



# INVESTING FOR THE NEXT GENERATION

## A World That Works for Everyone

The ultimate goal of engagement is to encourage action on matters that are important to investors. AJF's engagement style is collaborative, we work with fund companies and shareholder advocacy groups to push our agenda for material ESG issues, but we may choose to divest from a company if progress cannot be achieved by engaging management on material issues.

While the companies we invest in are sustainable in their processes there is still yet a long journey for them ahead. Companies like Apple, Amazon, and Alphabet that are constantly growing and expanding experience challenges on their environmental, social, and governance policies that sometimes have an effect on the value of the company. As part of our effort, we report on the companies that have made headway in their efforts to better processes:

**Sterling Capital:** As reported in Q1 2021's engagement letter, AJF Financial had a call discussing Sterling Capital's "Common Sense" ESG Approach, in the discussion was Conoco Phillips, a holding in the Equity Income Fund. AJF Financial inquired about an \$11.5m environmental violation fine in which Sterling Capital was not aware of because it did not trigger a certain percentage of the bottom line. It became alarming that the only consideration Sterling Capital focused on was the effect in which fines had on the bottom line of a company. AJF Financial determined that engaging Sterling about their ESG approach was the appropriate course of action advocating for our client's best interests. We have since written an article asking Sterling's representative and portfolio manager for comment.

Update: We organized a conference call with Sterling's head ESG officer after we've engaged them with our letter. We are delighted to be notified that Sterling is no longer invested in Conoco Phillips. In addition portfolio managers and analysts for Sterling Capital were enrolled or have received their ESG certificates from the UK CFA Institute. Lastly, Sterling Capital is reviewing all its processes to make real substantive changes to become a more sustainable asset management firm. Sterling Capital is approximately a \$60B fund and without your investment, the change AJF Financial has pushed for would never occur.

**Amazon:** Shareholders of Amazon.com, Inc. ("Amazon") request that the Board of Directors commission a racial equity audit analyzing Amazon's impacts on civil rights, equity, diversity and inclusion, and the impacts of those issues on Amazon's business. The audit may, at the board's discretion, be conducted by an independent third party with input from civil rights organizations, employees, communities in which Amazon operates, and other stakeholders. A report on the audit, prepared at a reasonable cost and omitting confidential or proprietary information, should be publicly disclosed on Amazon's website.

In May 2020, Amazon tweeted its solidarity with the fight against systemic racism.<sup>1</sup> But some of Amazon's actions have been criticized as inconsistent with that pledge:

- After a Black warehouse worker led a walkout over safety concerns, he was fired and subsequently described by Amazon's General Counsel as "not smart or articulate." The employee has since filed a lawsuit alleging discrimination against Black and Latino workers.

- Amazon's disproportionately Black and Latino warehouse workers are paid low wages and exposed to dangerous working conditions, including exposure to COVID19. Amazon has also been criticized by employees, lawmakers, and regulators for biased promotion practices, discriminatory employee surveillance, and hiding workplace injury rates.

- Amazon's fulfillment and distribution facilities, and the air pollution they cause, are disproportionately located in nonwhite neighborhoods.

- A class action lawsuit has been filed by employees alleging Whole Foods punished employees for wearing Black Lives Matter masks on the job.

This engagement is currently open and we continue to track its progress.

**Tesla:** Tesla manufactures and sells electric vehicles (EVs) and energy generation and storage systems. Tesla faced human rights and labor rights risks in its operations and value chain. Investors were unable to determine how Tesla is meeting its responsibility to respect human rights.

On its labor rights issue, Tesla was criticized for using cobalt in its batteries, which the sourcing of cobalt is known to involve child labor. In 2020, EV manufacturers, led by Tesla, are transitioning away from their reliance on cobalt and establishing stricter standards on labor in their supply chain.

Working conditions and high injury rates in Tesla's factories have also been under high scrutiny because it may violate the human right to safe and healthy working conditions. From 2014 to 2018, Tesla's Fremont, CA plant had three times as many Occupational Safety and Health Administration (OSHA) violations as 10 major U.S. auto plants combined, resulting in fines and worker protests. As a result, Tesla has stated that it will develop a more

robust Rights Act. We are providing a meaningful remedy when adverse human rights impacts occur as well as develop board oversight of human rights.

**Walmart:** Shareholders request that the Board of directors prepare a report, at reasonable expense and omitting proprietary information, on the Company's plan to address the gender and racial pay gap within its workforce. At a minimum, the report should include Relevant details about the Company's strategy, programs, and policies planned or in place; Assessment of program effectiveness, through the disclosure of the median pay gap between employees from historically equity-seeking groups, and other relevant metrics.

Resolved: In June 2020 Walmart has released a report addressing culture, diversity, and inclusion, they continuously work on including better metrics and reporting measures. We await their 2021 report to see whether or not they include the median pay gap data.

## This Quarter in Stakeholder Capitalism:

**Walmart** gives pay raises and bonuses to warehouse workers in an effort to hold on to workers ahead of the holiday season. They have also announced that they will pay 100% of college tuition and books for associates, whether they are full or part-time.

**Starbucks** is raising its minimum wage to at least \$12 an hour for all U.S. stores in October, and up to or above \$15 in some markets.

**Amazon** is opening investigations into its cloud-computing unit after an internal petition was signed by hundreds of employees claiming the division has a culture of discrimination and harassment.

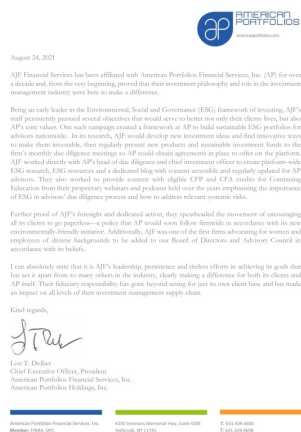
**Chipotle** posts its most profitable quarter since 2015 after recently raising wages for its employees.

**Amazon, Pepsi, Apple, Google, and Starbucks** are some of the 150 companies calling on Congress to expand the Voting Rights Act.

**Microsoft** is giving employees a \$1500 bonus worldwide for their work through the pandemic.

**Salesforce** announces its first sustainability bond at \$1 billion.

## What's Happening at AJF



AJF Financial was recognized by Lon Dolber, CEO of American Portfolios. In his letter of recognition, Lon states, “AJF Financial Services has been affiliated with American Portfolios Financial Services, Inc. (AP) for over a decade and, from the very beginning, proved that their investment philosophy and role in the investment management industry were here to make a difference. Please click [here](#) to read more.

AJF Financial has brought on Matthew Klein as a Financial Advisor. Matthew is a CERTIFIED FINANCIAL PLANNER™ professional helping guide his clients through goals focused financial planning process with an emphasis on Sustainable Investing. Matthew specializes in taking a holistic approach to family's legacy planning, ensuring values transfer to the next generation while making a lasting impact for generations to come. Matthew also works with Small Businesses and Non-Profits covering everything from retirement plans to asset management and charitable giving strategies. Everything we do makes an impact; the question is what do you want your investment impact to be?

Matthew is a graduate of Baruch College with a major in Finance and a minor in Economics. He has also earned the Chartered Retirement Planning Counselor® and Chartered SRI Counselor™ designations. The SRI stands for Sustainable Responsible Investing and he truly believes that incorporating ESG into investment strategies will create a better and more profitable future. Matthew also has a Master of Science in Personal Financial Planning from the College for Financial Planning.



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If you have any questions or concerns please contact our Shareholder Advocate Holly Nahar  
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