

DECATUR ESG IMPACT REPORT

GLOBAL PROXY TRENDS Environmental, Social, & Governance Impacts

Labor Unions and Labor Capital

Labor unions participate in defined benefit pensions plans that total approximately \$4 trillion.¹ The

.... LABOR PENSIONS ARE A SOURCE OF
POWER FOR LABOR UNIONS

primary responsibility of labor unions overseeing these pension plans is to serve as long term shareholders assisting their members to save for retirement. Therefore, these pension assets should be used for the benefit of these labor union members and their families. We will refer to these pension assets as labor capital. Labor capital can serve as a significant source of power for the labor unions through the investment in corporations, hedge funds, and private equity.

Power of Labor Capital

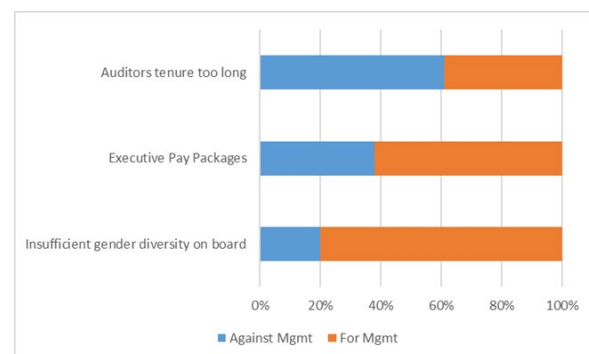
Similar to the collective power for workers' rights, labor capital represents the collective voice of the labor members. How can labor capital positively impact the union membership? The first and primary objective is to provide retirement benefits. The second objective, labor capital can improve the union members and their families ability to earn income by supporting the living wage initiatives and

reducing income inequality. The third objective, labor capital can promote the long term financial health that benefits union members and society. To fulfill these objectives, labor capital can implement two strategies, proxy voting and firm engagement.

Proxy Voting

As shareholders in corporations across the globe, labor capital has the opportunity to vote each share owned at the corporation's annual meeting. The collective voting of shares can have an impact on corporate decisions.

Chart 1: Key Proxy Votes



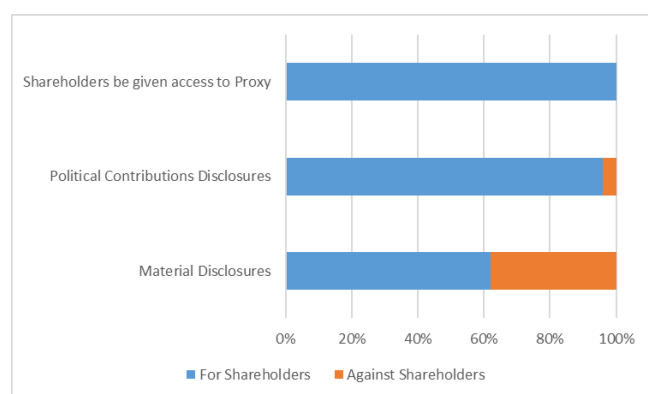
Source: Decatur Capital Management Proxy Votes, July 2018-June 2019

At Decatur Capital Management (Decatur), we vote our clients' shares or proxies to promote long term investment performance. Shareholders can hold corporate management accountable through prudent proxy voting. There are times when

shareholders vote against management. During the period of July 2018-June 2019, we voted against management approximately 22% of the time. Chart 1 shows three of the issues that we voted against management. One of the issues is CEO or executive pay packages due to its impact on income inequality. Corporations report in their annual meetings, the CEO pay package and report the ratio of CEO pay to the average firms' employee pay. We believe that a more equitable pay for all employees will benefit employees, raise the living wage, and promote long term financial performance.

Also, we supported many of the shareholders resolutions. Shareholders with \$2,000 worth of the firm's shares can request a resolution be voted on by all of the shareholders.

Chart 2: Shareholders Resolutions



Source: Decatur – Shareholders Resolutions July 2018-June 2019

Chart 2 shows the shareholders resolutions that we supported. One of the primary issues is that we want to protect is shareholder rights to access the proxy through resolutions. In addition, we believe informing shareholders of important matters such as corporate political spending and other material disclosures impacts prudent investment decisions.

Firm Engagement

Labor capital can contact corporations and ask questions on how they are running their operations. This type of engagement can have positive effect on corporations long term financial performance. Decatur is a signatory to the Principles of Responsible Investment (PRI), an United Nations supported organization. Through collaborations with other signatories, Decatur's impact, on behalf of our clients, is increased. These collaborations are similar to the labor union bargaining power. A recent collaboration is aimed at improving the long term financial performance of firms, such as Apple (AAPL). Apple uses cobalt in the production of batteries for their devices such as the iPhone. The primary mineral used to make batteries is cobalt. Cobalt is sourced from the mines in the Democratic Republic of Congo (DRC). The DRC has had several international labor violations to include child labor violations. We, along with other investors, have engaged Apple to improve its oversight of their sourcing of cobalt which will result in improve labor conditions in DRC. The objective is to improve Apple's supply chain that supports the firm's profitability. In addition, this engagement will improve labor practices in the mines of DRC.

We believe that labor capital can positively impact the future of labor unions and society through prudent investment, proxy voting, and firm engagement.

¹ Webber, David. Reforming Pensions While Retaining Shareholder Voice. *Boston Univ. Law Review*, Vol.99:1001. May 2019.

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