

The objective of engagement is to motivate investors to act on significant matters. At AJF, we adopt a collaborative approach to engagement by partnering with fund companies and shareholder advocacy groups to advance the processes of companies on material, non-financial issues for the benefit of all stakeholders, including as advocates for our client's stated values. However, if progress cannot be achieved by engaging management on material issues, we may opt to divest from a company. Although the companies we invest in employ sustainable processes, they still have a long way to go. Even large companies like Apple, Amazon, and Alphabet, which are constantly growing and expanding, encounter challenges with their environmental, social, and governance policies that can sometimes impact the company's value. As part of our efforts, we track and report on companies that have made progress in improving their processes. We also report on companies that face controversies and our efforts to engage with them.

NVIDIA: In 2020, Nvidia was named in a lawsuit alleging that it used forced labor in the production of its graphics processing units (GPUs) in China. The lawsuit was filed by the Fair Labor Association (FLA), a non-profit organization that promotes ethical labor practices.

The FLA's investigation found that Nvidia's suppliers used Uyghur Muslims, a minority group in China, to work in factories under harsh conditions. The workers were reportedly subjected to long hours, low pay, and restricted movement.

The FLA called on Nvidia to investigate the allegations and to take steps to ensure that its suppliers do not use forced labor. Nvidia initially denied the allegations, but the company later announced that it was investigating the matter.

In July 2023, Nvidia announced that it had found no evidence that its suppliers used forced labor to produce the company's GPUs. The company said that it had conducted a thorough investigation and that it had interviewed workers at the factories in question.

However, the FLA has said that it is not satisfied with Nvidia's findings. The FLA said that it believes that Nvidia's investigation was not thorough enough and that the company has not done enough to prevent forced labor in its supply chain.

The FLA has called on Nvidia to take the following steps:

- Release the full findings of its investigation into forced labor in its supply chain.
- Require its suppliers to disclose their labor practices.
- Provide independent monitors access to its suppliers' factories.
- Work with the FLA to develop a plan to prevent forced labor in its supply chain.

In light, shareholders have submitted proposals asking Nvidia to improve its reporting on suppliers. The proposals are below:

Proposal 1: This proposal asks shareholders to vote on whether to require Nvidia to disclose more information about its labor practices. The proposal specifically asks Nvidia to disclose the following information:

- The names and locations of all of its suppliers.
- The labor practices of all of its suppliers.
- The steps that Nvidia is taking to prevent forced labor in its supply chain.

Proposal 2: This proposal asks shareholders to vote on whether to require Nvidia to establish a third-party monitoring program to assess its suppliers' labor practices. The proposal specifically asks Nvidia to establish a program that would:

- Conduct independent audits of its suppliers' factories.
- Interview workers at its suppliers' factories.
- Report its findings to the public.

We have yet to see whether this proposal will be successful, but Nvidia has responded by stating it will consider the proposal and provide an update on their decision. It is clear; however, shareholders are concerned about Nvidia's labor practices, and the company will need to consider shareholder concerns if it wants to remain in good faith with its shareholders. AJF will continue to support these proposals and report on any changes to our clients.

TESLA: Shareholders request Tesla issue a report describing how it plans to eradicate child labor and forced labor from its supply chain by 2025. The proposal also asks Tesla to introduce more supply chain transparency.

The proposal was filed on May 12, 2023, and Tesla responded to the proposal by saying that it is committed to ethical labor practices and that it has a number of policies in place to prevent child labor and forced labor in its supply chain. The company also said that it is working to improve its transparency and accountability.

However, the shareholder groups remain concerned about Tesla's human rights record. They believe that the company needs to take more concrete steps to address the issue of child labor and forced labor in its supply chain.

The proposal was voted on at Tesla's annual shareholder meeting on June 14, 2023. The proposal received 38.6% support from shareholders. This is a significant increase from the 2022 shareholder proposal, which received 22.2% support.

The 2023 shareholder proposal is a sign that shareholders are becoming increasingly concerned about child labor and forced labor in Tesla's supply chain. Tesla will need to continue to address

these concerns if it wants to maintain the support of its shareholders. AJF is following this proposal and will report on any changes and engagement.

UBER: Shareholders request Uber to adopt a policy on human rights due diligence by:

- Adopt a policy that will require the company to assess and mitigate the human rights risks associated with its operations. This includes assessing the risks of human rights abuses in its supply chain, as well as the risks of human rights abuses by its employees, customers, and partners.
- Make the policy publicly available. This will allow shareholders and other stakeholders to understand Uber's approach to human rights due diligence.
- Report on its progress in implementing the policy. This will allow shareholders and other stakeholders to track Uber's progress in addressing human rights risks.

The proposal failed to pass at Uber's annual shareholder meeting in 2022 and is making its way back on the ballot in 2023.

The proposal to require Uber to adopt a policy on human rights due diligence is gaining support from other shareholder groups. In May 2023, a group of shareholders filed a similar proposal with Airbnb. The proposal was approved by Airbnb's shareholders at the company's annual shareholder meeting.

The proposal to require Uber to adopt a policy on human rights due diligence is a sign that shareholders are increasingly concerned about the company's human rights record. Uber will need to address these concerns if it wants to maintain the support of its shareholders.

This Quarter in ESG News

Why ESG Should be Embedded in Banks: Discusses the ways in which ESG is transforming the banking sector. It argues that ESG is becoming increasingly important to banks, as they are under pressure from investors, regulators, and customers to adopt more sustainable practices.

ESG Investing Hits record \$41 Trillion: According to a report by Morningstar, ESG investing reached a record \$41 trillion in assets under management in 2022. This represents an increase of 34% from 2021.

California passes law requiring ESG disclosures: California passed a law in June 2023 that requires publicly traded companies to disclose their ESG performance. The law is the first of its kind in the United States. The law requires companies to disclose information about their greenhouse gas emissions, water use, and other ESG factors.

Shareholder Advocacy Groups AJF Capital has joined:

These platforms give us the power to encourage proxy voting that are aligned with shareholders values, sign on letters that support transformation for corporate policies through shareholder resolutions and pledging our assets alongside other organizations that direct dialogue with companies we own.

- The Forum of Sustainable and Responsible Investment (US SIF)
- Interfaith Center of Corporate Responsibility (ICCR)
- CERES
- Principle for Responsible Investment (PRI)
- As You Sow