

2019 Shareholder Engagement

NEWSLETTER

At a time when we are all impacted by COVID-19 and the global pandemic, the rubber is hitting the road for corporations and how they treat employees, the environment, and their approach to management. During this period of disruption, we are watching corporations provide leadership that supports innovation needed to get us through this time. We are seeing companies like Abbott Laboratories step-up to create and distribute COVID-19 testing and antibody testing.¹ PayPal is facilitating Payment Protection Program funds for small businesses to keep them afloat.² Importantly, we have also watched Starbucks provide fair and generous treatment to employees that are not able to work by continuing to pay their full wages.³ As we reflect on the 2019 proxy season, we are both inspired by how far we have come and yet know we have further to go. We look forward to the day when environmental, social, and governance (ESG) investing becomes synonymous with smart investing.

Our Commitment

We are deeply saddened and enraged by the ongoing killings and injustices our Black family and friends continue to endure. Over the last several weeks, protests across the United States and globally have amplified the civil rights movement demanding an end to the systemic racism and police brutality that has plagued the Black community for centuries. The oppression of Black people in America needs to end. Reynders, McVeigh stands with our Black communities in fighting for the equity and justice that is long overdue. Over the last weeks, the Firm has held space for sharing reflections and resources so that we may all become better educated and identify actions we can take to be allies to the Black community and fight against racism both at Reynders, McVeigh and in each of our own communities.

Shareholder Engagement at Reynders, McVeigh

For Reynders, McVeigh Capital Management clients, our investment discipline is based on identifying companies that exhibit both, potential for financial returns and positive ESG footprints. We believe incorporating the latter mitigates risks and upholds the highest fiduciary standard for our clients. As proactive investors, we believe that it is our responsibility to leverage our voices by engaging with corporate leaders directly, voting our clients' proxies, submitting shareholder proposals, participating in industry peer groups and networks, and fostering dialogue with our community. We incorporate these communications into our proprietary data analytics tool, OWL shares, to bring the findings back into our research and investment process. This both guides and sits alongside our fundamental analysis.



2019 Proxy Voting Results at RCMC

We vote on our clients' behalf according to our Proxy Voting Guidelines, which are available by request. Below is information on our proxy voting outcomes for the last proxy voting season from 1/1/2019 - 12/31/2019:



429
Proxy ballots voted

We voted proxy ballots for 429 companies. This includes client legacy holdings beyond companies we recommend and buy for clients.



94%
In favor shareholder proposals

We voted in favor of 246 or 94% of the 260 shareholder proposals.



5.1%
Shareholder proposals

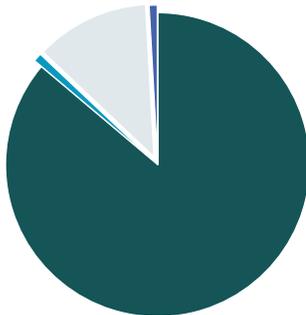
The 429 company ballots consisted of 5,885 proposals. Of which 260 or 5.1% were shareholder proposals meaning most proposals are put forward by management. This is down last year from 5.3%.



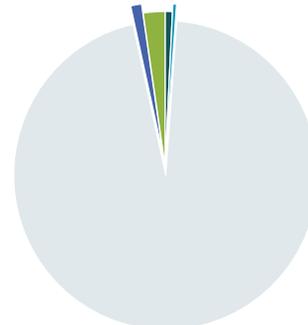
16%
Voted against management of all client proposals

We voted against management for 831 or 16% of all proposals we voted for clients. We voted against management for 248 or 95% of shareholder proposals. The voting issues with the largest discrepancy were governance with compensation and board diversity at the forefront.

Management Proposals - Votes versus Management



Shareholder Proposals - Votes versus Management



Our Commitment to ESG



ENVIRONMENT

We continue to focus on lowering our firm's greenhouse gas emissions by expanding composting and continuing our rooftop vegetable and herb garden. We established a vendor code of business conduct and ethics in 2019 that was met with positive feedback from our vendors.



SOCIAL

We offer 8 weeks of short-term disability, 8 weeks of paid and 8 weeks unpaid family leave policy for all employees. RCMC provides 100% coverage for all employees' and their families' health care insurance.



GOVERNANCE

We proudly now have a majority female investment professional team. We have increased racial diversity on our team to 10% of staff and know this is an area we can improve with future hiring. We value and encourage our team to be involved in their community as volunteers and advisory roles to non-profits and small businesses. We proudly report that over 40% of our team volunteer for organizations from their house of worship to community foundations to non-profits led by people of color.

2019 Shareholder Engagement Trends

Overall, companies continue to be increasingly open to conversations with shareholders around ESG issues. This is evident through increased ESG reporting and dialogues outside of the proxy submission process. As a result, there are fewer shareholder proposals. Our thinking that all stakeholders- company executives, investors, employees, and consumers- matter and that ESG is unavoidable and critical for long-term financial success is becoming widespread knowledge.

- In 2019, board diversity for companies included in the S&P 500 reached a grand milestone. The last company, Copart, Inc. added a woman to their board, signifying that each of the 500 companies had a woman on their board.⁴
- Proposed legislative changes to SEC Rule 14a-8 that pertains to the shareholder proposal submission process and interpretation by corporations is ongoing with some actions inhibiting this channel for communication. The SEC issued a new rule proposal on November 5, 2019 that would increase the resubmission thresholds from 3%, 6% and 10% in the first three years of a proposal to 5%, 15% and 25% respectively while adding a fourth-year momentum clause. It would also increase the ownership thresholds from \$2,000 for one consecutive year to \$2,000 for three consecutive years or \$15,000 for two years or \$25,000 for one year. Shareholder proposals are a way for stock owners to enact change and are a cost-effective way for corporations to hear from this cohort. Shareholder proposals account for only 2% of all items on the proxy ballot so increasing the thresholds is an affront to effective capitalism.⁷
- Majority support of proposals decreased, meaning proposals with over 50% supporting votes: Eight shareholder proposals earned majority support on issues ranging from election spending at Macy's and Alliant Energy to the opioid crisis at Walgreens to executive diversity at Newell Brands.⁸ However, affirmative support is increasing by large institutions now using their votes more progressively.
- Shareholder proposals continue to decline and gain support: The number of shareholder proposals was down from 494 in 2017, 460 in 2018 to 457 in 2019. The average support increased slightly from 25.4% to 25.7% from 2018 to 2019 to an all-time high.⁶
- Highest and lowest number of shareholder proposals issue areas: Transparency with election spending and human rights issues continue to gain more support. Climate change and sustainability issues continue to decline, partially due to past successes with companies that have increased reporting.⁵



2019 Shareholder Engagement Outcomes

- Though we have never invested in for-profit prisons, we planned and participated in activism for the for-profit prison divestment movement to leverage our voice as socially responsible investors. We testified in person in front of Boston City Council to inform council members of the financial and social risks with investing in for-profit prisons.
- A shareholder proposal for human rights protections for inmates and immigrant detainees at GEO Group, a for-profit prison, received an unprecedented 87.9% in favor vote. This is the highest support for a shareholder proposal EVER, forcing management to enact its proposed change!
- We supported 12 shareholder proposals submitted to Amazon, which continues to be a company with one of the most shareholder proposals submitted in 2019, far ahead of ExxonMobil at 9.
- We co-filed 9 shareholder proposals in 2018 for the 2019 season to companies we own for access to nutrition reporting (Unilever & Nestle), environmental reporting, lobbying reporting (legacy Exxon and Chevron), and other issues.
- We signed 13 environmental, human rights, economic justice, and civil rights campaigns in 2019 for food sourcing, water usage, CEO pay ratio reporting, lobbying reporting, prison divestment, and other issues.



RMCM Industry Peer Groups



Sources:

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