

# Business Better (Season 1, Episode 25) Dissecting the ESG Landscape for Companies and Investors with Zally Ahmadi from D.F. King, an AST Company

Speakers: Mary Mullany, Jaryn Fields, Zally Ahmadi

John Wright:

Welcome to Business Better, a podcast designed to help businesses navigate the new normal. I'm your host, John Wright. After serving nearly 15 years as Senior Vice President and General Counsel at Triumph Group Incorporated, a global aerospace component supplier. I'm now a member of the securities and M&A groups at Ballard Spahr. A national law firm with clients across industries and across the country. In today's episode, we'll hear a discussion of environmental, social and governance, or ESG concerns from the perspective of companies and investors. Including recent trends in ESG investing, the impact of the pandemic and the ESG issues that have been the focus of companies, boards, shareholders, and proxy advisory firms in recent years. Leading the discussion are Mary Mullany and Jaryn Fields, both of whom are members of Ballard's business and transactions group in the Philadelphia office. Mary Mullany is a partner who focuses her practice on securities law disclosure, executive compensation, corporate governance, capital raising, and M&A transactions, for both publicly traded and privately held companies. Particularly those in the healthcare, medical device and life sciences industries.

John Wright:

Jaryn Fields is an associate who focuses her practice on corporate finance transactions, M&A, corporate governance and securities law disclosure. Their guest for the podcast is Zally Ahmadi, who joins us from D.F. King. A proxy solicitation and shareholder services company. Zally advises clients on topics such as institutional investor and proxy advisory firm, for our voting policies and investor outreach strategy. Best practices and trends regarding corporate governance and ESG related structure and disclosure, and both quantitative and qualitative aspects of executive compensation programs. With that, we'll turn the episode over to Mary to start the conversation.

Mary Mullany:

We are here today to talk about environmental, social, and governance or ESG related concerns. These concerns represent one of the hottest topics that are important right now to companies, investors, employees, customers, regulators, press, and many other people globally. Today, we will discuss the ESG concerns from the perspective of companies and investors, including actions taken by companies over recent years. Board oversight and leadership of ESG activities, shareholder proposals, and the view from proxy advisors. I'm going to kick this off by starting with Zally. Can you talk about some of the impacts of COVID 19 pandemic that you saw in 2020?

Zally Ahmadi:

Yeah, absolutely. So during 2020, this pandemic it's really amplified the importance of ESG for a couple of different factors. But, at first let's talk about the increased investment in ESG funds. So for the first four months of 2020, over \$12 billion were invested in ESG funds. It's a big deal because, that's more than double the investment during the same time period last year. But I think the really notable aspect of this, is just that in that initial downturn caused by the pandemic around March, I want to say, more than 70% of those ESG funds, they perform better than their counterparts during that four month period. So here we have this baseline for investors or this new baseline for investors. There's really proof there that for investors focused on their long-term returns, companies who are dwelling into ENS initiatives, they can help provide that strength during a period of volatility.

Zally Ahmadi:

Which can help lead to those longterm returns, that someone like a BlackRock or a Vanguard is looking for. So we're seeing continued increase in investment in ESG funds because of that. We anticipate that going forward. It's definitely been something that's been snowballing over the last five or so years, but we do anticipate that to increase heavily. Another big impact, there's this focus on employee health and safety now. It expands on the discussion of human capital management that everybody's really been having over the past few years. But for obvious reasons now, especially in off season engagement, especially in enhanced disclosures and proxies, there is that discussion on employee health and safety and what companies are doing, what initiatives are being undertaken. On the investor side, we're seeing, and it continued to push right for a focus on diversity.

Zally Ahmadi:

And this is diversity outside of the traditional norms that we see of board, gender diversity. We're seeing a push for disclosure on workforce diversity. We're seeing a push to expand board diversity to incorporate racial and ethnic diversity. And that's done by a number of ways. We saw an increase in shareholder proposals. We saw an increase in vote support levels for those shareholder proposals. We saw a number of policies being amended on the institutional investor side. So we're seeing that amplified over the past year. And then the other thing that I'll note is, the climate change initiatives. Over the past four or five years, we've seen companies again, the snowballing effect where companies are reporting on their initiative or even enhancing their initiatives. Over the past year we're seeing a lot of investors double down and reinforce their interest in this enhanced disclosure, especially because of that strong performance we've seen for those ESG funds during that downturn.

Zally Ahmadi:

So, we are seeing focus continuing on those climate change initiatives. And even going into 2021, we're already seeing shareholder proposals requesting enhanced disclosure on what's happening. Things like scope 3 emissions, indirect GHG emissions. Disclosure that's been above and beyond, what we've seen companies either traditionally disclose, and above and beyond what we've seen investors ask for. I think the one other thing that I'll point out, almost stating the obvious, one of the impacts that we saw was just this mass transition to virtual meetings over the past year. Because they had to, and in most States you couldn't have gatherings in more than 10 people during proxy season. So we saw this big influx. Well, that's kind of done, is lay the groundwork for some of these best market practices and good governance practices for virtual meetings.

Zally Ahmadi:

A lot of the discussions surrounds transparency issues, things like the Q&A sessions. Excuse me. A lot of these issues are now being discussed going into 2021 because, pandemic is still here. We're still seeing the majority of companies focused on virtual meetings for now, it's led to some discussion for proxy advisory firms as well, as to what they expect going into 2021. Now that this shock factor is worn off of... Everyone's doing virtual meeting, let's just get it all done. Now that focuses a little bit more on, are you disenfranchising shareholder rights? And if so, an advisor like Glass Lewis perhaps might recommend against board members going into 2021. So those are some of the changes that we've seen just over the past year because of COVID.

Mary Mullany:

And I think Jarlyn and I could, on the last point, certainly agree with you. Our clients who all last year did virtual meetings at a big pivot, planned to be in person and then pivoted to virtual. I think are really looking to improve the experience for everyone this year and not just get in and get out. And I think that's so necessary, if you take away that one forum for interaction with shareholders, I think in the long-term that will not work well for companies. So it's an interesting topic. Jarlyn, can you highlight some of the things we're talking about when we talk about ESG initiatives like companies?

Jaryn Fields:

Sure, definitely. I think in general, a lot of the recent interest in ESG initiatives stems from the business round table statement, that was signed by approximately about 180 CEOs back in 2019. I think people are probably familiar with this statement at this point, but essentially it rejected the longstanding notion, that sort of the overall purpose of a corporation was just to service and to serve shareholders. And instead the signatories of that statement agreed to commit to serving the community writ large shareholders as a whole, and just all the stakeholders that they interact with on a day to day.

Jaryn Fields:

And so I think what that shift in thinking of what a corporation is designed to do and who it's designed to serve. So then has kind of shifted the thinking on ESG. And I think then has as a corollary, just generally increased interest in the topic. So I guess typically when we think of E or environmental issues, you think of carbon emissions, companies being smart and thoughtful about reducing their carbon footprints. And I think that's an issue that has been out there for many, many years. The essence social issues is, I think where we've seen a lot of recent interest. Which is, board diversity, management diversity, and just workforce diversity generally. Employee safety and wellness.

Jaryn Fields:

And so again, as we talk about the impact of COVID-19, what that remote work environment means for employees. Just culturally, as well as just balancing work life and other outside factors or issues that people are dealing with. Gender pay issues. So, there's been a lot of recent studies about females making less money on the whole than similarly stationed men. And so there's been some increase interest in that. Employee recruitment and retention, and then corporate political spending. And then with respect to the G or governance issues, it's how we think about things like over boarding. So, how many board directorships might be too many for a public company director to have?

Jaryn Fields:

Do you have too much on your plate if you're serving as a director on four or five public company boards? The separation of the board chair, is it more desirable for a CEO to have the role of the company CEO and board chair, or is it better to separate those two roles? And then shareholder engagement, what is the threshold for shareholders to vote on changes to company practices? And as we talk about annual meetings, what about special meetings? When shareholders want to meet to talk about potential company changes.

Jaryn Fields:

How easy is that to happen? What are the steps? How do we make that happen? So I think when you think of ESG, those are some of the topics that you're thinking about. And as we've had this broader come to Jesus moment about what corporations are designed to do, those topics have become more and more of interest in the last couple of years.

Mary Mullany:

Terrific. So now let's take these topics one at a time, we'll start with Environmental. Zally, can you talk about what some of the biggest environmental shareholder proposals were in 2020 and how they fared?

Zally Ahmadi:

Yeah, that sounds good. There's a lot of reporting requests, requests for additional disclosure, and that spans a number of different topics. I'd say that the most popular proposals over the past year, definitely reporting on climate change, disclosure around GHG emissions. There were a handful of other proposals, things like community, environmental impact, what's going on with the water supply in the neighboring areas. Things like renewable energy. But really there were two topics that took the cake, if we're really talking about support levels and, even just the numbers of submissions. And that's going to be you're reporting on climate change and you're reporting on GHG emissions. Excuse me. So, for the reporting on climate change, they definitely had the most submissions there, took the number one spot.

Zally Ahmadi:

And if we're talking in terms of numbers, overall, all environmental proposals, we had about, during proxy season, it was in the eighties in terms of the number of submissions. Only a quarter of those actually make it onto ballots. A lot of these environmental proposals get negotiated away or omitted. But the report on climate change proposals on average, the support levels are in the thirties. It's fairly high for an environmental social related proposal. But we're seeing the highest numbers there. And we're seeing a lot of shareholder engagement on this topic. The second highest in terms of submissions, we're looking at GHG emissions, any proposals related to disclosure on GHG emissions. I think the really newsworthy thing here, is that, it's averaging 50% support level there, for GHG emissions. Which is huge really for any shareholder proposal, including governance proposals, which have been the norm for the last decade or so.

Zally Ahmadi:

But, GHG emissions are really hot topic and going into 2021, we're already seeing new types of requests surrounding GHG emissions disclosure. So we're getting a lot of requests for, what what's going on with net zero emissions? Are you going to get there by a certain date? That sort of thing. So really a lot of the discussion is based on climate change and the GHG emissions. And if your industry is applicable, I would say the next hottest topic would probably be your community impact on community environmental impact there.

Mary Mullany:

It's interesting, where a number of our clients are Pennsylvania companies, and Pennsylvania has a different fiduciary duty standard than Delaware or some of the other States that follow the Delaware model. Where the board is specifically authorized to think about the community employees and other stakeholders in making decisions about the company. So to me, it will be interesting to see how I see my Pennsylvania companies be able to deal with things and evaluate things as contrasted with, for big corporate transactions. What the law tells Delaware corporations they should do. So, it's an interesting dichotomy that we see, having these companies with the different governance model and statutory protection.

Zally Ahmadi:

Yeah. It's so interesting. And I think if we're going to talk about just things that we find interesting on this topic, one thing that I find interesting as well, is just that the continued presence of anti ESG proposals that we've seen over the last couple of years. So these are environmental and some social proposals that, where the request is really saying, "Can you not think about climate change if you're pushing for an acquisition or some sort of transaction. Or even a request for report... How much is this costing shareholders, all of these climate change initiatives that you're handling."

Zally Ahmadi:

And those are not receiving support. Institutional investors, again, it's not just a social movement, we care about the environment. It's definitely tied back to, we want strong long-term returns. And especially, after the downturn of last year, it shows that UNES focused companies are providing those strong returns. So this is partially why a lot of these anti ESG proposals, they're just not receiving much support, it's in the single digits.

Mary Mullany:

That's really interesting. Jaryn, could you talk about what companies are doing in response to the concerns from shareholder proposals and other sources?

Jaryn Fields:

So I think they're doing a lot of outward facing things to just outlay the interest and some of the concern that stakeholders are having. So I think what you're seeing sometimes is the creation of separate committees to deal with ESG topics, sort of separate and above from the board as a whole. There's definitely been an increase recently, and the creation of these ESG committees to think more critically and specifically about climate change, diversity and the like. And then similarly, I think

companies are just being really savvy about their public disclosures. What are they saying about climate change? What are they committing to? What are they putting on their websites above and beyond what's in their securities act filings?

Jaryn Fields:

Really just making information available, I think and we've kind of touched on this, but I think a lot of shareholder proposals are really just asking for information. And so I think companies are getting ahead of that stuff so that they're putting out information on their own terms so that they're not really having to deal with perhaps, a shareholder proposal that might be a little bit more onerous than what they might be willing to do or what they might have data or information for right now. Similarly I think there's just an increase in these virtue signaling corporate pledges. I think we can debate the efficacy of the pledges, but I think especially in the climate space, I think there's what they call the climate pledge. Which has been signed by a number of large public companies, which is just a commitment to net zero emissions.

Jaryn Fields:

And I think the goals are a little bit more aggressive than those that are in the Paris agreement. But I think some of that is just investor seeing that you've signed or that you've agreed to this pledge. Just putting their concerns at ease, at least for now, until you can evaluate what that means in the long term. So, query, I think we can discuss and debate what that actually means for tangible change. But I think a lot of companies are taking at least the easy step of signing these public pledges, posting those public pledges on their website, issuing press releases saying that they signed these public pledges. Which at least then gets the word out there that they're thinking about these topics.

Mary Mullany:

And one of the things I'm seeing also increasingly, is the use of ESG metrics for incentive compensation. Which I think shifts nicely into the discussion on the social aspects of ESG. I've seen lots of companies really putting either safety metrics, employee safety metrics or other ESG related incentives to put the bonus money where the mouth is, kind of approach. So I think it's an interesting use of ESG, that I think we're going to see a whole lot more of this as we move forward. So Zally, can you talk about the social piece now? Can we shift to that and what are some shareholder proposals in that area?

Zally Ahmadi:

Yeah, absolutely. But just to add to what you've said on adding, incorporating ESG into executive compensation. I just had a conversation with the company about this recently and, we're talking about the shareholder proposals. The majority are really just compensation-related shareholder proposals in general, that topic tying ESG into executive comp has dominated the compensation proposal landscape, and really that's what the discussion is. They aren't passing us of yet, but increased levels of support every year. And if we're just talking about committee responsibilities, compensation committees, it's almost 30% of the S&P now, have actually tied some social responsibility to their compensation committee. So we're talking corporate culture, really we're talking human capital management type of responsibilities.

Zally Ahmadi:

They're being tied to the compensation committee there. And we're even seeing a couple of companies change the names of their compensation committees to reflect this enhanced focus, increased focus on social issues there. So that's a really good segue into what's going on just in the social space in general. If I take a second step back, and I'm talking about what we're seeing, in terms of trends for social shareholder proposals. I would be remiss if I did not just acknowledge political contributions in lobbying. It takes the number one spot every year and due to the nature of it being an election year, last year, of course, more passed. Five proposals casting proxy season last year, a couple more than what we saw the previous year.

Zally Ahmadi:

And this topic isn't going away, this political divide in the country has not gotten better. So we anticipate more political contributions proposals, they're averaging in the thirties for shareholder support. Where we don't see significant swings either

way in terms of support levels or even submissions. But what I really want to talk about, are proposals related to diversity. So board diversity and EEO reportings specifically, and the reason I want to talk about those, is because of these significant shifts in support levels that we saw. Board diversity in particular, it doubled in support the last year. So now it's hovering in the thirties, but previously, it was about a 14, 15% average shareholder support. So we're seeing large increases in support. We're seeing amendments to voting policies for institutional investors.

Zally Ahmadi:

We're seeing a lot of focus on diversity in general. EEO reporting as well, I think is one of the biggest pieces of news from proxy season last year was just that, EEO proposals, shareholder proposals, they're averaging around 53% support. Which is so high, especially for any environmental social proposals. Those proposals typically don't get as high support levels. So this is a really big deal at least in the shareholder proposal world. It's backed by a number of initiatives, letter writing campaigns, shareholder proposal campaigns. Again, investors want to talk about this stuff during engagement.

Zally Ahmadi:

So within the social realm, those two proposals are definitely making big waves. All of this falls under that bucket of human capital management. I know I keep saying this word, but really it's, some of the biggest news comes under that bucket. Just over the last couple of years, if we're talking proxy disclosures, the most... For ENS disclosures in the proxy statement, human capital management takes the number one spot in terms of what's changed over the past two years.

Zally Ahmadi:

If we're talking even just rule making petitions, Human Capital Management Coalition, it's a group of 25 institutional investors. They asked the SEC to adopt rules, requiring issuers to disclose info about their human capital. And then even for shareholder proposals, which is the focus of what I'm talking about here. Those proposals are remaining very strong at 2020. We anticipate that to continue for 2021. Topics that fall under this, it's employment diversity, it's EEO reporting, it's gender racial pay gap, sexual harassment proposal, gender identity, and sexual orientation discrimination. All of this, anything that relates to the management of your human capital. And of course, all of that has been amplified by the pandemic and its effect on the workforce.

Mary Mullany:

That's terrific. Thanks Zally, for talking about that. Jaryn, could you talk a little bit more about diversity as we shift to that? What you're seeing as the focus at companies?

Jaryn Fields:

As an initial matter, I guess we have to think about what diversity is and what it means. I think people define diversity differently. Whether you're thinking about gender diversity, racial or ethnic diversity, or diversity with respect to sexual orientation or identification. There's a broad term of diversity, and I think people tend to think about diversity differently. So I think we just have to keep that in mind when we're having the discussion. But I think the interest and the movement has been coming from different places. You've had the state of California, which essentially passed into law requirement that there has to be a certain number of, what they define as diverse board members, on public company boards that are organized in the state of California. Depending on the board size, that can be up to three people.

Jaryn Fields:

So that's going to phase, and then the next year or two, so that's a state sort of regulating the participants in the market of that particular state. You have NASDAQ who announced about, and I think December, a rule change that's going to require a certain level of disclosure around diversity and then just general for diversity with respect to any company that is listed on a NASDAQ exchange. Depending on the exchange, the requirements will be a little bit different, as well the phase in period. But again, now you have an exchange stepping in to signal the importance of diversity to them and to the market writ large.

Jaryn Fields:

As of yet, the SEC hasn't formally weighed in, but now that there's some turnover at the SEC, and the acting chair woman is, Allison Herren Lee. I think that some people tend to think and expect that the SEC may begin to formally implement some disclosure requirements with respect to human capital generally, but specifically with respect to diversity.

Jaryn Fields:

So, maybe not necessarily requirements for directors and board composition, but at least to disclose what information companies have and the demographics of their boards and employees. And then you have investors themselves. You have the activist investors who as I said are submitting shareholder proposals for data, or just increase board diversity generally. And then you have these, I guess, anti ESG investors, who I think in the diversity space are not saying outwardly, diversity is bad as much as asking people to think more broadly about what can constitute diversity. So often that can be diversity of thought or political orientation or what have you. But there certainly seems to be an increase in shareholder proposals, as I had already mentioned, sort of hitting on those topics.

Jaryn Fields:

And then you also have increased interest in diversity issues coming from ISS and Glass Lewis. Who again have weighed in on board diversity. I think ISS has, and I can talk about this a little bit later, but ISS has basically agreed to vote no, on Nominating & Governance Chair people when boards lack diversity. I think they've already been doing that when boards lack gender diversity. But now again they're making similar promises with respect to racial, ethnic diversity and Glass Lewis similarly, it didn't go quite as far. But definitely signaled that they are going to be looking very critically, at what companies are disclosing about diversity and what they're doing to promote diversity at the board level and among their workforces.

Mary Mullany:

I think you've raised an interesting topic about the SEC and their disclosure regime. We've all been living for years now with the added description of skills, qualifications, and experience of directors to try and show some of what's important to the company in individual board members. I have that new disclosure rules of the SEC that became effective in November, particularly regarding human capital. Have I raised, and generated a lot of debate and questions as companies start to grapple with that. I know we've put questions, in DNO questionnaires, regarding diversity topics that we hadn't had in there before. And it's interesting to see some of the discomfort with which individual folks are dealing with being asked questions that they perhaps don't don't feel are something that the company needs to know.

Mary Mullany:

So, I think there's on ESG disclosure generally and perhaps human capital, the SEC took a step with the November disclosure rules, but basically didn't do anything substantial yet on ESG disclosures generally. So, I do agree with you that I think that is the next step. Zally, can we talk a little bit about governance and some of the common proposals and outcomes for 2020 in the governance space?

Zally Ahmadi:

Yeah, that makes sense. The G in, here's G, I think to preface this, I'll just say that, the governance proposals, they're always in a little bit of a more black and white area versus the environmental and social ones. For governance, we more or less know, once you get a governance shareholder proposal, we know, for example, how ISS will likely recommend for or against this. How Glass Lewis will. How institutional investors will vote on this. And the proposal landscape as well, it really is dominated by, what some referred to is as retail gadflies. So these are the types of proponents we're dealing with. It's why a lot... Most of the governance proposals, they end up on ballots. There's not a lot of negotiation going on here.

Zally Ahmadi:

And that's why it becomes so important to really know how ISS, Glass Lewis, investors will vote for against these. That being said, there are a few topics that are really the darlings of the gadflies, that being written consent. Written consent, took the number one spot in terms of submissions. Also special meeting provisions, things like majority voting, reduce or eliminate super majority voting. And of course, requiring independent chair. A couple of notable events from last year, reducing or eliminating super majority voting, those proposals, those are averaging almost 80% support. So that's a pretty scary proposal for a company if they receive that. It's really hard to wiggle or negotiate out of that one. It will likely pass. A written consent and special meeting, those usually go hand in hand.

Zally Ahmadi:

Oftentimes investors, if you have one, they're okay with you not having the other. But those two proposals are in the top three there, and they're special meetings averaging in the forties, which is pretty high. Written consent in the thirties. And then, there's the requiring independent chair. A couple of those passed this last year, that was the biggest news with that proposal. It were only a couple, so it's not as though there's this big shift from investors to where they're not, suddenly not okay with the structure of combined chair, CEO along with lead independent director.

Zally Ahmadi:

But there are at least two investors that we did see flip their positions, where they traditionally voted against this proposal. They're now voting for all of these proposals. So just something to keep in mind, those traditional governance issues that may feel a little bit passe, now that ENS issues are coming to the forefront. Those issues are still really important for investors, and a lot of their viewpoints on those are a little bit more black and white there. So, just important to keep in mind what your governance profile looks like.

Mary Mullany:

And I think from my experience, this is what these governance proposals is where shareholder proposals really started to show a success. They managed to be the driver for proxy access and destaggering of boards and things that we all pretty much take for granted now. So, it's an interesting view if you look long-term that maybe we're seeing the infancy of some of the other proposals.

Zally Ahmadi:

And those governance topics, they're incredibly successful. You mentioned proxy access and destaggering of the board. There's a reason those aren't in the top three, four, five, six proposals anymore for governance. And it's because the majority of S&P have already gotten rid of their staggered boards. Majority have already adopted proxy access. And those are due to incredibly successful shareholder proposal campaigns. In addition to of course, shareholder engagement and that usual routes have changed, but governance proposals, definitely something to still keep an eye on. Just understanding governance risks, there is very important, in addition to the burgeoning ENS issues.

Mary Mullany:

So why don't we wrap up this discussion Jaryn, with the asking you to talk a little bit more, as you said you would on the proxy advisor firms and what they're saying in this area.

Jaryn Fields:

And so, I guess as a corollary to that, as I think you touched on Mary, I think we might be at that stage where these proposals now that are slowly gaining support with respect to diversity issues and some climate change matters, perhaps 10, 15 years from now, we might be in a place where it's just a foregone conclusion, that couple of companies have a certain level of board diversity or have made certain commitments about climate change. So I think it really will be interesting to see how the landscape shifts such that we may be in a place where we are just taking those things for granted, while right now they seem to be pretty contentious topics. But I think at least in the near term, the proxy advisory firms have certainly weighed in on ESG.



Jaryn Fields:

And I think have made clear that ESG will be at their forefront certainly next year, and probably indefinitely until things significantly change. As I mentioned, ISS in the forthcoming year has agreed for the largest cap companies to flag in their reports. The companies that have no apparent racial or ethnic diversity. So they do note the word of apparent, so query whether a company may want to proactively disclose the racial or ethnic diversity of their board members, if it's not obvious. Be it putting pictures up on their websites or adding disclosure in their exchange act filings. I think for a few years they've been recommending against nominating chairs of all male boards as I mentioned, but they've recently announced that beginning in, I think 2022, they will do the same where the board lacks racial diversity as well.

Jaryn Fields:

And so similarly Glass Lewis has again weighed in on the importance of ESG. I think for the forthcoming year, they already again have had a long standing or fairly long standing policy of generally voting against Nominating & Governance Chairs of all male boards where there's no female directors. But they've recently announced that for this year, they'll also notice and concern boards where there's only one female director. So, a signal that the slow incremental change to just check the box might not be enough for firms like Glass Lewis. And so additionally this year, they've announced that they're beginning in 2022. I'm going to recommend no votes for Nominating & Governance Chairs of boards with less than two female directors. So again, you see them trying to really push companies to act swiftly with respect to gender diversity on boards.

Jaryn Fields:

And then similarly with respect to ethnic diversity, Glass Lewis announced that they're going to begin to analyze, just an overall assessment of company's disclosure with respect to ethnic diversity. So, that's reviewing their proxy materials, their filings as well as other information that companies are putting out there. As well as kind of how... They're thinking about these topics. So what are companies thinking about when they think about diversity? Is a diversity of skill or experience? They're thinking about what factors companies are looking at and evaluating those as well. And so that's going to be in Glass Lewis' estimation, sort of a factor in their recommendations. But unlike ISS, they've not made a blanket promise to recommend one way or another if certain metrics aren't met. And BlackRock and Vanguard too have spoken out recently and their reports for the forthcoming year about the importance of this topic.

Jaryn Fields:

They're again asking increasing disclosures. Asking for information for them to make value judgments about what companies are doing with respect to diversity. But like Glass Lewis, neither Vanguard or BlackRock have made firm commitments one way or another, about how they will recommend votes for companies that may fall short of the guidelines that they've laid forth in the forthcoming year. And they get something interesting to evaluate as the year unfolds. Obviously, as shareholder proposals roll in, it'll be interesting to see how companies address them and what the major proxy advisory firms and investors have to say for 2022.

Mary Mullany:

Terrific. Well, Zally and Jaryn, thank you so much for joining me on this topic. It's been a terrific discussion. Thank you.

Zally Ahmadi:

Thanks for having us.

Jaryn Fields:

Thanks.

John Wright:

Thanks again to Mary Mullany and Jaryn Fields and their guest, Zally Ahmadi. Make sure to visit our website, [www.ballardspahr.com](http://www.ballardspahr.com), where you can find the latest news and guidance from our attorneys. Subscribe to the show in Apple Podcasts, Google Play, Spotify, for your favorite podcast platform. If you have any questions or suggestions for the show, please email [podcast@ballardspahr.com](mailto:podcast@ballardspahr.com). Stay tuned for a new episode coming soon. Thank you for listening.