



## How Do You Vote (Your Shares)?

If you could vote on whether Amazon should have an independent review of its warehouse safety, would you? What about whether Amazon should disclose how much plastic packaging it uses and report on ways it can reduce the overall use of plastic?

These issues came to vote at Amazon's annual meeting in 2022 with high shareholder approval rates of 44% and 49%, respectively. Yet the company is resisting both requests.

Most investors don't realize that owning a share means they get a vote. And they don't know how or whether their shares are being voted. This is a missed opportunity for a chance to be heard on issues that affect shareholders as well as other stakeholders like the environment or company employees.

Amazon is the fifth largest company in the world by market capitalization, so you likely own shares either directly or indirectly in a fund. Were your shares voted "for" or "against" these proposals in 2022? How would you want your shares voted at the 2023 annual meeting on May 24 when they will be on the ballot again?

### Shareholder Voting Basics

Owning stock in a company means you own a piece of that company, even if it's tiny. Each share you own equals one vote on every ballot item at the company's annual meeting. And each vote has the potential to influence the company.

Traditionally, management adds resolutions to the ballot to elect board members, approve audit fees, and approve executive compensation packages. Shareholders can also file resolutions, and they increasingly request transparency or action on a company's social and environmental practices.

Over 500 shareholder resolutions have been submitted for 2023, including requests for reports on:

- Plans for more sustainable packaging
- Plans to reduce greenhouse gas emissions
- Employee safety
- Gender and racial pay gaps
- Plans for (or risks of) improving diversity, equity and inclusion

Adding a resolution to the ballot of a public company is difficult. Any new proposal requires following strict SEC rules and procedures around share minimums, ownership timelines, proof of ownership, submission deadlines, and re-filing hurdles. Resolutions cannot target the ordinary business operations of a company (i.e. ask a tobacco company not to produce tobacco), a rule enacted to avoid micromanagement and allow management to address ordinary business problems. Filers can face challenges by the company or the SEC, as well.

Often, proposed resolutions never make it to the ballot - they can be rescinded prior to the meeting because the company has agreed to the shareholders' request. This happened with about a third of last year's requests. But if direct and ongoing dialogue fails, filing a shareholder resolution can be an effective catalyst for change. Shareholder resolutions are one of the few communication tools available to shareholders who do not have the power to influence the company from within.

## How Were My Shares Voted?

Unfortunately, finding out how fund managers vote your shares isn't always easy. Very few investment managers are transparent about this, in part because shareholders haven't pushed for the information. Funds are required to submit Form N-PX to the SEC, which details their votes, but sorting through the forms is a tedious process. Knowing how you own your shares can help in learning how they are voted today and in making changes if you choose.

### Types of Share Ownership

- *Direct Ownership:*
  - When you own shares directly, you are responsible for voting. If you don't vote "for," "against," or "abstain," your shares' votes are given to the company's management to vote. Management often resists requests to provide more transparency on social and environmental issues, even though these issues can affect companies' profitability. When you receive the ballot by email (sometimes regular mail), open it and read it. Cast a vote if the issue is important to you, even if it's "abstain," which removes your vote from the count.
  - Voting is becoming more practical for individuals due to technology advancements. For example, As You Sow (a non-profit shareholder advocacy organization) has recently partnered with iconik (a technology company automating proxy voting) to automatically vote customers' shares according to As You Sow's socially and environmentally friendly voting policy.
- *Separately Managed Account:*
  - In a direct indexing account, you may have options for how your shares are voted. For example, Aperio (a direct indexing firm owned by BlackRock), can vote your shares according to the Institutional Shareholder Services (ISS) Socially Responsible Investing (SRI) policy upon request. If you haven't directed Aperio to follow this policy, most of your votes will align with management's preferences. Changing to the ISS SRI policy takes one email, no cost, and no change to what you own.
  - For other managed separate accounts, typically the fund manager votes your shares and how they vote will depend on their policy and size of their team. Managers prioritizing environmental and social impacts of the portfolio are likely to vote differently from ones who don't. If you want to stay invested with a traditional manager but want your shares voted in alignment with a socially and environmentally friendly policy, companies like Broadridge (a fintech company streamlining proxy voting) can provide values-aligned voting services for separate accounts and directly owned accounts.
- *Mutual Fund or ETF:*

- These investments can be the most opaque. First visit the firm's website and read about their proxy voting policies. If the firm doesn't post this information or does not specifically state how it votes on social and environmental issues, it is likely your shares are mostly voted in alignment with company management. If you prefer to be invested in funds that vote differently, you can invest in funds that follow a defined set of socially and environmentally friendly values when making proxy voting decisions.
- In the future, investors may have more options for choosing a voting policy even for index funds or traditional actively managed funds. Vanguard, Schwab and BlackRock have all initiated pilot programs giving retail investors a choice in how their portion of the funds' shares are voted.

## Engagement Next Steps

Your votes are influencing the companies you own, one way or another. If taking the time to review your portfolio through this lens sounds overwhelming, but you'd like to continue this conversation, reach out. We can review the portfolio with you, discuss options, and recommend changes if needed.



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