

ESG Voting Policy Overlay

2025 Annual Report



A holistic approach to active ownership that supports voting alignment to robust ESG principles, ESG research, engagement efforts and shared investor concern.

Table of Contents

Year in Review	1
ESG Voting Policy Overlay 2025 Year End Report.	7
Voting Insights and Recommendations	9
Vote Recommendation: BJ's Wholesale Club Holdings, Inc. – GHG Reduction Efforts	11
Vote Recommendation: Premium Brands Holdings Corp. – (Bundled Proposals) Adopt a Director Overboarding Policy and Disclose Percentage of Pork Produced Using Group Sow Housing	12
Vote Recommendation: Spirit AeroSystems Holdings, Inc. – Political Contributions and Expenditures	13
Proxy Season Highlights	14
Investor Pressure Mounts on Big Tech: Data Center Emissions Put Climate Targets to the Test.	14
Shareholders Push for Further Transparency of Vote Outcomes at Airbnb, Meta Platforms and Tyson Foods .16	
Executive Compensation in the Spotlight: Lessons from Recent Shareholder Dissent.	18
Voting on Swiss Sustainability Reports: Insights from 2025.	20
A Look at the No-Action Process Over Recent Years	22
ExxonMobil's New "Retail Voting" Program	23
Update on ESG Voting Policy Overlay Coverage	24
Endnotes	25
About Morningstar Sustainalytics and Contacts	26

This report summarizes the shareholder engagement activities that Morningstar Sustainalytics performed between January and December 2025. If there is no specific reference to date in graphs and tables, the data is presented as per end of the reporting period. Due to periodic quality reviews throughout the year, small discrepancies between cumulative quarter and annual statistics may occur. The report has been produced in January 2026 and uses data for the year ending 31 December 2025. Version 1 was disseminated on 19 January 2026. Use of and access to this information is limited to clients of Morningstar Sustainalytics and is subject to Morningstar Sustainalytics legal terms and conditions.

Year in Review



Angela Flaemrich

Director, Stewardship
ESG Voting Policy Overlay and
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2025 was a dynamic year for proxy voting and stewardship, shaped by intensifying legal, regulatory, and market pressures. Political pushbacks against ESG, high-profile proxy contests, and evolving disclosure standards created a challenging environment where clarity and defensibility in voting policies became paramount for institutional investors. In the US, heightened scrutiny of proxy advisory services – through state-level actions and federal initiatives – raised fundamental questions about the role of advisors and the integration of sustainability factors in voting analysis.

Our service remains anchored in widely recognized international norms, translated into a transparent, decision-useful proxy voting framework. Throughout the year, the team applied this framework consistently in line with client mandates, fiduciary obligations, and regulatory expectations, while closely monitoring legal developments. In response to US regulatory developments, the ESG Voting Policy Overlay formalized distinct US and Global voting policies early in 2025 – preserving alignment with international standards while enhancing jurisdiction-specific clarity and regulatory defensibility.

Globally, efforts to harmonize sustainability reporting standards advanced from aspiration to more practical interoperability, even as the EU moved to scale back disclosure requirements. The final Omnibus I package approved by the EU parliament in December 2025 eases ESG rules by raising company size thresholds and significantly reducing reporting scope, obligations and due diligence, while proposed Sustainable Finance Disclosure Regulation (SFDR) amendments aim to simplify disclosures and introduce clearer, voluntary product categories. However, we note that interoperability is now increasingly treated as a systemic priority, with European Sustainability Reporting Standards (ESRS) simplification explicitly assessed for alignment – a notable shift from past years when mapping came only after standards were finalized. Aligned sustainability standards not only enable consistent ESG reporting for investors but also establish a common language for stewardship.

Against this backdrop, we provide below a detailed multi-year analysis of shareholder-sponsored environmental, social and governance resolutions voted in the US, offering a lens through which to track investor sentiment across the spectrum of sustainability issues.

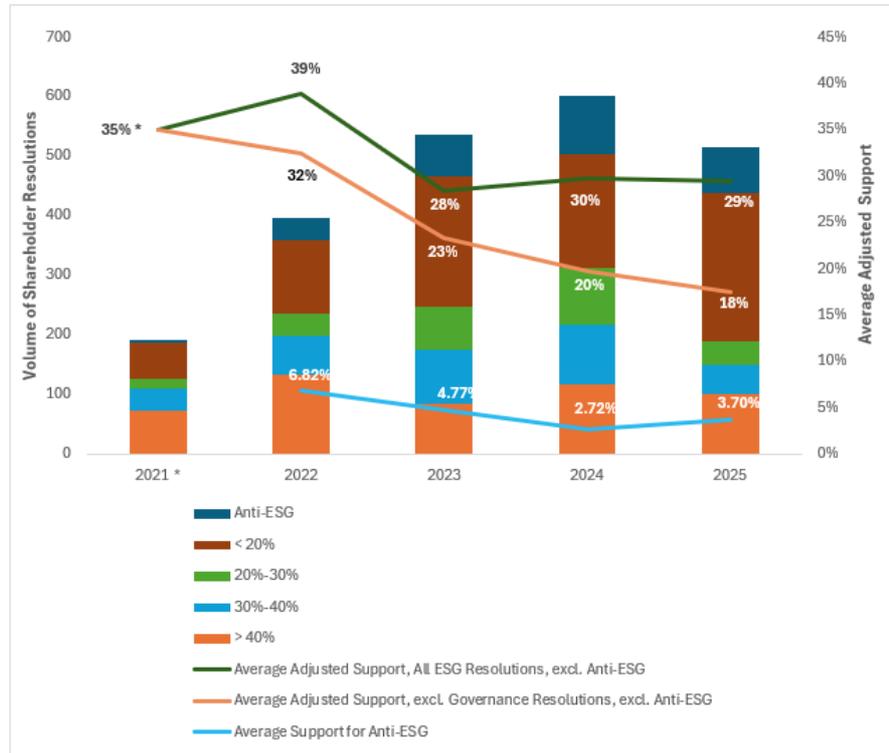
Global Sustainability Engagement Evolves: US Declines Offset by Rising Global Activity

Each year, we examine investor sustainability priorities through the lens of environmental, social and governance shareholders resolutions. The majority of these are voted on at US companies.

The number of sustainability-focused shareholder resolutions coming to vote globally in 2025 fell 13% year-over-year (YoY) due to a sharp 24% decline in numbers voted at US companies. This was partially offset by an increase in the number of shareholder resolutions filed at Australian (up 63% YoY), Japanese (up 19% YoY) and Canadian (up 10% YoY) companies. Numbers filed at European (including UK) companies were comparable to last year. While US trends make headlines, significant rising activity in Japan, Canada and Australia suggests that investor focus on sustainability is quietly becoming more globally distributed.

Voting for shareholder resolutions addressing environmental and social (E&S) issues on US company proxy ballots declined in 2025 to an average 18% non-affiliated shareholder support. The number of "anti-ESG" resolutions retreated to 79% of last year's peak. Part of the drop in average support for E&S issues on proxy ballots was driven by "anti-ESG" resolutions that received very low support, but there has also been declining support for resolutions filed by proponents seeking to advance the sustainability agenda.

Figure 1 Five-year trend: environmental, social and governance (ESG) shareholder resolutions voted at US companies.



Source: Morningstar Sustainalytics' ESG Voting Policy Overlay. Data as of 31 December 2025.

*2021 data does not include Governance of Anti-ESG resolutions.

A Year of Divergence: How Shareholders Re-Prioritized ESG Issues in the US

Across ten major sustainability themes, non-affiliated shareholder support on US company proxy ballots appeared to diverge across different topics. Support for climate-related shareholder resolutions reflected US regulatory and legislation developments, declining sharply to 11% in 2025 from 22% in 2024. Climate-focused resolutions were also more subdued (in terms of both numbers and specific asks) and focused on getting companies to report emissions numbers at operational and portfolio levels.

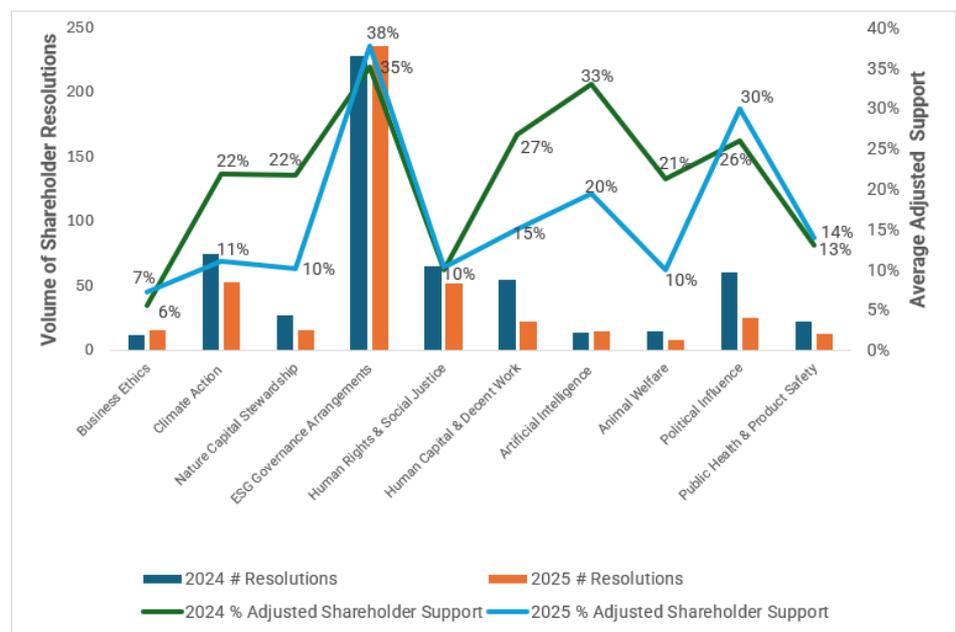
We note in an article below how climate and artificial intelligence (AI)-related topics are converging this year, with proponents seeking clarity from companies such as Meta, Alphabet and Amazon on how they intend to reconcile their climate commitments with the rising electricity demand from AI and cloud computing. We also highlight the Energy Supply Ratio (ESR) profiled in our 2025 Mid-year Report,¹ which in its second year has emerged as a potential industry benchmark for assessing banks' climate alignment.

Support for human capital-related topics plummeted to 15% in 2025 from 27% in 2024, following US executive action earlier in the year. DEI-related topics were mostly absent from 2025 proxies, while in previous seasons these resolutions attracted among the strongest support from shareholders. We profiled this important topic in our 2025 Mid-year Report.

Support for nature capital stewardship-related resolutions declined to 10% from 22%, which partly reflects lower support for plastic reduction resolutions, which were more technical this year, as well as the overall decline across E&S topics.

The responsible governance of artificial intelligence continues to draw investor attention, with 15 resolutions filed in the US receiving an average of 20% non-affiliated shareholder support in 2025. Although support for this topic remains well above that for most other E&S topics, it too recorded a decline from 2024 levels. This shift likely reflects the broader scope of resolutions: this year's proposals address misalignments between climate commitments and AI-driven data center expansion and call for board-level expertise to oversee AI as a distinct risk. They continue to raise human-impact issues of AI-driven systems in advertising and content moderation.

Figure 2 Sustainability themes on US proxy ballots (2025 vs 2024).



Source: Morningstar Sustainalytics' ESG Voting Policy Overlay. Data as of 31 December 2025.

Governance Reclaims Centre Stage

The silver lining is that energy and focus appear to be redirecting to worthy governance topics, which continue to experience much stronger support than E&S topics. After steadily declining for several years, the number of submissions on governance topics rebounded in 2024 and made further gains in 2025, increasing by 9% YoY.

Support diverged between two broad governance categories; resolutions focusing on shareholder rights dominated the governance space narrative in 2025, with the number of filings increasing 51% YoY and significant average non-affiliated shareholder support levels of 49%, while for board accountability and executive compensation resolutions, there was a 13% YoY decrease in the number of resolutions filed with average adjusted support of 36%.

Regarding shareholder rights, the adoption of simple majority voting, special meeting provisions, and shareholders' written consent rights were the most frequently proposed governance reforms, underscoring investors' persistent focus on enhancing shareholder influence and accountability within corporate decision making. The three sub-topics combined had an average of 46% adjusted support. Requests to either collapse dual class share structures or disaggregate vote results based on share class secured similar strong support, with six proposals receiving 59% adjusted support. Dual class share structures present perhaps the most direct obstacle to the exercise of shareholder voting rights and have a very real impact on voting outcomes. We profile this issue in an article below focusing on Airbnb, Meta Platforms and Tyson Foods.

Regarding board accountability and executive compensation resolutions, we highlight that board declassification resolutions garnered the strongest shareholder support, with overwhelming average adjusted support of 90% across 14 proposals. This level of support underscores the continued prominence of board structure as a governance consideration for shareholders, particularly amid evolving regulatory discussions related to shareholder engagement and disclosure.

Corporate governance resolutions that called for greater transparency on political and lobbying spending and activities enjoyed evergreen shareholder support, with 25 resolutions receiving an average 30% support in 2025. Our case study below on Spirit AeroSystems Holdings, Inc. highlights this topic.

There continues to be a high number of executive compensation-related resolutions (52 cases), with average adjusted support remaining stable YoY at 17%. Shareholder scrutiny of executive compensation intensified noticeably between 2024 and 2025, which we discuss in an article below, *Executive Compensation in the Spotlight: Lessons from Recent Shareholder Dissent*.

Figure 3 Governance Topics and Support Levels on US Proxy Ballots (2025 vs 2024).

	2024		2025	
	Volume of Shareholder Resolutions	Avg. Adjusted Support (%)	Volume of Shareholder Resolutions	Avg. Adjusted Support (%)
Board Accountability & Executive Compensation	139	27%	121	36%
Board Declassification	6	65%	14	90%
Board Diversity	2	42%	1	49%
Board Structure & Composition	13	4%	5	23%
Director Election Majority Vote / Resignation Policy	19	18%	14	22%
Executive Compensation	44	16%	52	17%
Independent Board Chair	38	32%	27	34%
Governance – Other	17	8%	8	17%
Shareholder Rights	73	56%	110	49%
Dual Class Shares - Disclose / Collapse	6	68%	6	59%
Eliminate Supermajority Voting	40	72%	30	75%
Shareholder Written Consent Rights	6	37%	11	29%
Special Meeting Rights	21	47%	63	34%
Total	212	41%	231	43%

Other Regional Highlights

Japan: While most of the shareholder resolutions voted at Japanese companies fall outside the remit of our voting policy, in 2025 the number of sustainability-linked shareholder resolutions voted increased 19% to 138 resolutions, reaching a new record. Increasingly, resolutions came to vote at companies other than electric power utilities that have traditionally been the target of regular nuclear safety resolutions (46% of total resolutions filed). Financial services (22%) and telecommunication services (6%) also received significant attention, with the remainder being filed across an increasingly diverse set of industries. For a detailed analysis of corporate governance, remuneration structures and executive remuneration disclosures, please refer to our 2025 Mid-year Report.

Canada: The number of sustainability-focused shareholder resolutions filed at Canadian companies increased 6% YoY to 103 resolutions. Like previous years, resolutions filed at financial services companies such as banks and insurance companies represented the majority of resolutions. Shareholder support averaged 15% support (vs. 14% in 2024).

Switzerland: Swiss-listed companies' second year of mandatory sustainability-report votes revealed high overall support but rising investor scrutiny, with increased opposition driven largely by gaps in external assurance, scope 3 emissions reporting, and SBTi aligned climate targets, signaling growing expectations for more robust transition planning in 2026. For details, see our article below, *Voting on Swiss Sustainability Reports: Insights from 2025*.

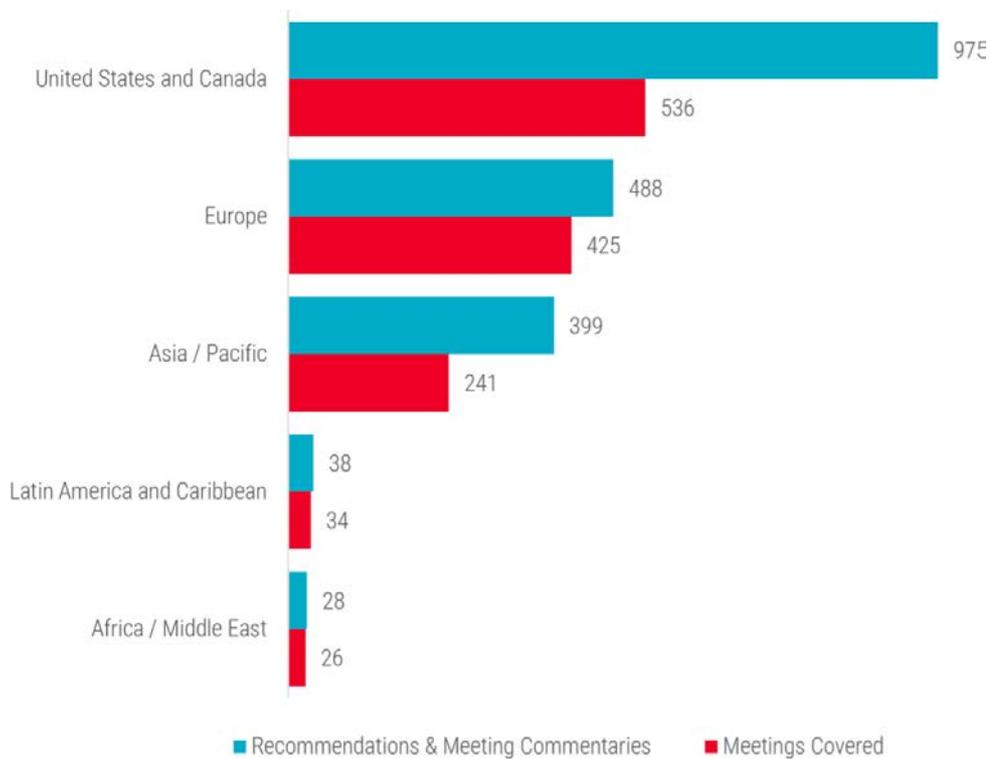
Looking Ahead to 2026

We believe these trends will shape proxy voting in the coming year:

- We expect greater polarization between global and US approaches. The US political direction will likely continue to diverge further from Europe's regulatory harmonization.
- We expect to see a far more uncertain and contentious proxy landscape, as the US SEC's major overhaul of the no action process – shifting from expanded relief under SLB 14M to the late 2025 halt on most no action responses – results in more uncertainty around which shareholder proposals reach the ballot. In the absence of formal SEC guidance, companies must decide what reaches the ballot and may face future litigation over exclusions. Please see our article below, *A look at the No-Action Process Over Recent Years*.
- We believe investors will continue shifting their focus to corporate governance, with continued strong support for shareholder voting rights.
- Boards should prepare for greater scrutiny of compensation practices, particularly pay-for-performance alignment and use of one-off special awards, and how they underpin sustainability aspects of corporate strategy.
- We broadly expect more proposals related to AI in 2026.

ESG Voting Policy Overlay 2025 Year End Report

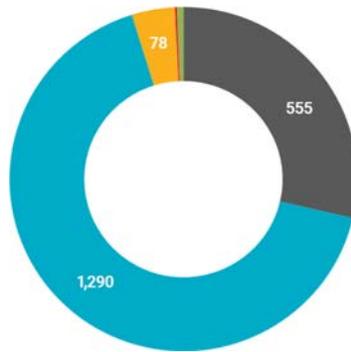
During 2025, we covered 1,270 meetings across 48 markets, up from 1,109 shareholder meetings in 2024. We delivered 1,383 vote recommendations, up 4% from 1,331 vote recommendations in 2024, and delivered 555 meeting commentaries for issuers with ongoing engagement through our stewardship services. This represents a 15% increase in the total number of meetings covered and a 5% increase in activity, compared to 2024.



The largest share of our vote recommendations covered North American companies' shareholder meetings. Of the 1,270 meetings on which we offered one or more vote recommendations and/or meeting commentaries in 2025, 536 (43%) were at US and Canadian companies, with the remaining meeting coverage being split across European (33%), Asia-Pacific companies (19%), Latin American and Caribbean companies (3%), and African/Middle Eastern companies (3%).

ESG Voting Policy Overlay 2025 Year End Report

- Meeting Commentary (555)
- Sustainability (1,290)
- Climate Governance (78)
- Engagement Escalation (12)
- Research Triggered (3)
- Controversy Signal (0)



Triggers for Vote Recommendations

Vote recommendations can be triggered by five categories of signals.

Sustainability	ESG-related resolutions
Engagement Escalation	Poor performance in engagements
Climate Governance	Misalignment between executive performance metrics and decarbonization targets
Research	Poor performance in climate, human rights, diversity, biodiversity, and circular economy
Meeting Commentary	All companies with which Morningstar Sustainalytics Stewardship Services is actively engaging
Controversy Signal	Recent incidents leading to a controversy rating of 3 or higher, with significant governance underpinning

Company Responses to our Recommendations

During 2025, we received written feedback from companies on 55 meeting profiles, leading us to update the information contained in 62 written rationales. In three cases, we changed our vote recommendation following company responses. At Siemens AG, we changed our vote recommendation to a vote in favour of a proposal that was put forward by management to approve virtual-only shareholder annual meetings, considering the company’s response detailing several safeguards to ensure shareholders’ rights during annual meetings. At PTT Exploration and Production Public Company Limited and Türkiye Petrol Rafinerileri AS, we withdrew both vote recommendations due to positive responses to our climate governance signal, both clarifying new information regarding the alignment of executive remuneration to climate targets.

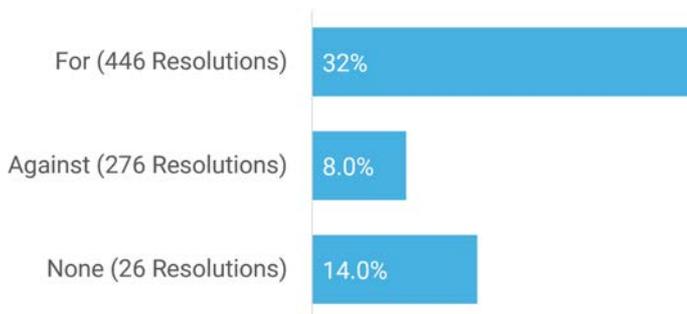
Voting Insights and Recommendations

1,290 Vote Recommendations were Triggered by Sustainability-Related Resolutions



We offered vote recommendations on 1,290 sustainability-linked resolutions in 2025, of which 542 were proposed by management and 748 were put forward by shareholders. We recommended a vote against 28 of the 542 management-sponsored sustainability resolutions.

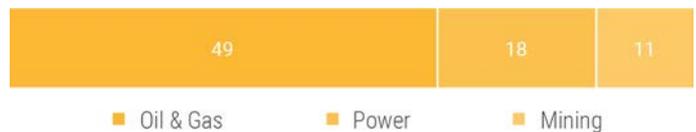
During 2025, we offered vote recommendations on 26 management-sponsored ‘say-on-climate’ resolutions, suggesting a vote against four of these, namely, at Santos Ltd, Equinor ASA, Pennon Group Plc and Sims Ltd. Santos’ plan does not include concrete scope 3 targets – despite this emissions category accounting for up to 84% of its emissions - and continues to expand fossil fuel production, relying heavily on carbon capture storage (CCS) and offsets to meet targets. Equinor, while strong on scope 1 and 2 reductions, fails to set absolute scope 3 targets and has weakened its commitment to renewable investments, undermining its credibility in aligning with 1.5°C. Pennon Group Plc’s medium-term climate target does not cover the full value chain emissions. Similarly, its long-term target lacks sufficient detail on how the company plans to reduce scope 3 emissions – particularly Categories 1 and 2 – which together account for approximately 83% of the Group’s total estimated scope 3 emissions. At Sims Ltd., we noted that the company had omitted scope 3 targets, even though these represent 99% of its emissions footprint, with over 86% arising from downstream processing and electronics use.



Across the 748 shareholder resolutions, we recommended a ‘For’ vote in 446 cases. Of the companies reporting meeting vote results, average support on resolutions we recommended ‘For’ was 32%. We recommended a vote ‘Against’ 276 resolutions, which earned an average 8% support from shareholders. We maintained neutrality on 26 resolutions, with an average support of 14%.

Reporting on shareholder proxy vote results varies from market to market. Japanese companies and companies in European markets, not including the UK, infrequently report quantitative shareholder vote outcomes. However, US and Canadian companies, at which 75% of shareholder resolutions came to vote in 2025, routinely report quantitative vote results within days of the shareholder meeting.

78 Vote Recommendations were Triggered by Climate Governance



In 2025, we evaluated the climate target alignment of remuneration arrangements at 103 heavy emitting companies and recommended against one or more ballot items at 78 such companies on the basis of weak or non-existent climate targets, poor alignment with the incentive component in pay, or poor disclosure of senior executive pay arrangements. Of the 25 cases on which we did not offer a recommendation, we assessed that alignment was acceptable in 15 cases, and in 10 cases we were unable to identify a relevant ballot item on which to recommend a vote against management.

Of the meetings at which we provided a recommended vote based on the Climate Governance signal, 28 (36%) were at US companies, 19 (24%) were at Chinese companies, 10 (13%) at Canadian companies.

3 Vote Recommendation was Triggered by a Research Signal

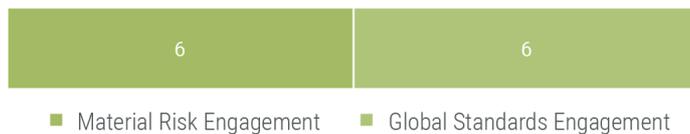


At the beginning of 2025, we updated our research signal watchlist methodology to focus only on companies with the highest exposure to the material ESG issues relevant under each of the five subcategories (Biodiversity, Climate Change, Circular Economy, Diversity and Human Rights). Throughout the year, this has led to fewer research signal-triggered voting recommendations than in 2024.

Voting Insights and Recommendations

Of the three vote recommendations triggered by research signals in 2025, one (Shanxi Lu'An Environmental Energy Development Co., Ltd.) was triggered by poor performance on climate indicators and two (Founder Securities Co., Ltd. and Hithink RoyalFlush Information Network Co., Ltd.) by poor performance on diversity indicators. All three vote recommendations on research signals were at Chinese companies.

12 Vote Recommendation was Triggered by an Engagement Signal



We generated 12 engagement escalation vote recommendations during 2025. Six were triggered by Material Risk Engagement cases (Energisa S.A.; Eregli Demir Ve Celik Fabrikalari T.A.S.; Grupo Carso SAB de CV; Masimo Corp.; Shanghai Pudong Development Bank Co., Ltd.; and The Middleby Corp.), and six by Global Standards Engagement cases (China Northern Rare Earth (Group) High-Tech Co., Ltd; CK Power Public Company Limited; Hoshine Silicon Industry Co., Ltd.; Inner Mongolia Baotou Steel Union Co. Ltd.; Power Construction Corporation of China, Ltd; and PT Indah Kiat Pulp & Paper Tbk).

Seven engagement escalations were at Asian companies (China: five cases; Indonesia: one case; Thailand: one case), two engagement escalations were at Latin American companies (Brazil: one case; Mexico: one case), two engagement escalations were at US companies, and one engagement escalation was at a Turkish company. While we may change our vote recommendation given a positive response by companies, we received no company responses.

555 Engagement Company Meeting Commentaries

In 2025, we delivered 555 meeting commentaries. As of end of 2025, this represents 80% of actively engaged companies.

Our Meeting Commentaries are concise narrative overviews designed to provide key insights into upcoming shareholder meetings for companies with which Morningstar Sustainalytics Stewardship Services is actively engaging across all our engagement pillars.

The commentaries aim to connect the proxy process with our engagement efforts, even when we aren't providing any voting recommendations – serving our clients with early meeting alerts and ballot and governance insights. Commentaries also ensure that our engagement managers have an up-to-date view of high-level governance shortly after proxy materials are released.

0 Vote Recommendation was Triggered by a Controversy Signal

During 2025, one company – UnitedHealth Group, Inc. – triggered our Controversy watchlist. The controversy was linked to investigations by the US Department of Justice into alleged Medicare Advantage fraud. Media reports indicated inflated patient diagnoses and questionable practices under its HouseCalls program, leading to billions in excess federal payments. On May 15, 2025, the DOJ-led probe expanded to investigate potential criminal misconduct spanning multiple years, with involvement from the FBI and the US Department of Health and Human Services' (HHS) Office of Inspector General (OIG). While the controversy was assessed at Level 3 ("Significant" Controversy Score) weeks before its 2 June 2025, annual shareholder meeting, we did not generate a controversy escalation vote recommendation given the early stages of the investigation, which had not yet resulted in formal charges. As of year-end, the company has publicly acknowledged its cooperation with authorities while reserving USD 1.6 billion for potential settlement costs in Q2 2025.

Vote Recommendation: BJ's Wholesale Club Holdings, Inc. – GHG Reduction Efforts

ESG Voting Policy Overlay - Annual General Meeting, 2025



Resolution Topic:

GHG Emissions Reductions Goals/Efforts

Signal:

Sustainability Signal – Shareholder Resolution

Resolution Title:

Report on Greenhouse Gas Emissions Reduction Efforts

Timeline and Our Recommendations

- 2025: This is the first time BJ's Wholesale Club, a US-based food retailer, has received a climate-related proposal, requesting the company to report on its GHG emissions reduction efforts.
- We recommended a vote 'For' this resolution, which was the highest supported climate resolution in 2025, receiving 30% adjusted shareholder support.

Company's Response

- The company argues that complying with the proposal would be burdensome, an inefficient use of resources and not in the best interests of its customers and shareholders
- It also highlights that legal uncertainty around mandatory climate reporting regimes weighs against further voluntary reporting currently.

Significance

- The company has not articulated specific climate-related goals, timelines, or metrics that would enable investors to assess its alignment with a low-carbon economy.
- The company failed to meet its 2022 commitment to set a science-based climate target by the end of 2024, exposing it to reputational and investor confidence risks.
- Peer companies including Costco Wholesale and Aldi are establishing measurable targets for emissions reductions, renewable energy sourcing, and refrigerant management.
- The resolution's request for clearer targets and stronger accountability would provide investors with essential information to evaluate whether a company is prepared for the low-carbon transition.

Vote Recommendation: Premium Brands Holdings Corp. – (Bundled Proposals) Adopt a Director Overboarding Policy and Disclose Percentage of Pork Produced Using Group Sow Housing

ESG Voting Policy Overlay - Annual General Meeting, 2025



Resolution Topic:

**Board Accountability and Treatment of
Farm Animals**

Signal:

**Sustainability Signal - Shareholder
Resolution**

Resolution Titles:

**Adopt a Director Overboarding Policy and
Disclose Percentage of Pork Produced
Using Group Sow Housing**

Timeline and Our Recommendations

- 2025: Shareholders vote for the first time on a shareholder-sponsored proposal at Canadian specialty foods company, Premium Brands Holdings.
- Resolution 5 requested that the company adopt an overboarding policy on how many external companies' boards its directors may serve.
- Resolution 6 requested that the company disclose what percentage of its pork is produced using group sow housing.
- We recommended a vote 'For' on both proposals, receiving a combined 26% support.

Company's Response

- The company argues that both resolutions are unnecessary as it already provides clear policies and safeguards to prevent board-level overboarding and robust animal welfare standards. It references its Change of Circumstance Policy and Supplier Code of Conduct when suggesting shareholders vote against each proposal.

Significance

We highlight this proposal due to the uncommon bundling of two proposals:

- Ahead of the May 2025 annual meeting, the company informed shareholders that proposals 5 and 6 would be bundled into a single voting item, which was then presented during the annual meeting. The company did not provide any reason for its decision to bundle these proposals.
- The bundled proposals 5 and 6 received 26% support. In contrast, in 2025, resolutions filed in the US and Canada addressing the treatment of farm animals (like resolution 6) typically attract much lower support levels, averaging 6.6% support across four similar proposals. Enhanced disclosure surrounding the company's reliance on group sow housing would likely place the company in a stronger competitive position and address growing expectations for sustainability transparency.
- Director overboarding (resolution 5) has historically been an uncommon resolution filing issue. Implementing an overboarding policy would align the company with best practices and protect the company from risks associated with overcommitted directors, ultimately enhancing the quality of oversight and corporate governance.
- While we supported both proposals individually, bundling two unrelated proposals into a single vote weakens accountability and distorts the market signal conveyed via proxy voting, a valuable signal to both investors and the company's management.

Vote Recommendation: Spirit AeroSystems Holdings, Inc. – Political Contributions and Expenditures

ESG Voting Policy Overlay - Annual General Meeting, 2025



Resolution Topic:
Political Contributions

Signal:
Sustainability Signal – Shareholder Resolution

Timeline and Our Recommendations

- 2025: We recommended a vote 'For.' The resolution passed with almost 53% shareholder support. Similar resolutions voted at US companies earned 36% average support.
- 2024: We recommended a vote 'For' this resolution, which was voted for the first time at Spirit AeroSystems' AGM, and received 45% shareholder support. Similar resolutions voted at US companies earned 32% average support.

Company's Response

- The company states that its Political Activities and Lobbying Policy prohibits the "use of corporate funds to make contributions to candidates for election to a federal office." It also states that since 2019, it has not used any company funds for political contributions.

Significance

- This resolution is among the few shareholder proposals that received majority support in 2025.
- Misalignment between a company's public positions and its political spending is increasingly scrutinized, creating reputational and financial risks.
- Consistent shareholder support for similar resolutions in recent years highlights growing investor concern about both systemic and company-specific risks tied to corporate political influence.
- This proposal has been filed at various companies, requesting reporting on the policies and procedures for using corporate resources to influence elections or referenda and to disclose all related monetary and non-monetary contributions and expenditures, identifying recipients, amounts, and the titles of decision-makers responsible.
- The company does not disclose its memberships in trade associations and social welfare organizations, nor the dues paid to these groups, lagging peers, such as Lockheed Martin Corp., and Northrop Grumman Corp.

Proxy Season Highlights

Investor Pressure Mounts on Big Tech: Data Center Emissions Put Climate Targets to the Test



Matteo Felleca

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The 2025 proxy season reinforced a continuing shift in climate-related priorities, as investors moved beyond ambitious commitments to scrutinize the credibility of targets and the robustness of underlying strategies. This is reflected in the shareholder proposals filed at Amazon, Meta, and Alphabet, seeking clarity on how these companies intend to reconcile their climate commitments with the rising electricity demand from artificial intelligence (AI) and cloud computing.

These proposals ranked among the most supported climate resolutions of the year and reflected a broader evolution in investor expectations: transparency alone is no longer sufficient; credibility has become the benchmark. While none achieved majority support, their relatively high backing from non-affiliated shareholders underscores growing concern that data center-driven emissions represent one of the sector's most pressing climate challenges.

Data centers are the backbone of the digital economy. They power AI training, cloud computing, search, video streaming, and social media. However, they are also among the fastest-growing sources of electricity demand, and increasingly, a driver of rising corporate emissions. The International Energy Agency (IEA) projects that global data center electricity consumption could more than double by 2030, rising from around 460 terawatt-hours (TWh) in 2022 to over 1,000 TWh by the end of the decade.

This surge in energy use has profound implications for corporate climate strategies and climate targets, which were often set before the explosion of AI workloads. Companies like Microsoft, Alphabet, Meta, and Amazon are now using far more power than when their net zero targets were announced. In many cases, emissions have increased rather than fallen, despite large renewable energy purchases.

As a result, in spring 2025, investors submitted proposals to Amazon, Meta, and Alphabet, questioning whether the companies' ambitious climate commitments remain achievable given the rising energy demands of data centers.

At Amazon, a shareholder proposal asked the company to explain how it intends to meet its climate targets in light of its USD 150 billion planned investment in new data centers over the next 15 years. While Amazon has committed to achieving net-zero carbon by 2040 and 100% renewable energy by 2030, investors question whether those goals can withstand the pressure of surging electricity demand. Amazon Web Services' heavy presence in Virginia, where utilities are planning new gas-fired plants and extending fossil capacity, raises particular concern, as the proponent noted in the Notice of Exempt Solicitation.

At Meta, investors highlighted that the company's greenhouse gas emissions have more than doubled since 2019, largely due to its rapidly expanding data center footprint. To support its 'carbon neutrality' claims, Meta relies heavily on Renewable Energy Certificates (RECs), a practice the proponent criticizes, arguing that RECs typically do not contribute to adding new renewable generation to the grid. The proponent is concerned that this could expose the company to risks of greenwashing, regulatory scrutiny, and potential restrictions on operations. Shareholders also noted that in Louisiana, where Meta is building a record-breaking data center, local utilities are turning to new gas plants to meet demand, while in Nebraska, Meta's growth has delayed the retirement of a coal facility.

At Alphabet, the proposal focused less on whether its climate targets remain realistic. Emissions rose 13% in 2023 alone, driven by AI workloads outpacing renewable energy additions. Investors asked for scenario analyses, stress testing, and disclosure of expected emissions trajectories, tools that would clarify whether Alphabet's climate plan remains on track.

For investors, these resolutions underscore that the risk is not abstract. Without clear plans for how they will ensure continued net zero alignment as their energy use grows, tech companies may face scrutiny from investors, customers, and policymakers, exposing the company to reputational, regulatory, and financial risks.

Figure 4 Resolutions on climate commitments and AI data center energy use.

COMPANY	PROPONENT	PROPONENT'S REQUEST	COMPANY RESPONSE	REPORTED SUPPORT	ADJUSTED SUPPORT
Alphabet, Inc.	Trillium ESG Global Equity Fund	Alphabet to disclose additional information illustrating if and how it will meet its 2030 climate goals, given the increase in GHG emissions driven by data centers hosting energy-intensive AI functions.	Alphabet opposes the proposal, citing transparency around its 2030 net-zero and 24/7 carbon-free energy goals, and ongoing efforts to align disclosures with best practices and regulations.	8.2	20.7%
Amazon.com, Inc.	Emily Cunningham	Amazon to publish a report detailing how it plans to meet its climate commitments on greenhouse gas emissions, considering the rapidly increasing energy demand from AI and new data centers	Amazon opposes the resolution, citing progress toward its climate goals, AWS improved data center efficiency and matched all electricity use with renewables. The company is investing in nuclear energy, renewable diesel, and circular economy practices to further reduce emissions and waste.	20.1%	23.2%
Meta Platforms, Inc.	As You Sow on behalf of Myra K. Young and James McRitchie	Meta to disclose a transition plan that results in new renewable energy capacity, or other actions that achieve actual emissions reductions at least equivalent to the energy demand associated with its expanded data center operations.	Meta highlights its use of 100% renewable energy since 2020, its energy-efficient data centers, and ongoing efforts to expand clean energy projects.	3.3%	10.4%

Source: ESG Voting Policy Overlay, Morningstar Proxy Voting Database. Data as of October, 2025.

Shareholders Push for Further Transparency of Vote Outcomes at Airbnb, Meta Platforms and Tyson Foods



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In 2024, Meta Platforms' shareholders voted for the first time on a proposal requiring the company to disclose future annual meeting vote results by share class, starting in 2025. Proponents noted that voting results are disclosed by the company without any distinction between share classes, highlighting that Zuckerberg's significant share ownership grants him over half (61%) of the company's total voting power. Concerns focused on the fact that voting outcomes, particularly those disclosed for shareholder-sponsored resolutions addressing sustainability governance, did not accurately reflect minority shareholders' concerns. During the 2025 proxy season, two additional companies (Airbnb, Inc. and Tyson Foods, Inc.) received similar requests.

This request is particularly relevant at Airbnb, Tyson Foods, and Meta Platforms, as each company's dual-class share structure grants their CEOs significantly greater voting power than that seen under other multi-class share structures. In all three cases, Class B shares are held by company insiders and entitle owners to far more votes than those of Class A shares, which are widely held by minority shareholders. At Tyson Foods and Meta Platforms, Class B shares hold ten times more voting power than Class A shares, while at Airbnb, a Class B share is entitled to twenty votes for each vote of a Class A share.

When adjusting vote outcomes to exclude votes attached to management's beneficial ownership of superior voting shares, resolutions at Meta Platforms and Tyson Foods that requested disaggregated voting outcomes would have received majority backing, with Meta Platform's proposal leading (66% adjusted support – excluding insider shares voted Against the proposal). Other sustainability focused shareholder resolutions voted at Meta Platforms' 2025 annual meeting of shareholders follow this pattern, with an additional five proposals receiving over 30% support when excluding Zuckerberg's opposition votes. We view support of 30% or more as a clear signal of investor attention on the issue, and typically companies will engage with proponents over issues receiving significant support.

Figure 5 Resolutions on voting by share class.

COMPANY	AGM DATE	PROPONENT	REQUEST	MGMT'S VOTE	SUPPORT	ADJUSTED SUPPORT	VOTING STRUCT.	INSIDER HOLDINGS
Airbnb, Inc.	04/06/2025	Connecticut Retirement Plans and Trust Funds	Disclose Voting Results based on Share Class	Against	4.6%	31.5%	Class A: 1 vote per share Class B: 20 votes per share	Brian Chesky (Co-founder and CEO), Nathan Blecharczyk (Co-founder and CSO) and Joseph Gebbia hold 88.3% of Class B Stock, which equates to 79.3% of total voting power.
Tyson Foods, Inc.	06/02/2025	American Baptist Home Mission Societies	Disclose Voting Results Based on Share Class	Against	13.1%	56.1%	Class A: 1 vote per share Class B: 10 votes per share	Tyson Limited Partnership holds 99.9% of Class B Common Stock.
Meta Platforms, Inc.	29/05/2024	Treasurer for the State of Illinois and Trustee of the Bright Start College Savings Trust and co-filers	Disclose Voting Results Based on Share Class	Against	17.1%	54.6%	Class A: 1 vote per share; Class B: 10 votes per share	Mark Zuckerberg holds 99.7% of Class B Stock, which equates to 61% of total voting power.
Meta Platforms, Inc.	28/05/2025	Treasurer for the State of Illinois and Trustee of the Bright Start College Savings Trust and co-filers	Disclose Voting Results Based on Share Class	Against	20.6%	65.8%	Class A: 1 vote per share; Class B: 10 votes per share	Mark Zuckerberg holds 99.8% of Class B Stock, which equates to 61% of total voting power.

Source: ESG Voting Policy Overlay, Morningstar Proxy Voting Database. Data as of November 2025.

Over the past three proxy seasons, proponents have increasingly called on companies to eliminate dual-class share structures in favor of a single share class that would grant equal voting rights to all shareholders. Corporate governance expert bodies, such as the Council for Institutional Investors (CII) and the International Corporate Governance Network (ICGN), have raised the alarm on these structures arguing that the entrenched insider control brought through the unequal voting rights may lead to poor governance practices and impede the ability of shareholders to enact reform over time.² This request has received strong support, with four shareholder resolutions – at Alphabet Inc., Meta Platforms Inc., News Corp., and Telephone & Data Systems Inc. – achieving majority approval in 2024 when excluding insider shares. In 2023, five such resolutions received majority backing: Alphabet Inc., Ford Motor Co., Lions Gate Entertainment Corp., Meta Platforms Inc., and Telephone & Data Systems Inc.

Disaggregated voting disclosure is important to ensure that the concerns of different shareholder groups are aligned, particularly that of minority shareholders. Currently, because companies only disclose aggregate voting results, it is difficult to determine how votes from various shareholder categories – such as institutional investors, retail shareholders, and company insiders – may differ. This lack of transparency can obscure meaningful differences in opinion and hinder efforts to address the specific interests of each investor group. Disclosing vote outcomes by share class would foster more meaningful shareholder engagement and accountability from the top.

Executive Compensation in the Spotlight: Lessons from Recent Shareholder Dissent



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Across the S&P 500 and the FTSE 350 companies, shareholder scrutiny of executive compensation has intensified noticeably between 2024 and 2025. Say on pay votes are typically advisory yet influential and have increasingly become a key mechanism through which investors communicate dissatisfaction over corporate governance arrangements, strategic performance, and perceived misalignment between pay outcomes and performance.

This article reviews the compensation practices of four US companies and four companies domiciled in the UK that witnessed significant dissent over executive pay in the last three years: Warner Bros. Discovery, Goldman Sachs, Boeing, Chipotle, Centrica, Spirent Communications Plc, Playtech Plc, and Pharos Energy Plc. These firms span a wide range of industries and offer insight into cross-sector shifts in investor expectations. We note that a say on pay vote result below 70-80% at large US or UK domiciled companies is often treated as a meaningful indication of shareholder dissatisfaction; below 50% is a formal failure (in jurisdictions where that threshold applies). These examples were chosen because they were notable, registered significant shareholder dissent, and were well reported.

Warner Bros. Discovery, Inc. provides one of the clearest examples of escalating shareholder frustration. In 2025, shareholders rejected the company's executive pay proposal, an unusually severe outcome in US corporate governance. Fifty-nine percent of shareholders voted against the pay proposal. The vote dissent reflects ongoing concern over the company's financial performance, restructuring costs, and leadership decisions since the merger. In contrast, the 2024 say on pay vote passed with narrow support of 54%, signaling dissatisfaction that presages the 2025 adverse vote outcome. The Board states that executives' remuneration package would be reconfigured following shareholders' feedback. This move shows that where a misalignment between pay and performance persists, shareholders increasingly use say on pay as a lever to demand accountability, even escalating to rejection.

Chipotle stands out as one of the most extreme negative outliers, with only 55% support. This is far below normal US averages (typically over 90%) and signals substantial shareholder dissatisfaction. Results at this level usually reflect concerns around pay versus performance alignment, special awards, or perceived excessive pay quantum. While the vote outcome confirms the scale of shareholder dissatisfaction, closer review of the proxy disclosures highlights several pay features that could trigger this level of opposition. Multiple senior executives received substantial retention restricted share unit awards (RSUs) vesting based on continued service rather than pre-set performance conditions. In addition to these retention grants, the company's proxy discloses further one-off equity awards (including a cliff-vesting RSU award for the interim CEO and a promotion-related award for the CFO). The interim CEO's base salary and target bonus opportunity were materially increased during the leadership transition. This raises serious concerns, particularly when combined with significant equity grants. We are also concerned with the reported total CEO total compensation and the unusually high CEO to median employee pay ratio which could amplify investor scrutiny, particularly when other discretionary elements are present. Despite this result, the company's proxy indicates that no significant refinements to the compensation program were deemed necessary.

Goldman Sachs experienced strong shareholder opposition to its say on pay proposal in 2025, with support falling to approximately 66% shareholder support. Surprisingly, Goldman's say on pay proposal had won approximately 86% support during the 2024 financial year, indicating that the subsequent drop in 2025 marked sharp deterioration in investor confidence regarding the bank's executive compensation arrangements. Similar to the pay concerns identified at Chipotle, we believe the significant shareholder dissent at Goldman Sachs is linked to USD 80 million in retention bonuses awarded in RSUs to both the CEO and the President/COO.

These awards were framed as retention initiatives and are not tied to pre-set performance targets. Although these awards vest over a multi-year period and are equity-based, they raise serious concerns regarding their size, structure and discretionary nature. This outcome likely reflects increasing frustration tied to large retention packages, discretionary bonuses, and concerns about pay versus performance alignment.

Proxy advisors recommend that shareholders be wary of retention and discretionary bonuses, as well as other one-off awards often granted outside standard incentive schemes. They typically require companies to provide a thorough description of the awards, including a convincing explanation of their necessity and why existing awards do not provide sufficient motivation. They also advise companies to provide disclosure on how quantum of the award and its structure were determined.

Similarly, Boeing's say on pay proposal registered 36% against votes, reflecting ongoing challenges related to safety, production issues, and reputational damage. The vote dissent represented one of the significant levels of pay dissent among major manufacturers in 2025.

Across the pond, Centrica Plc faced significant shareholder dissent in 2025, amid heightened public scrutiny over rising energy bills and executive incentive structures. At Playtech Plc, approximately 40% of shareholders voted against the company's remuneration report and 35% of shareholders voted against the remuneration report proposal. There was similar uptick in shareholder dissatisfaction at Spirent Communications Plc and Pharos Energy where approximately 85% and 40% of shareholders respectively voted against the remuneration report.

These examples show that the long-standing expectation of consistent support for say on pay proposals may be shifting. With heightened scrutiny and greater transparency around corporate performance, companies that fail to align executive compensation with results or public sentiments face growing risks of shareholder dissent and reputational harm.

Furthermore, companies often fail to disclose short and long-term performance targets and pay outcomes, which makes it difficult for shareholders to establish a clear link between pay and performance. Morningstar Sustainalytics' analysis of corporate governance at engaged companies routinely examines ESG-related performance metrics, weightings and targets.

Voting on Swiss Sustainability Reports: Insights from 2025



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Starting in 2024, a requirement under the Swiss Code of Obligations (CO) came into force, mandating that Swiss-listed companies of a certain size (with at least 500 full-time positions, total assets of CHF 20 million, or revenues of CHF 40 million) publish a sustainability report and submit it to shareholders for approval. In 2025, we covered 95 companies that fell under this voting requirement, recommending a vote in favour of non-financial, or sustainability, reporting in 84 cases.

On average, this proposal received 95% support, slightly down from 97% in 2024. No companies reported failed votes, however, 22 companies reported support levels below 90%, significantly up from five companies in 2024. DocMorris, Ltd. reported the lowest support level, 69%.

Just over half of the companies where we recommended support (48 cases) had submitted their non-financial reporting for external assurance, typically covering selected sustainability indicators, mostly focusing on greenhouse gas emissions data. Twenty companies had set climate targets validated by the Science Based Targets initiative (SBTi), and six had committed to disclosing SBTi-aligned targets and were in the process of validation.

Where we recommended a vote against (11 cases), we noted a lack of external assurance and emissions reporting, most frequently gaps in scope 3 emissions reporting and target setting. In two cases, companies did not disclose emissions across all scopes and in all cases, we noted companies lacked clear, SBTi-aligned emission reduction targets across all scopes.

Figure 6 Swiss company sustainability reporting approval resolutions opposed by the ESG Voting Policy Overlay in 2025.

COMPANY	VOTE RECOMMENDATION	EXTERNAL ASSURANCE	EMISSIONS REPORTING	EMISSION REDUCTION TARGETS
Transocean Ltd.	Against	No	No	No
Garmin Ltd.	Against	No	Scope 1, 2, and 3 for 2024	No
Inficon Holding AG	Against	No	Scope 1, 2, and 3 for 2023-2024	No
Bucher Industries AG	Against	No	No scope 3 emissions reporting	No scope 3 targets
Schweiter Technologies AG	Against	No	No scope 3 emissions reporting	No clear net zero targets
Cavotec SA	Against	No	Scope 1 and 2 for 2022-2024, scope 3 only for 2024	SBTi commitment but no clear net zero targets
AEVIS VICTORIA SA	Against	No	No	No
BVZ Holding AG	Against	No	Scope 1 and 2 for 2023-2024	No
Burkhalter Holding AG	Against	No	Scope 1 and 2 for 2023-2024	No scope 3 targets
Gurit Holding AG	Against	No	Scope 1,2 and 3 for 2020-2024	No SBTi-approved targets
Glarner Kantonbank AG	Against	No	Scope 1,2 and 3 for 2021-2024	No SBTi-approved targets

Source: ESG Voting Policy Overlay. Data as of December 2025.

Beyond emissions reporting, the Swiss Code of Obligations requires that companies disclose environmental, social, human rights, and anti-corruption impacts, and best practice in 2025 included mapping reporting to international standards such as the Global Reporting Initiative (GRI) and the Task Force on Climate-related Financial Disclosures (TCFD).

This newly established ordinance has enhanced corporate transparency and accountability towards shareholders, providing them with direct means to voice concerns on sustainability practices. The sharp increase in the number of companies reporting support levels below 90% – significantly below that observed under other management-sponsored approvals – signals growing investor scrutiny. Opposition may intensify in 2026 as investors demand robust climate transition planning alongside broader reporting on environmental and social impacts.

A Look at the No-Action Process Over Recent Years



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At its core, a no-action process is a formal mechanism through which a regulated entity (or individual) can ask a regulatory agency for assurance before taking certain action. This process takes the form of a no-action letter in the context of the US Securities and Exchange Commission (SEC) and the US federal securities law.

During the 2024 and 2025 proxy seasons, the US SEC's no-action process under Rule 14a-8 underwent major changes that significantly reshaped how companies exclude shareholder proposals. These periods saw a notable increase in no-action requests and relief in 2025, driven by revised interpretive guidance in staff legal bulletin 14M,³ followed by a sudden policy shift in late 2025 where the SEC announced that it would generally stop issuing no-action responses for most shareholder proposal exclusions.⁴

These developments have altered the balance between issuers and shareholders, affecting shareholders' voting rights, governance engagement, and proxy season strategy. Also, the period marks the most significant transformation of the SEC's no-action process in over a decade. Although early 2025 brought a resurgence of successful no-action relief under Securities Lending and Borrowing (SLB) 14M, the late 2025 suspension of most no-action responses signals a move from SEC-regulated certainty toward issuer-led interpretation, placing greater emphasis on legal risk tolerance, potential litigation, and investor judgment rather than advance regulatory guidance. As a result, the proxy process is likely to become more contentious and less predictable in the years ahead.

ExxonMobil's New "Retail Voting" Program



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On 15 September 2025, the SEC's Division of Corporation Finance issued a no action letter response to ExxonMobil's new "Retail Voting Program", confirming that it would not recommend enforcement action under Exchange Act Rule 14a-4(d)(2) or Rule 14a-4(d)(3) if it implemented this program.⁵ This marks a significant new development in retail shareholder engagement dynamics; this is the first time the SEC has granted no action relief allowing a non financial US public company to implement a standing retail voting instruction program, effectively opening the door for potential broader adoption across the market.

The initiative allows individual retail shareholders to opt into a standing voting instruction that aligns their shares' votes with ExxonMobil's Board's recommendations for future meetings.⁶ Participants can override or withdraw the instruction at any time at no cost, while still receiving all proxy materials and reminders.

At stake is the voting behavior of a substantial bloc of individual investors. Typically, most retail shareholders' shares are not voted. ExxonMobil reports that only one in four of its individual investors vote on its proxy proposals, and that nearly 40% of its shares are held by retail investors.⁷ By offering this initiative, ExxonMobil potentially stands to activate retail votes in support of the Board's recommendations that otherwise likely would have remained dormant. If adopted at scale, the program could reduce the relative influence of institutional shareholders and materially assist in achieving quorums.

We also note that ExxonMobil filed a lawsuit in 2024 against two shareholders who had submitted climate-related proposals. The lawsuit was widely viewed as a highly unusual escalation in US proxy practice, raising concerns among governance observers about potential chilling effects on shareholder proposals, especially those related to climate and ESG. Historically popular for ESG-related resolutions, the company had seen over 230 such proposals at its annual meetings over the past three decades. Yet in 2025, for the first time in 31 years, its proxy ballot included none.

While these initiatives technically arose from different contexts, the combination of a more oppositional stance toward climate-related shareholder proponents and introduction of the Retail Voting Program have cumulative, meaningful implications for shareholder rights and the balance of power. Both point toward reducing the influence of dissenting voices while consolidating votes in support of the board's preferred outcomes. If similar retail voting programs proliferate at other US public companies, they could materially shift voting dynamics industry-wide by activating historically inactive retail blocs – in many cases strengthening management aligned outcomes.

Taken together, these developments underscore a pivotal moment in the evolution of shareholder voice, with ExxonMobil's actions likely to inform both future SEC debates and corporate strategies around retail engagement and the treatment of shareholder proposal dynamics.

Update on ESG Voting Policy Overlay Coverage

In July 2025, both Glass Lewis and ISS filed federal lawsuits challenging Texas Senate Bill 2337 (SB 2337), a law that took effect on 1 September 2025 and imposes new requirements on proxy advisory firms offering proxy advice on Texas companies. Although a preliminary injunction hearing on 29 August 2025 resulted in the court temporarily blocking enforcement of SB 2337 only for Glass Lewis and ISS until their trial in February 2026, the law remains fully enforceable for all other proxy advisors, including Morningstar Sustainalytics.

SB 2337 requires proxy advisors to disclose when recommendations are based on non financial factors (e.g., ESG), produce written economic analyses quantifying shareholder value impacts, and notify both companies and the Texas Attorney General of such recommendations. Because proxy votes rarely produce immediate, quantifiable financial effects – their impact is often long-term, indirect, or contingent on external factors – we believe the requirements for written economic analysis cannot be met in practice. As a result, effective 1 September 2025, we ceased providing voting recommendations or meeting commentaries for companies incorporated or headquartered in Texas, though we will continue to issue AGM alerts for engagement purposes. We are monitoring ongoing litigation closely and will communicate any developments affecting our voting overlay service.

Endnotes

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About Morningstar Sustainalytics and Contacts

Morningstar Sustainalytics is a leading ESG data, research, and ratings firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Morningstar Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG information and assessments into their investment processes. The firm also works with hundreds of companies and their financial intermediaries to help them consider material sustainability factors in policies, practices, and capital projects. Morningstar Sustainalytics has analysts around the world with varied multidisciplinary expertise across more than 40 industry groups. For more information, visit www.sustainalytics.com.



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