgar/data/0001534701/000120677422000928/psx3965551_def14a.htm.
[15] Keeley, *supra* note **Error! Bookmark not defined.**.

8. According to Vanguard CEO Tim Buckley, "[p]oliticians and regulators have a central role to play in setting the ground rules to achieve a just transition." The Wall Street Journal reported that "Mr. Buckley understands that progress toward net-zero emissions doesn't depend on how people invest."[16] Do you agree with his conclusion? If not, please explain your disagreement.

C. Shareholder Proposals Relating to Diversity or Racial Equity

1. Is it your firm's position that diversity or racial equity should be a factor in forming decisions on shareholder proposals? If so, please provide your firm's definition of racial equity, and explain the role it plays in your decisions on shareholder proposals.

2. At what rate did your firm vote in favor of shareholder proposals requiring the company to increase diversity among its board of directors or workforce?

3. Do you have empirical evidence that any diversity requirement that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

4. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal relating to board or workforce diversity? If so, and if your firm has voted in favor of shareholder proposals at other companies relating to board or workforce diversity, please explain the discrepancy between your board's recommendation regarding diversity at your firm and your firm's vote regarding diversity at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

5. At what rate did your firm vote in favor of shareholder proposals requiring the company to perform a racial-equity or civil-rights audit?

6. Do you have empirical evidence that any racial-equity or civil-rights audit that your firm voted in favor of in fact benefitted shareholders' economic interests? If so, please provide that evidence.

7. If your firm is a publicly traded company, has your own board recommended voting against a shareholder proposal that would require your firm to perform a racial-equity or civil-rights audit? If so, and if your firm has voted in favor of shareholder proposals requiring other companies to conduct such audits, please explain the discrepancy between your board's recommendation regarding racial audits at your firm and your firm's vote regarding racial audits at other companies. In your explanation, please explain why the discrepancy does not imply a breach of fiduciary duties.

[16] *Id.*

8. In considering shareholder proposals relating to diversity or racial equity, please explain whether and how your firm determines whether such proposals would promote the best economic interests of the shareholders at the company receiving the proposal. In your explanation, please include an assessment of the costs and benefits associated with performing a racial-equity or civil-rights audit, and how you determine whether such companies' existing efforts regarding diversity or racial equity are insufficient.

9. In considering shareholder proposals relating to diversity or racial equity, did your firm consider the legality of the proposal? For example, did your firm consider the concern, as expressed by Travelers, an insurance company, that "[t]aking race into account in underwriting or rate-setting … is unlawful under the insurance laws of virtually every state and would improperly inject racial considerations into a heavily regulated decision-making process?"[17] Regardless of whether you have previously considered the concern, please explain your present consideration of the concern. Additionally, how did your firm vote on this proposal?

III. Votes on Proposals Submitted by Specific Proponents

1. At what rate did your firm vote in favor of proposals submitted by the National Legal and Policy Center in 2022 and 2023 (through the date of this letter)?

2. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter)?

3. At what rate did your firm vote in favor of proposals submitted by Steven Milloy in 2022 and 2023 (through the date of this letter)?

4. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Legal and Policy Center, the National Center for Public Policy Research, and Steven Milloy in 2022 and 2023 (through the date of this letter)? If there are any discrepancy between your answer to this question and your answers to questions III.1 through III.3, please explain those discrepancies.

5. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit?

6. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company conduct a racial-equity or civil-rights audit? If there is any discrepancy between your answer to this question and your answers to question III.5, please explain that discrepancy.

[17] The Travelers Companies, Inc., Definitive Proxy Statement, *supra* note 4, at 80.

7. At what rate did your firm vote in favor of proposals submitted by the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities?

8. At what rate did your firm vote in favor of proposals submitted by proponents *other than* the National Center for Public Policy Research in 2022 and 2023 (through the date of this letter), requesting that the company issue a report on the congruency of political spending with company values and priorities? If there is any discrepancy between your answer to this question and your answer to question III.7, please explain that discrepancy.