

# Praxis Mutual Funds 2017-2018 Proxy Voting Report

## Overview

Proxy voting and shareholder advocacy are a fundamental privilege and responsibility of stock ownership. Proxy voting offers shareholders the opportunity to bear witness to their values on a wide range of issues. The votes cast can speak for the people and environments that have no voice in corporate circles and can promote good governance and responsible decision-making.

<b>Total meetings</b>	<b>Resolutions</b>	<b>Votes with management</b>	<b>Votes against management</b>
1,177	13,329	10,809	2,520

Through its votes, Praxis Mutual Funds® supported shareholder measures to encourage positive policy changes and corporate reform. Overall, Praxis voted on more than 13,000 corporate resolutions at more than 1,000 company meetings. Praxis voted against corporate management's recommendation 2,520 times, or 19 percent of all proposals voted, up significantly from 12 percent during the 2016-17 season.

The increase in votes against management can be attributed in part to increased votes against nominating committee members of boards which are not deemed to be sufficiently diverse.

Listed below are proxy season highlights of significant types of shareholder proposals seen on company ballots.

## General remarks

- In 2018, 476 environmental and social (E&S) shareholder resolutions were submitted, roughly in line with the number filed last year. Of those filed, 224 were withdrawn, 176 remained on the ballot, while others were omitted via challenges at the SEC or are still pending.
- One of the key trends of the 2018 proxy season was a significant spike in the number of E&S proposals withdrawn by proponents, and the resulting drop in the number of E&S proposals that went to a shareholder vote. This indicates that more proponents were successful in their engagements and achieving company commitments.
- There were nine E&S resolutions that received majority support, up from six last year. Overall levels of support for E&S resolutions continued to increase, rising from 21.2 percent last year to 24.3 percent this year.

- Large institutional investors continued their shift to supporting more E&S shareholder proposals.
- A total of 91 climate-related resolutions were submitted, up slightly from 89 last year. Of those, four climate-related proposals received majority support, the highest number to date.
- Political spending, gender/ethnicity pay equity, and workplace and board diversity continued to be some of the top E&S issues for shareholder proposals.

## **Environment**

Shareholder resolutions on environmental issues, including those addressing climate change concerns, represented the highest number of resolutions filed for the fourth year in a row. Shareholders submitted 121 environmental issue proposals this year (not including sustainability reporting proposals), slightly down from 2017. The high number of environmental issue proposals is largely due to the surge in climate-change related proposal submissions in recent years.

Overall, 91 shareholder resolutions were filed this year by proponents raising concerns about climate change issues, up slightly from last year's 89. The number of resolutions that went to a vote (29) was sharply down from last year's (49) because of the higher number of proposals withdrawn (45) and omitted (17). Median shareholder support for the climate change proposals that went to vote increased, rising from 27.5 percent to 30.7 percent. The proposals, in general, sought corporate actions and/or increased disclosure regarding responsiveness to risks of climate change and climate change regulation, greenhouse gas (GHG) and methane emissions, renewable energy practices, and related financial, operational, and regulatory risks.

Relatively few climate change proposals were filed at electric utilities in 2018. In general, electric utilities have economically attractive options for decarbonization and have made good headway. Emissions from the power sector have been dropping since 2008 and the trend is continuing. Investors can take credit for some of the GHG reductions, as they have pressured utilities to reduce emissions and integrate renewables into their power mix.

Praxis filed only a single climate change proposal with a utility in 2018, down from four last year, largely because of productive dialogues. The proposal that was filed, at AES, helped lead the company to commit to producing the requested climate change report.

Overall, Praxis strongly supported shareholder resolutions on environmental issues.

## **Social**

Human rights resolution filings surged in 2018, rising from 28 to 40 proposals filed, driven by shareholder concerns related to the risks associated with human trafficking and forced labor in companies' supply chains. Many investors have ramped up their engagements as investigative journalists have brought public attention to controversies and risks related to human rights abuses in corporate supply chains. Some jurisdictions have begun calling for more corporate disclosure and action to combat corporate human rights abuses. Proposals filed with food and beverage, retail, technology, and clothing companies ask for reports on how the firms are monitoring and preventing human trafficking and forced labor in their supply chains, and their compliance with legislation such as the UK Modern Slavery Act and the California Transparency in Supply Chains Act.

Praxis filed one resolution on this topic, at Amazon (which was then withdrawn), and is in dialogue with several companies.

The number of board diversity proposals filed this year was down compared with the number filed last year. This may reflect the fact that board gender diversity is gradually increasing. In the U.S., 16 percent of Russell 3000 companies lack any female board representation, compared to about 21 percent in 2017.

This year, 20 proposals were filed to request a report on a company's gender pay gap. Some also asked for disclosure on ethnicity pay gaps. Of those, 16 were withdrawn, likely due to increased corporate disclosure. The statistic they usually report, however, is the gap in pay for the same job title. Therefore, most U.S. companies that report their gender pay gap report little to no gap. This statistic doesn't show potential disparities in representation in higher-paying jobs between men and women.

Only two proposals went to votes this year asking for reports on the disparity in pay between executives and other employees, reflecting the fact that the SEC is now requiring companies to disclose the ratio of the pay of their CEOs to the median pay of their employees.

Praxis carefully analyzes and generally votes in favor of these social proposals.

## **Governance**

In a trend similar to other environmental and social resolution categories, twice the number of proposals on lobbying were withdrawn compared with 2017. A total of 47 proposals asked for a report on lobbying payments and policy, the same number as in 2017. Of those 47, only 29 went to ballot. Many proposals were withdrawn because of increased disclosure. The proposals that went to ballot received 26.2 percent median shareholder support, comparable to 2017.

A common thread in the proposals' supporting statements were alleged contradictions between companies' stated stances on climate change and their

memberships in trade associations known for attempting to undermine climate change regulations and science, such as the American Legislative Exchange Council and the U.S. Chamber of Commerce.

As with lobbying-related proposals, shareholder proponents continued to press companies to disclose their itemized political contributions. Compared with the 2017 proxy season, the number of proposals filed remained about the same, but median support increased (29.0 percent to 35.2 percent). Sixteen of these proposals (44 percent) were not put to a vote (15 withdrawn, one omitted), an increase from 2017, when 38 percent of the proposals were not voted on. Greater disclosure could explain the higher withdrawal rates.

Praxis strongly supports increased corporate political disclosure.

*As of Aug. 31, 2018, the Praxis Growth Index Fund has invested 6.12 percent of its assets in Amazon; and the Praxis Value Index Fund has 0.20 percent of its assets in AES Corporation. Fund holdings are subject to change. To obtain holdings as of the most previous quarter, visit [praxismutualfunds.com](http://praxismutualfunds.com).*

***Consider the fund's investment objectives, risks, charges and expenses carefully before you invest. The fund's prospectus and summary prospectus contain this and other information. Call (800) 977-2947 or visit [praxismutualfunds.com](http://praxismutualfunds.com) for a prospectus, which you should read carefully before you invest. Praxis Mutual Funds are advised by Everence Capital Management and distributed through Foreside Financial Services, LLC, member [FINRA](#). Investment products offered are not FDIC insured, may lose value, and have no bank guarantee.***