

2023 Annual Engagement Review

Engagement Overview

Proxy Voting

- 2,500 meetings voted
- 26,002 proposals voted
- Supported 75% of shareholders proposals
- Opposed 40% of management proposals

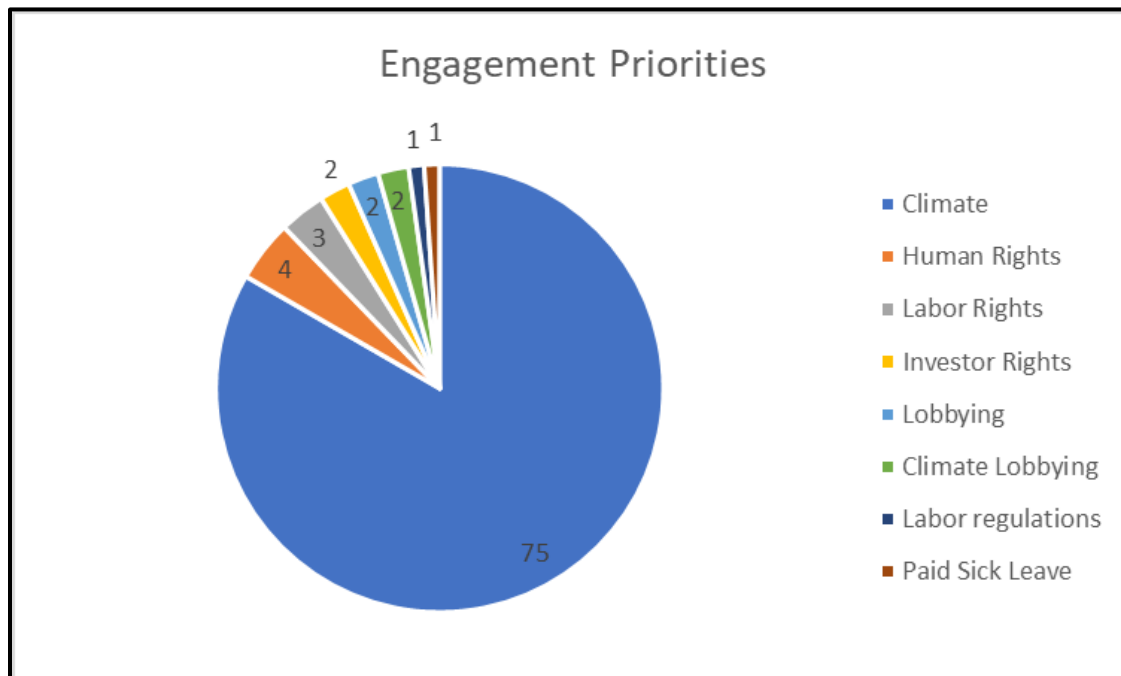
Dialogue

- Over 150 contacts with portfolio companies
- Participated in direct letters to over 100 companies
- Participated in 4 campaigns
- 4 letters to federal, state, and international governing bodies

Proposals

- Lead File - 1; Co-File - 5
- Withdrawals - 3; Omissions - 1
- 2 Voted

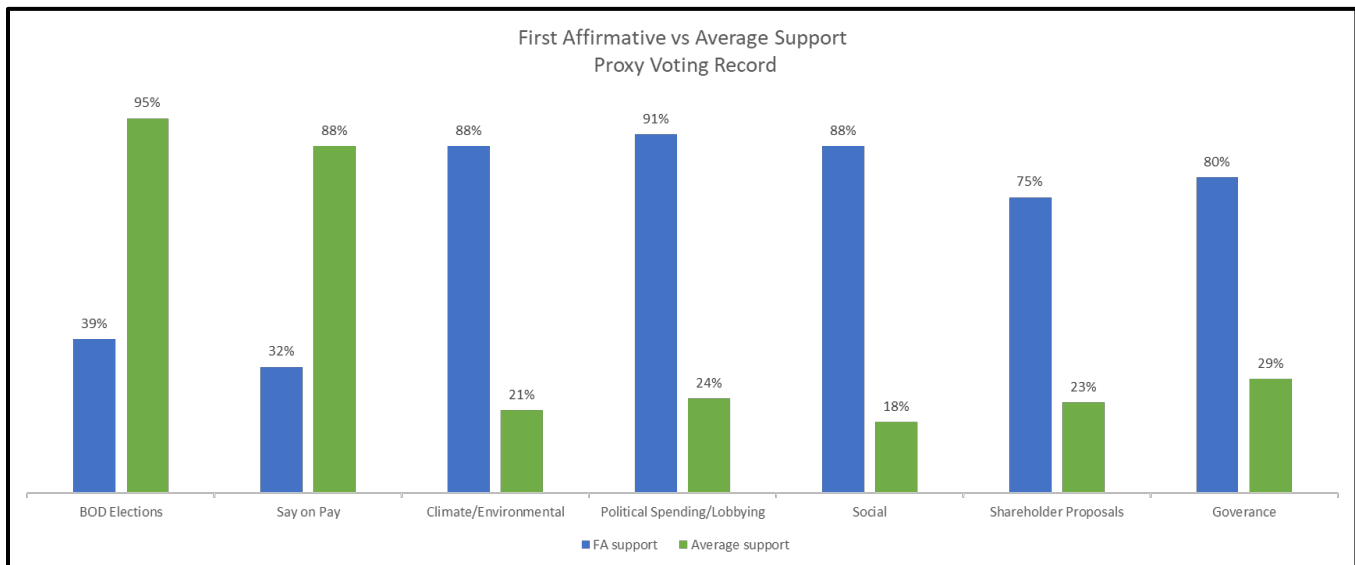
First Affirmative Engagement Priorities





First Affirmative's engagement priorities for the 2022-2023 proxy season are prominently displayed through our active involvement in various channels, including signed letters, public policy advocacy, campaigns, and shareholder proposals. Notably, our commitment to addressing climate-related issues remains a primary focus, underscoring our dedication to sustainability. Additionally, there is a heightened emphasis on human and workers' rights within our priorities, reflecting the growing importance of these aspects in our engagements. To ensure a tailored approach that aligns with the specific interests of you or your clients, we encourage direct communication with Kaitlyn at kaitlynmitchell@firstaffirmative.com. By reaching out and being added to our priority list, you enable us to proactively seek opportunities that best serve the unique needs and concerns of our clients, fostering a more personalized and impactful engagement strategy.

First Affirmative vs Average Support Proxy Voting Record



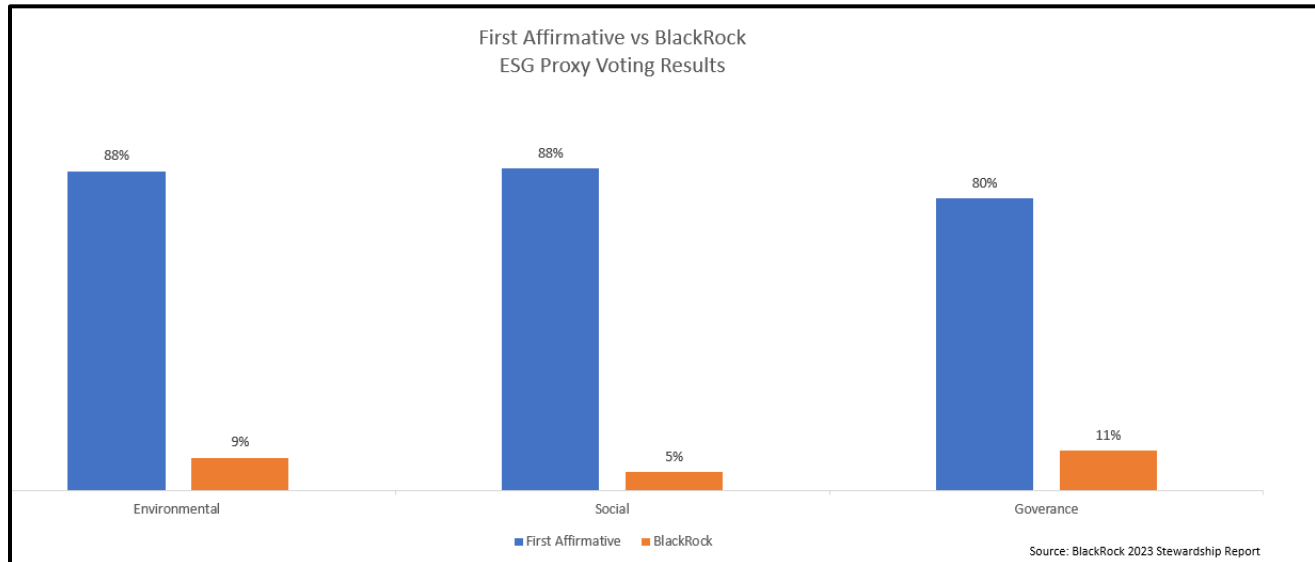
Average Support for S&P 500

Source: Sullivan and Cromwell, LLP 2022 Proxy Season Review 2022, Parts 1 and 2

The chart above shows our custom [proxy voting guidelines](#) hard at work! In order to uphold the highest standards for our proxy voting guidelines, it is imperative to benchmark them against the industry average. First Affirmative demonstrated support for only 32% of say-on-pay proposals, significantly below the average support of 88%. Likewise, our commitment to climate and environmental issues was robust, with an 88% support rate compared to the meager 21% average. When it comes to Political Spending and Lobbying, we surpassed expectations by supporting 91%, while the average was a mere 24%. In the realm of social proposals, our support stood at 88%, outshining the meager 18% average. Furthermore, our dedication to corporate governance was evident as we supported 80% of all proposals, a substantial contrast to the average support of only 29%. This comparison underscores our commitment to setting a benchmark that exceeds industry norms.



Industry Comparison First Affirmative vs BlackRock



First Affirmative stands out not only for its comprehensive range of ESG (Environmental, Social, Governance) products but also for its meticulous attention to ESG considerations in proxy voting guidelines. While many other firms may offer ESG products, our scrutiny extended beyond the availability of these products to assess how they align with our commitment. In a comparative analysis with BlackRock's 2023 Stewardship report, the contrast in proxy voting becomes evident. In the realm of environmental concerns, First Affirmative outshines with an impressive 88% support, whereas BlackRock lags significantly at a mere 9%. A similar trend emerges in the social domain, where our support stands at 88%, a stark difference from BlackRock's 5%. Furthermore, our dedication to governance is apparent as we supported 80%, a considerable margin over BlackRock's 11%. This highlights First Affirmative's holistic approach, not just in offering ESG products but in actively integrating ESG principles into our proxy voting decisions.

2023 Shareholder Proposal Update

Filed or Co-Filed by First Affirmative Financial Network as of March 30, 2023

ISSUE	COMPANY	REQUEST	LEAD FILER	STATUS*
ENVIRONMENT/ CLIMATE CHANGE	Amazon	Measure and disclose scope 3 GHG emissions from its full value chain	Green Century	Filed, SEC challenge
	Alphabet	Report on and address misalignments between climate lobbying and the Paris Agreement goal to limit global warming to 1.5° c.	Zevin	Filed, 14.19% support
	UPS	Report on and address misalignments between climate lobbying and the Paris Agreement goal to limit global warming to 1.5° c.	Mercy Investment Services	Withdrawn, agreement
SOCIAL	CVS	Adopt paid sick leave policy covering all employees	Trillium	Filed, 26.21% Support



GOVERNANCE	Travelers	Disclose policies governing lobbying efforts and related spending	First Affirmative	Withdrawn, Agreement
	Disney	Disclose policies governing the climate lobbying efforts and related spending	Mercy Investment Services	Withdrawn, Agreement

***Definitions:**
Filed: Submitted to company, ongoing
SEC Challenge: Company submitted a filing to the Securities and Exchange Commission requesting the proposal be omitted from ballot.
Omitted, SEC challenge: The SEC decided in favor of the company challenge to the shareholder proposal
Not Omitted, SEC challenge: the SEC decided in favor of investor filing the shareholder proposal and it will go to a vote
Withdrawals:
Technical: Withdrawal as a result of deficiency in the filing that cannot be remedied
Strategic: Withdrawal to recognize and encourage progress or in response to SEC challenge to avoid adverse decision
Agreement: Withdrawal after dialogue concludes with agreement to proposal request Support number calculation: **votes in favor/(votes in favor + votes against)**

First Affirmative Proposals address the Sustainable Development Goals.
Mention of a specific company or security is neither a recommendation to buy or to sell that company or security. For information regarding the suitability of any investment, please contact your financial advisor. Past performance is never a guarantee of future results.

Activist Managers Engagement Highlights

First Affirmative utilizes numerous management firms that also actively engage with their portfolio companies. Here are just a few engagement highlights:



TRILLIUM
ASSET MANAGEMENT®

Continues to focus on climate change, paid sick leave, toxic chemicals, and environmental justice. Trillium, filed a shareholder proposal at The Walt Disney Company, leading to constructive conversations and a commitment from Disney to enhance disclosures on chemicals management and develop a strategy to reduce priority chemicals in 2023. As a result of Disney’s commitments, Trillium withdrew its shareholder proposals. [Link to their latest report.](#)



Boston Common
Asset Management

Boston Common had 53 separate engagements and filed 13 shareholder resolutions at seven companies. They reach a wide range of environmental issue areas including: Banking on a Low Carbon Future, Climate Action 100+, Food Emissions, High Carbon Emitters, Investors for Sustainable Solar, Net Zero Asset Manager Initiative, Sustainable and Chemicals Management. They also focused on social and governance engagement issues including, Access to Healthcare, Activating Engagement in Asia, Digital Human Rights & Ethical AI (Artificial Intelligence), Prioritizing Gender, Board Diversity, ESG Disclosure, Governance of Sustainability, Lobbying Oversight and Disclosure.

Boston Common advocates for increased company diversity at all levels, emphasizing that diverse boards and workplaces are indicators of good corporate governance and management quality. The focus includes fostering better decision-making and promoting inclusive and equitable workplace cultures, with routine votes against boards that do not meet racial and gender diversity thresholds. [Link to their impact report for more details and engagement examples.](#)



Impax had 4 areas to highlight, climate, nature, people, and governance. They participated in 160 engagement dialogues.

- Climate-related risks and opportunities are anticipated to profoundly influence investment performance globally, with a focus on both transition and physical climate risks in stewardship and advocacy activities, including efforts in 2022 on



Net Zero Asset Managers initiative (NZAM) targets and climate transition planning with the Glasgow Financial Alliance for Net Zero (GFANZ).

- Impax has long paid attention to nature and the risks associated with biodiversity loss, deforestation, and the degradation of ecosystems. Yet there remains limited information about how companies are addressing these risks. In the last year, they worked with academic and industry partners on nature-related research and initiatives on deforestation, nature-based solutions, and reporting.
- The engagement with investee companies focused on various aspects, including diversity, talent recruitment, and health policies, with specific attention to labor constraints, health and wellness processes, and advocating for enhanced gender diversity in Japan.
- A key focus for governance stewardship involved strengthening resources in Asia, emphasizing the importance of effective corporate governance for companies and maintaining collaboration with the Asian Corporate Governance Association (ACGA) to promote corporate oversight, accountability, and transparency. [Full report link.](#)



Domini engages with company executives independently and collaboratively with other investors to advocate for stronger policies and practices aligned with their standards. The focus is on seeking improved disclosure, promoting responsible practices, and addressing emerging issues, utilizing various means such as letters, dialogues, shareholder proposals, and proxy votes to communicate expectations,

encourage innovation, and support business models that uphold human rights and contribute to ecological sustainability. They participate in 311 total engagements, and they receive recognition from Morningstar for their ESG commitments. [Link to latest report.](#)



In 2023, Green Century achieved notable successes in its efforts to protect the environment and promote responsible investment. These achievements include influencing top chipmakers, such as Intel, Texas Instruments, NVIDIA, Advanced Micro Devices, and ON Semiconductor, to outline plans for reducing carbon emissions. The organization also led a campaign urging insurers, like Chubb, to cease underwriting new oil and gas projects, particularly in conservation areas. Additionally, Green Century played a role in reducing deforestation rates in Indonesia, convincing Kraft Heinz to adopt a comprehensive global forest protection policy. The organization engaged with individuals and financial advisors nationwide, addressing the plastic pollution crisis and securing commitments from companies like Costco and Keurig Dr Pepper to reduce plastic use. Green Century's nonprofit partners contributed to the protection of nature through state laws on pesticides and securing new protections for various natural areas. The organization achieved Right to Repair victories for Chromebooks users and farmers and played a leading role in the Fossil Fuel Free Movement. Green Century's president, Leslie Samuelrich, was named to Barron's 100 Most Influential Women in U.S. Finance in recognition of the organization's commitment to values-aligned investing and shareholder engagement. [More information on Green Century available here.](#)



Parnassus 2023 themes included climate change, sustainable workplaces, environmental justice, and materiality assessments. They engaged with 64 companies. Parnassus Investments emphasizes the urgency of addressing climate change and the risks associated

with the transition to a low-carbon economy. The impact of severe natural disasters has cost over \$500 billion in the last five years, emphasizing the financial materiality of climate risks. To mitigate these risks, companies are urged to set emission-reduction targets below 1.5°C, incorporate climate change into strategic planning, and publish regular climate disclosures. Parnassus Investments, declaring its intention to be net-zero across all assets by 2050, engages with companies, including Progressive and Match Group, to encourage the adoption of science-based emission-reduction targets. The engagement focuses on increasing transparency through standardized climate disclosures and fostering dialogue on best practices in managing climate risks. Successful engagements include Avantor and Monolithic Power Systems, while ongoing efforts target transportation companies like Old Dominion Freight Line and FedEx, navigating technological limitations in achieving climate progress. [Link to Parnassus annual stewardship report.](#)



RBC focused on enhancing ESG integration by investing significant resources in improving systems for managing ESG data. The updated systems facilitate streamlined data integration and automation, allowing for the enhancement of quarterly climate dashboards into an interactive format. Investment teams can now conduct more in-depth climate analytics and scenario analysis,

identifying major emission contributors and assessing industry effects on portfolios. The emphasis on ESG education continued through informative sessions on topics like cybersecurity and energy security, providing opportunities for internal and external



experts to share insights. RBC collaborated with Exeter University on sustainable finance research, aiming to explore the impact of climate risk exposure on the risk-return trade-off of assets. The organization actively participated in stewardship initiatives, with involvement in Climate Engagement Canada and progress in Climate Action 100+ engagements, demonstrating commitment to advancing strategies for reducing greenhouse gas emissions and improving disclosures. [Link to RBC stewardship report.](#)

Advocacy Partners

First Affirmative joins forces with non-profit organizations that support investor networks addressing sustainability issues through active ownership and corporate engagement. Each of these organizations provides specialized expertise that supports our corporate engagement on priority issues. Our primary advocacy partners:



Follow our progress!

For timely updates on our advocacy activities, visit our website's [advocacy](#) and [news](#) pages. You can also follow us on [Twitter](#), [Instagram](#), [LinkedIn](#) and [Facebook](#).

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