



THE HOTTEST
PLACE IN
HELL IS
RESERVED
FOR THOSE WHO
REMAIN
NEUTRAL

MLK

2021-2022

**SOCIAL
CHANGE
& ACTIVISM
ANNUAL
REPORT**

NORTHSTAR
ASSET MANAGEMENT

www.northstarasset.com

Copyright © NorthStar Asset Management, Inc., 2022

All rights reserved. No part of this document may be reproduced or used for any commercial manner without written permission of the copyright owner.

Cover image by Andrew Valdivia on Unsplash

Publication date: April 25, 2022

LETTER FROM THE NORTHSTAR TEAM



Following a long year of vulnerability and uncertainty, 2021 was a rollercoaster of a different kind. We experienced in real time and dealt with the aftermath of the January 6th insurrection at the U.S. Capitol. We trudged through another pandemic year where vaccine disinformation and political partisanship spread rampantly. Resource and worker shortages upended global supply chains across the entire world and throughout all industries -- wreaking havoc on consumer budgets while the richest Americans still got richer.

But in an unexpected silver lining, we also saw the rise of worker voice and power through the Great Resignation (or how we see it, the [Great Rebellion](#)). Through the Great Rebellion, workers in many roles and industries were able to push employers to increase their starting salaries, embrace flexibility, provide benefits, and create a safe space for employees of color. (Only time will tell whether these changes are taken to heart or not.)

As we write this update in early 2022, the dramatic rise of inflation makes us feel as if we have taken a step backwards. As with so much else in American culture, Black and Brown people are expected to bear the brunt of the worst inflationary effects.

NorthStar was founded on the principles that investors' wealth can -- and should -- be used to create positive social change and that improvement in the wealth of the least powerful can benefit society and our portfolio companies long-term. As always, the events of recent years continue to reaffirm our commitment to making progress on racial justice and economic equality.

Image credit: Mike Von on Unsplash

ACTIVISM TO CREATE CHANGE

THE NORTHSTAR WAY

Bringing about tangible change is one of NorthStar's core goals. We believe that a regenerative economy that treats people and the environment fairly is not only better for employees, communities, and our future, but allows for sustainable long-term growth and prosperity. We strive to tackle society-wide challenges through a three-pronged strategy to make change:

COMPANY ENGAGEMENTS

We file shareholder resolutions at numerous portfolio companies every year, pushing for concrete changes in company policies and actions.



PROXY VOTING

Each year, companies and shareholders put resolutions to a vote of company shareholders. We vote each proxy for our clients in line with our guiding values.

OUTSIDE INVESTMENTS

NorthStar has a department dedicated to finding and vetting investments outside the public equity and fixed income markets that can directly and positively affect a variety of stakeholders.

NORTHSTAR'S HISTORY OF CHANGE

MAKING CHANGE FOR OVER 30 YEARS

NorthStar was founded in 1990 as a socially responsible investment advisor committed to selecting investments in companies that we believe address the pressing problems of our times.

In 2000, NorthStar filed its first shareholder proposal at Household International where we pushed the company to consider the risks related to its predatory lending practices. Those earliest engagements proved to be as prescient as we lived through the 2008 recession.

Since that time, NorthStar has initiated hundreds of company engagements, resulting in policy changes and actions that protect employees, customers, community, and the environment along with shareholder value.

Our shareholder activism coupled with proxy voting and enhanced by investments outside the public equity markets combine to seek real change.



OUR GUIDING VALUES

NorthStar centers our research, thinking, and activism around five core areas that inform how we view the world: racial justice and gender equity, economic inequality, human rights, environmental justice, and corporate governance.

Though this report categorizes our work by a primary focus area, our five guiding priorities are intersectional and inextricably linked to each other. Our work usually seeks to make change within several of these areas at the same time.

Racial Justice & Gender Equity

We prioritize the voices, experiences, and needs of people of color, women, and LGBTQ+ people.

Environmental Justice

We know that climate change is real and that it disproportionately affects people of color and disenfranchised communities. We seek to protect health, safety, the environment, and access to resources for affected groups.



Economic Inequality

We recognize that the U.S. economy was built on free labor and the oppression of people of color and women, and that it is still designed to reward the wealthy. As public equity investors, we recognize our complicity in the system while also seeking to use our influence as investors to push toward closing the wealth and income gaps that disproportionately affect women and people of color.

Human Rights

We support and pursue universal human rights in our engagement as well as investment decision-making processes.

Corporate Governance

We pursue corporate governance practices that protect and enhance the rights of stakeholders like employees and communities, and also strengthen shareholders' rights.

COMPANY ENGAGEMENT



One of NorthStar's key strategies is a process called *shareholder activism* -- direct dialogues with companies using the legal rights of shareholders in publicly traded companies.

Under the most recent Securities and Exchange Commission (SEC) ruling, shareholders in public companies that have owned \$25,000 in stock for more than one year, \$15,000 in stock for more than two years, or \$2,000 in stock for more than three years have the right to present a shareholder resolution to the rest of the company's stockholders. Formerly, shareholders were only required to own \$2,000 in stock for more than one year. As of this writing, shareholders have brought a lawsuit seeking to overturn the new ruling due to its onerous nature that inherently restricts shareholders' rights.

Nonprofit groups, pension funds, religious groups, socially responsible investment companies, and individuals owning shares of stock in the company can submit shareholder resolutions.

Shareholders use this right of ownership to hold companies accountable for past actions, prevent future controversies, and protect communities, employees, and the environment.

Image credit: Kelley Lacy from pexels

COMPANY ENGAGEMENT

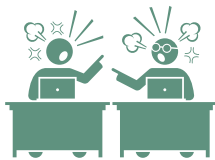
THE PROCESS

Each year, shareholder proposals are filed with companies in every industry and market cap. There are three possible outcomes to this process:



SUCCESSFUL NEGOTIATION & WITHDRAWAL

Companies can choose to engage the shareholder and seek a mutually agreeable withdrawal of the proposal. Shareholders and company representatives negotiate to meet their goals.



SEC CHALLENGE

Companies can challenge the proposal at the Securities and Exchange Commission (SEC), asking for permission to exclude it from going to a vote at the annual meeting. The company and the shareholder argue their sides and await the SEC's decision.



VOTE BY SHAREHOLDERS

If engagement does not lead to an agreement and the proposal has not been omitted by the SEC, the proposal goes to a vote of shareholders at the company annual meeting.

2021 ENGAGEMENTS



Each year, we craft resolutions to address significant issues in society and at companies.

In 2021, our biggest focus was seeking opportunities for individuals with criminal records to obtain a fair chance at employment. We know that gainful employment will benefit families and communities of people who have had interactions with the criminal legal system, yet they face immense barriers to employment after release.

You can learn more about this engagement campaign later in this document.

In 2021, NorthStar engaged companies on several topics related to economic inequality, as well as racial justice, governance, human rights, and environmental rights.

NorthStar was the sole filer or lead filer on each of these engagements.



Percentages are calculated based on a percent out of total company engagements in 2021, including letters and shareholder proposals. The term "engaging" refers to writing letters, discussions with company management about an issue related to one or more of our five pillars, or filing a shareholder resolution incorporating one or more of our five pillars. Please be advised that we may be unable to engage with non-U.S. companies depending upon local law and restrictions. When engaging a foreign issuer, we typically send a letter. In 2021, we wrote to all buy list companies related to their practices on hiring and employment of people with criminal records.

2021 ENGAGEMENT OUTCOMES

For 2021, NorthStar filed 15 shareholder proposals and sent 85 engagement letters to companies.

Out of the engagements we initiated through a shareholder proposal, we had active dialogues with two-thirds of companies. We came to an agreement with two companies which led to a successful withdrawal of our shareholder proposal.

Where we wrote to companies to engage via a letter, approximately one third responded to our letter but only five companies offered to meet with us about their policies and practices.

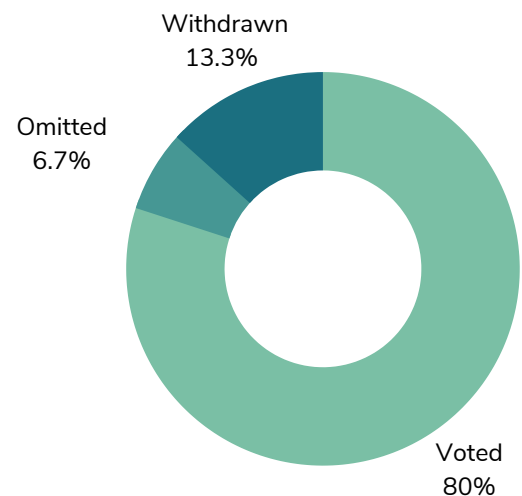
15

Shareholder proposals filed in 2021

85

Letters written to companies in 2021

2021 Proposals by Outcome



At NorthStar, we are satisfied when a proposal either goes to a vote of shareholders or we are able to withdraw the proposal after successful negotiation.

We value the opportunity to achieve policy change or action at a company as much as the opportunity to bring the issues to shareholders for a vote. In general, we do not withdraw proposals unless we believe there has been a substantive and specific commitment by the company.

2021 SHAREHOLDER PROPOSAL SUMMARY



In 2021, most of our proposals went to a vote of shareholders, although one was omitted through an SEC challenge by a company and two were withdrawn after successful negotiation. Below, we have summarized all 2021 shareholder proposals and their outcomes. Details on these engagements are found later in this document.

Company Name	Proposal Title	Outcome Summary
ADP	Proposal on Workforce Engagement in Governance	Vote: 4.70%
Alphabet	Give Each Share an Equal Vote	Vote: 31.40%
Badger Meter	Solutions for Increasing Diversity on Board of Directors	Vote: 85%
Boston Scientific	Workforce Involvement in Corporate Governance	Vote: 4.64%
Meta Platforms (Facebook)	Give Each Share an Equal Vote	Vote: 27.70%
FedEx	Assessing Inclusion in the Workplace	Vote: 18.50%
Hannon Armstrong Sustainable Infrastructure	Executive Compensation & Diversity in Senior Level Management	Withdrawn After Successful Negotiation
Home Depot	Report on Prison Labor	Vote: 13%
IDEX Corporation	Solutions for Increasing Diversity on Board of Directors	Withdrawn After Successful Negotiation
Intel Corporation	Assessing Inclusion in the Workplace	Vote: 11%
Microsoft	Implementation of Public Commitment	Vote: 13.80%
PayPal	Assessing Inclusion in the Workplace	Vote: 11.70%
Block (Square)	Give Each Share an Equal Vote	Vote: 19.80%
Stryker	Workforce Involvement in Corporate Governance	Vote: 4.00%
TJX Companies	Report on Prison Labor	Omitted through SEC challenge

1. Past performance is no guarantee of future results.
2. Information valid as of date of publication.
3. The information provided herein does not provide information reasonably sufficient upon which to base an investment decision and should not be considered a recommendation to purchase or sell any particular security or to make any particular investment.

PROXY VOTING



I
Voted

In addition to direct engagements with portfolio companies, NorthStar uses our ability to vote proxies as part of our activism. We vote all proxies in-house and follow detailed guidelines that seek to further our activism goals and uphold our guiding values.

In general, we take a contrarian stance toward proxy voting. We believe that our position as active investors who are concerned about the long-term effects of health, safety, and equity issues requires that we deeply scrutinize actions taken and requests made by the companies in our client portfolios.

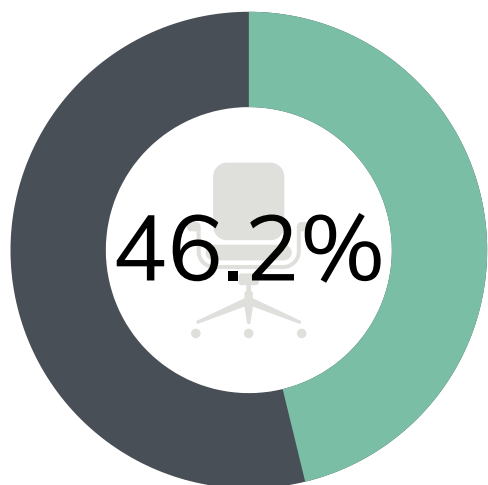
The following pages summarize our proxy voting activities for the reporting year, and you can find our full proxy voting guidelines on our [Creating Change webpage](#).



WE VOTED
AGAINST
68%
OF MANAGEMENT'S
RECOMMENDATIONS

Image credit: Parker Johnson on Unsplash

VOTING ON BOARDS OF DIRECTORS



Percent of Board Candidates
NorthStar Supported in 2021

In addition to NorthStar’s work of directly engaging companies to add more women and people of color (POC) to their boards, we use our proxy voting rights to work towards improved diversity in corporate America.

In proxy voting, our staff adheres to a strict policy of calculating diversity as the first screen when considering voting for or against the board slate. For 2021, we sought a minimum of 50% women on the board and 50% POC/racial and ethnic diversity as well as a minimum of 60% combined gender and racial/ethnic diversity.

If a board slate meets our minimum requirements, we will consider voting for the entire director slate. If the minimum levels of diversity have not been met, we consider voting for individual board members of color. In 2021, few board slates met our minimums, and we voted against 54% of the board candidates in our client proxies.

Going forward into 2022, we have raised the bar further by incorporating expectations around overboarding (when a board member is on too many public boards) and responsibility for compensation packages into our earliest screens.

“

In total, boards added 456 new independent directors, 10% more than last year and the most since 2004. New directors represent 9% of all S&P 500 directors... Nearly half — 47% — of new directors are Black/African American, Asian, Hispanic/Latino/a, American Indian/ Alaska native or multiracial, and 43% are women. Together, directors from these historically underrepresented groups account for 72% of all new directors, compared with 59% last year.

Source: [2021 Spencer Stuart Board Index](#)

”

VOTING ON EXECUTIVE PAY

Executive pay has been escalating for decades, enabled by board member and institutional investor support, while economic inequality between socio-economic and racial groups continues to widen.

For years, we had voted against executive pay packages that exceeded certain levels. In 2021, NorthStar instituted an even more stringent policy on executive pay. We only approved executive compensation packages in which equity, stock options, bonuses, and benefits packages for all non-executive employees are equivalent to that of executive officers.

Given these considerations and NorthStar's focus on seeking creative opportunities to lessen economic inequality, in 2021 we supported less than a tenth of one percent of executive compensation packages that were put forward for shareholder approval.

The worldwide pandemic of 2020 made it even more apparent how vast the divide has become. While tens of millions of Americans lost their jobs and couldn't pay rent or buy groceries, most CEOs became wealthier.

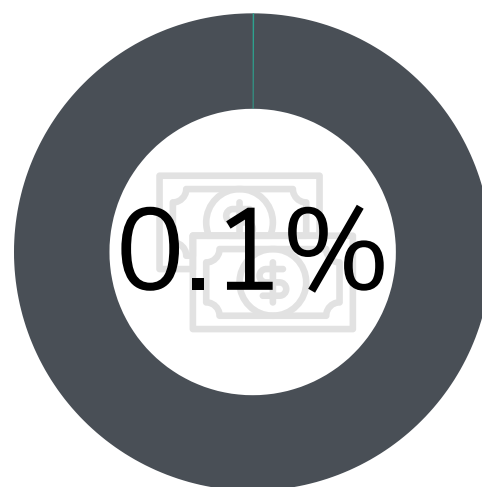
“

Many CEOs, at the start of the pandemic, vowed to not take a salary last year to keep layoffs to a minimum. But new preliminary data from the Economic Policy Institute shows that the average CEO's compensation still jumped 16% last year.

Average worker compensation was up just 1.8%.

Source: [Fortune](#)

”



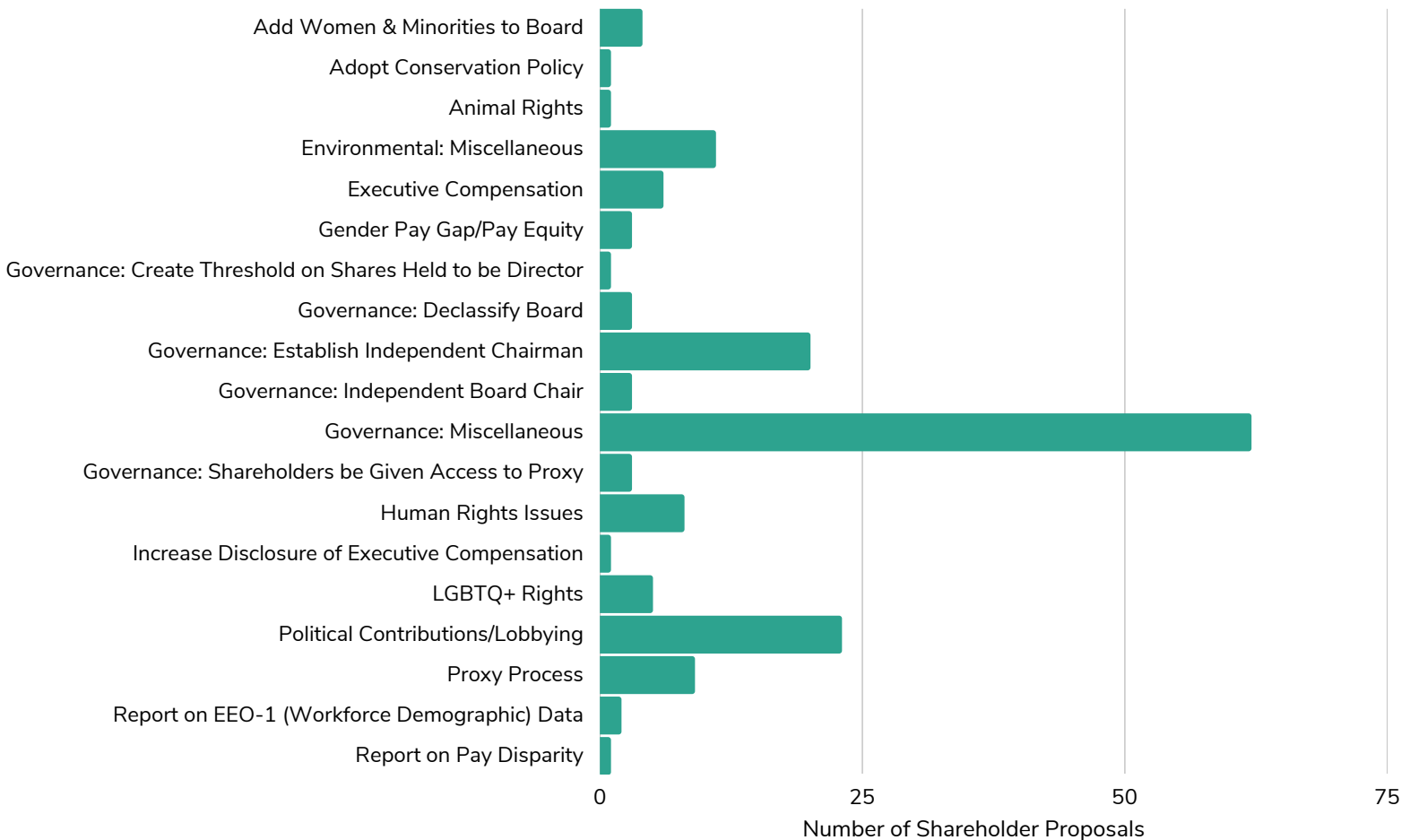
Percent of Executive Compensation Packages NorthStar Supported in 2021

SHAREHOLDER PROPOSAL TOPICS IN THE PROXIES

In addition to company-sponsored proposals, NorthStar also voted on numerous shareholder proposals in 2021. Some appear in proxies more frequently than others as shown in the below.

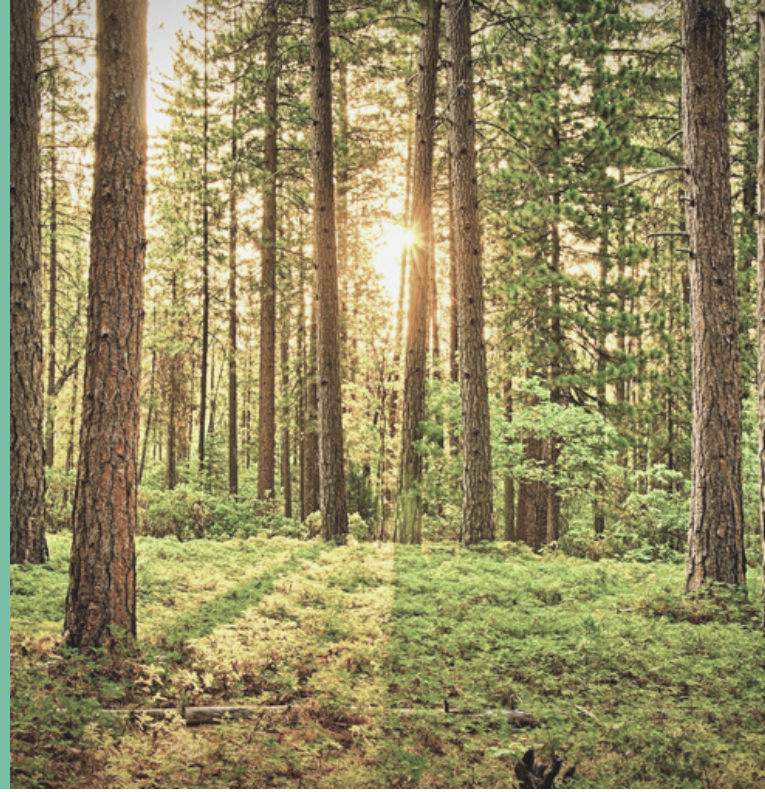
We consider a corporation responsible for the actions of its employees, its subsidiaries, and any suppliers over which it has significant influence. As such, we generally support shareholder proposals that nudge companies forward on environmental, social, and good governance issues of all kinds. We also keep an eye out for conservative proposals that seek to undo progressive accomplishments or confuse shareholders.

2021 Proxy Season: Shareholder Proposal Topics



Data and categorizations listed here provided by Broadridge with editing by NorthStar for clarity. Topics listed cover all shareholder proposals received by NorthStar clients for 2021.

OUTSIDE INVESTMENTS



In addition to our work at the publicly traded companies in our client portfolios, we pursue strategies outside the public equity market. We call this segment of our work "Outside Investments."

Outside Investments include private equity and fixed income opportunities that we believe can more directly affect marginalized populations, small businesses, local economies, and the environment. These can range from worker co-ops and community loan funds to responsible forestry and regenerative agriculture.

Our work in Outside Investing allows us to select and recommend opportunities in which there are clearly delineated commitments to collaboration and distributed wealth and power.

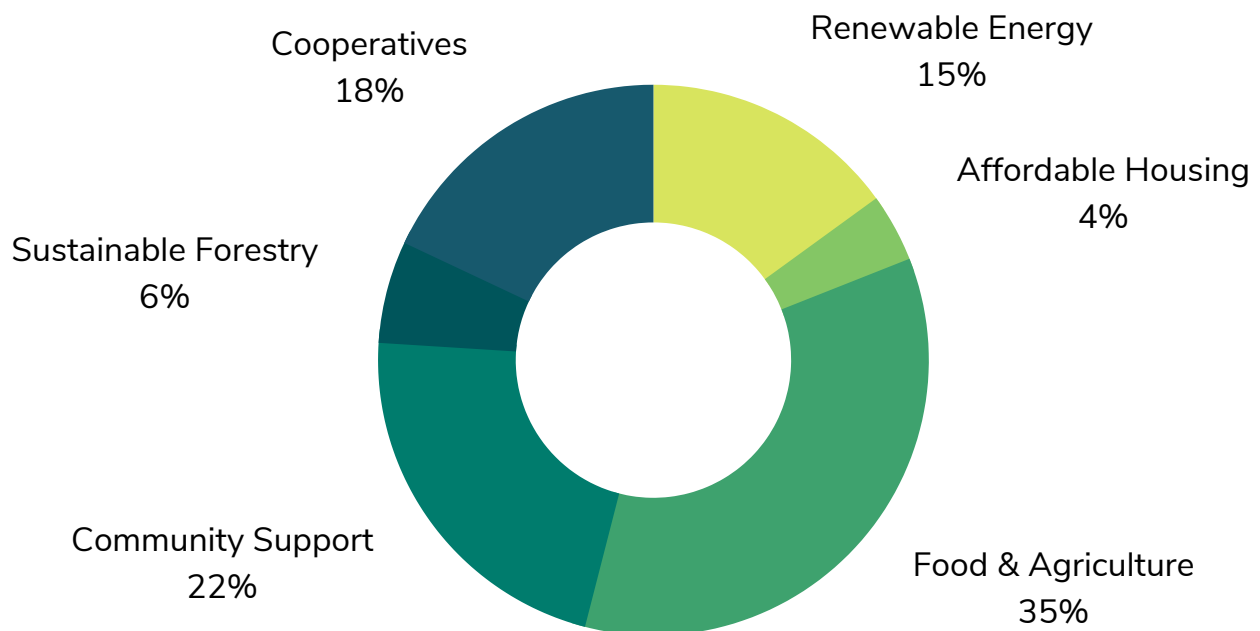
Outside Investments are privately placed with various types of entities, as described above. In addition to the risks of equity (which include, but are not limited to, changes in revenue, margins, earnings, dividends, cash flow, balance sheet, leverage, liquidity, solvency, legal matters, negative publicity, brand image, and general market volatility) and the risks of fixed income investing (such as credit risk, interest rate changes and the yield curve, inflation, default, monetary policy changes, government instability, and other risks), Outside Investments are typically illiquid.

OUTSIDE INVESTMENTS: DIRECTING RESOURCES FOR A POSITIVE IMPACT

NorthStar’s clients often join us in expressing concern about the concentration of wealth and power in our world and reject the presumption that those with great wealth should be the most powerful in economics, politics, and social policy. We believe that wealth should be distributed equitably based on the contributions of all stakeholders to the success of an enterprise.

Below you can see the ways in which NorthStar client Outside Investments have been allocated as of 12/31/21.

Later in this document, you'll see two case studies that highlight some of our Outside Investments work.



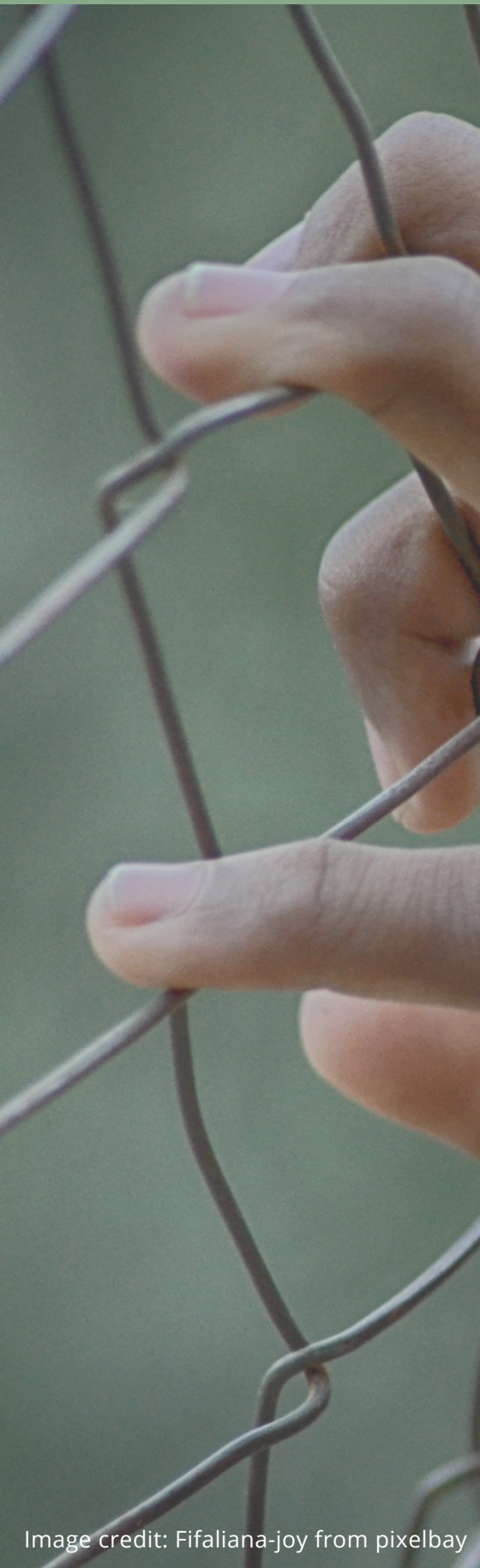
RACIAL JUSTICE & GENDER EQUITY



2021 was another confounding year. From the January 6 insurrection of the U.S. Capitol to the nineteen states passing laws that suppress the voting power of Americans (especially people of color), 2021 further illuminated the gap in racial and gender equity in America.

Following the racial justice protests that flooded the nation in 2020 many corporations responded by "acknowledging" the injustices and "committing" to enforce change within their respective organizations. It is estimated that nearly \$50 billion was committed by US companies to racial equity; however, over 90% of it is allocated as loans or investments. While this has the possibility to close a funding gap between white and Black entrepreneurs, we are naturally skeptical of Corporate America providing financial assistance through loans given the fact that those loans will serve to increase the company's own profit.

NorthStar has been working on issues related to racism and discrimination since our inception, and we intend to take an approach specifically focused on white supremacy in the coming years. The following pages describe our recent work on these issues.



PRISON LABOR

Prison labor is enabled in the United States by the 13th amendment of the U.S. Constitution which prohibits slavery “except as a punishment for crime.” Over 2.2 million individuals are incarcerated in state, federal, and private prisons in the United States, and nearly all able-bodied incarcerated people work in some fashion.

Since 2015, NorthStar has been researching this issue and engaging companies on the possible exposure to prison labor in their supply chains. Learn more [here](#).

NorthStar engaged two companies on prison labor for the 2021 proxy season, TJX Companies and Home Depot, and learned of an update on a prior engagement with Costco.

TJX & HOME DEPOT **CASE STUDY:** **UPDATE ON COSTCO**

Both TJX and Home Depot challenged at the SEC, claiming that claiming our requests on prison labor related to company's day-to-day business. Our proposal was omitted at TJX; however, we were successful at Home Depot where the proposal went to a vote and received 13% support.

After negotiation in 2020, Costco agreed to audit its supply chain for prison labor. The company created a Global Policy on Prison Labor which required explicit minimum expectations, such as transparency and minimum wage. After several years of company disclosure of direct suppliers using prison labor, the company recently shared that due to limitations in transparency efforts, Costco has committed to transitioning away from using prison labor in the supply chain by the end of 2022.

1. Past performance is no guarantee of future results.
2. Case study listed for illustrative purposes only.
3. Information valid as of date of publication.
4. The information provided herein does not provide information reasonably sufficient upon which to base an investment decision and should not be considered a recommendation to purchase or sell any particular security or to make any particular investment.

Image credit: Fifaliana-joy from pixelbay

BOARD DIVERSITY

For over a decade, NorthStar has engaged companies regarding diversity on the board of directors as well as diversity in senior management.

Because NorthStar rarely adds a company to our portfolio that has an all-white all-male board, much of our work on this issue is conveying to company management that while adding a sole woman or person of color is a critical first step, it remains insufficient.

Research is clear that diversity on the board adds value, but that in order for those voices to be heard there needs to be at least three women or people of color. We continue to push companies to increase diversity levels above and beyond these minimums.

This year, NorthStar filed a shareholder proposal on diversifying the board of directors at Badger Meter.

BADGER METER

The proposal garnered a supermajority – 85% — of votes in favor. At the time of filing, the company had eight directors, two of which were women, and none that were racially/ethnically diverse. Because of our proposal, the company later added to the board its first person of color in over a decade.



Image credit: Artem Maltsev on Unsplash

SYSTEMIC RACISM IN CORPORATE CULTURE

Efforts to increase diversity in company leadership have been going on for decades, making progress at a glacial pace. As of May 2021, there were only five Black CEOs at Fortune 500 companies. A report by The Alliance for Board Diversity and Deloitte tells us that racial equity on boards may not occur until 2074, at the current rate of increase.

After years of engagements related to increasing diversity both in the senior management and board, this year NorthStar put forth a new dialogue strategy aimed at the underlying issues. Our newest proposal, called "Assessing Inclusion in the Workplace," requests that companies examine how *written policies* and *unwritten norms* at each company reinforce racism in company culture.

In our engagements on this proposal, NorthStar pushes companies to acknowledge that structural racism exists (in society and in their company culture) and to put in place concrete steps to remedy cultural issues. Our proposal encourages the company to examine the pressure to code-switch, inequitable outcomes by race/ethnicity, lack of sponsorship, and other ways that employees of color face broken rungs in the corporate ladder.

INTEL, PAYPAL, & FEDEX

All three companies engaged in active dialogue with us, but the proposal went to a vote at each. It received 11% and 11.7% of votes in favor at Intel and PayPal, respectively, and 18.5% at FedEx.

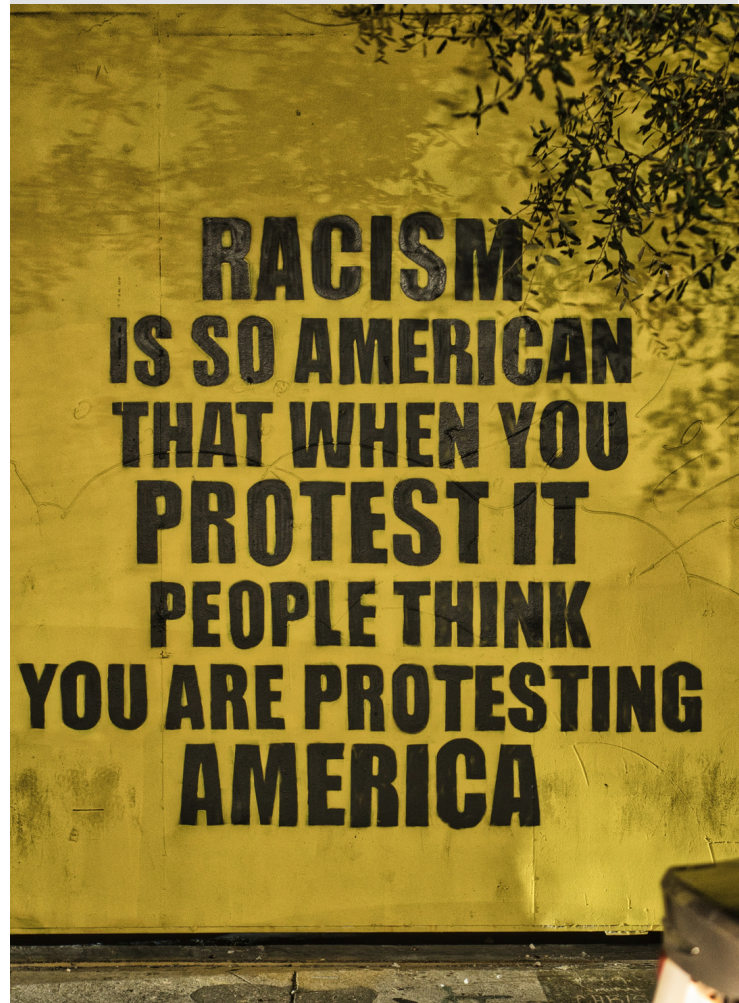


Image credit: Hrt+Soul Design on Unsplash

ECONOMIC INEQUALITY



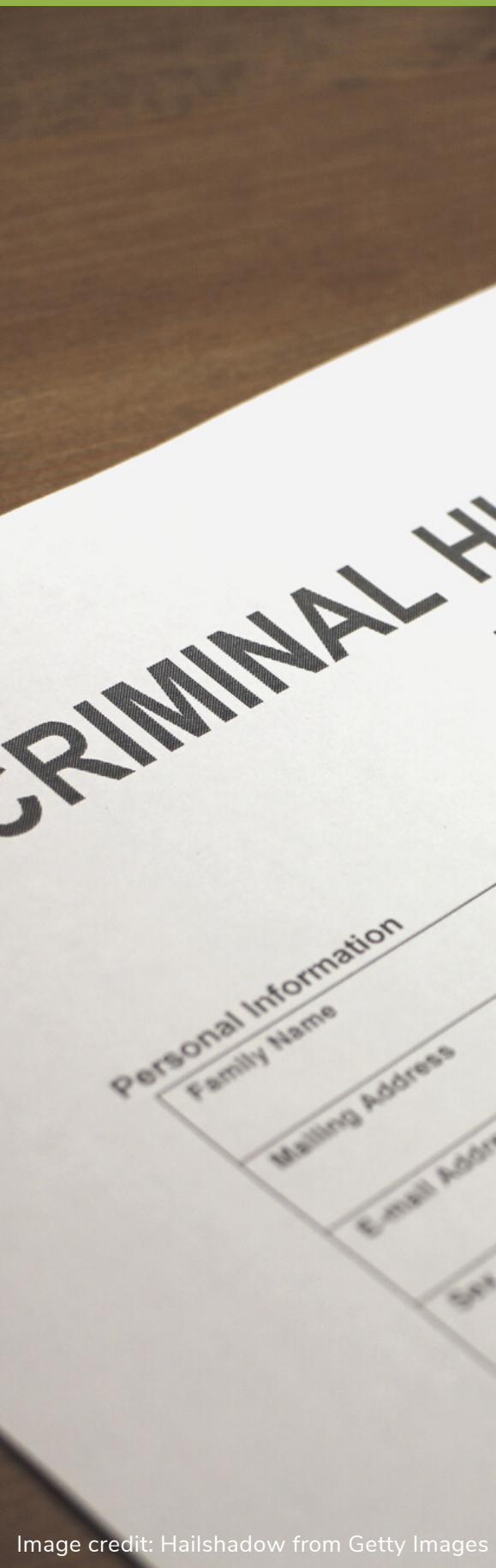
The COVID-19 crisis exacerbated economic inequality with its uneven and unequal economic recovery. The k-shaped recovery that ensued from the pandemic has made the wealthiest Americans wealthier through asset appreciation, but left many women and people of color -- those most likely to work in sectors hit hardest by COVID-19 -- jobless and unable to work from home.

We believe that these disparities are harmful to our economy, families, and communities, and that concentrating wealth and power is a long-term risk for companies that rely upon customers of all kinds.

Even before the pandemic, the unemployment rate for formerly incarcerated individuals was about five times greater than that of the general public. As 2021 progressed and economies reopened, the unemployment rate decreased and job openings increased; however, gaps exist. Employment, one that provides a living wage and good career trajectory, plays an integral role in reducing recidivism, as well as building wealth, and reducing economic inequality.

While recognizing our role in this system as equity-owning investors, NorthStar uses our status as shareholders to push for progress that creates fair and equitable economic relationships.

Image credit: Markus Spiske on Unsplash



FAIR CHANCE EMPLOYMENT

Fair chance employment, also referred to as “second chance hiring,” creates equal opportunity hiring practices for formerly incarcerated people. These practices allow applicants with prior convictions to demonstrate their qualifications without the interference of criminal history biases.

Fair chance employment may include removing questions about an applicant’s arrest or conviction history from job applications, delaying background checks from taking place until later in the hiring process, adopting a position-specific background check, and educating hiring managers and the greater workforce about the unwarranted biases related to criminal records. The implementation of fair chance hiring practices can help level the playing field and give formerly incarcerated individuals the opportunity to secure an appropriate job with career potential, while broadening the hiring pool for employers to include applicants with high motivation to keep the right job and see the company thrive.

In 2021, NorthStar wrote to all portfolio companies on their fair chance hiring practices and we filed our first shareholder proposal on the issue, detailed below.

MICROSOFT

NorthStar filed a shareholder proposal at Microsoft on fair chance employment for the 2021 proxy season as the company had signed the Fair Chance Business Pledge in 2016. The proposal went to a vote and received 13.8% of the vote from shareholders.

Image credit: Hailshadow from Getty Images



EMPLOYEES ON BOARDS

For nearly half a century, U.S. corporations have been driven by the notion of “shareholder primacy” – that a publicly traded company’s primary duty is to maximize return to shareholders at all costs. This perspective has played a major role in the focus on short-term earnings, runaway CEO pay, failures to address the realities of climate change, and the ever-increasing wealth and income gap, especially for people of color.

Despite significant gains in employment protections, workers rarely have a “seat at the table” when company management makes decisions that affect their livelihoods.

Through our shareholder resolution, “Employee Representation on the Board of Directors,” NorthStar seeks to press companies to consider how direct employee representation on the board would benefit the company.

ADP, STRYKER, BOSTON SCIENTIFIC

The companies where we filed this proposal neither challenged us at the SEC nor engaged in active dialogue with us. All three proposals went onto the proxy to be voted on by shareholders, earning 4.7% of the vote at ADP, 4% at Stryker, and 4.64% at Boston Scientific. Since these proposals did not garner the minimum required support of shareholders, we will not be able to resubmit a proposal on this topic at these companies in the next few years.

However, we now hear industry peers discussing this issue in new and exciting ways. We believe that NorthStar's shareholder proposals contributed to raising awareness around this idea.

Image credit: Ehimetalor Akhere Unuabona on Unsplash



Image credit: Josh Hild on Unsplash

OUTSIDE INVESTMENTS CASE STUDY: SHARED CAPITAL COOPERATIVE

Economic equality is one of the core tenets of NorthStar's pursuits in activism as well as the work we do in choosing Outside Investment opportunities for our clients. In this case study, we highlight one opportunity some of our clients supported in the reporting year:

In 2021, NorthStar clients continued their support of Shared Capital Cooperative, a Twin Cities, Minnesota-based community development financial institution (CDFI) that provides loans and technical expertise to cooperative businesses (co-ops).

Shared Capital endeavors to generate grassroots community wealth and build social, environmental, economic and racial justice.

Unlike banks, Shared Capital is cooperatively owned and managed by the co-ops that borrow from and invest in them and seeks to "flip the script on who has power and who benefits in our economy."

1. Past performance is no guarantee of future results.
2. Case study listed for illustrative purposes only.
3. Past Outside Investment recommendations available upon request. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities on this list.
4. The information provided herein does not provide information reasonably sufficient upon which to base an investment decision and should not be considered a recommendation to purchase or sell any particular security or to make any particular investment.

HUMAN RIGHTS



Universal human rights, including the freedoms of speech, privacy, health, life, liberty, and security, as well as an adequate standard of living, are foundational to our work at NorthStar.

A wide range of human rights issues have come to light this year, from Uyghur forced labor in China to the takeover of Afghanistan by the Taliban, and, most recently, the Russian invasion of Ukraine. NorthStar's research process seeks to examine the ways in which current and potential investments are related to human rights abuses or protection. At NorthStar, we are committed to our goal of weeding out companies with practices we cannot tolerate while opening the door to investment in companies where we believe that shareholder engagement can make a difference.

To this end, in 2021 NorthStar delved deeply into the intersection of human rights and climate change mitigation through a process of social and financial diligence when searching for an equity investment in the electric vehicle and solar panel industries. We detail this work on the following pages as well as our long-standing work on LGBTQ+ rights.

Image credit: Nitish Meena on Unsplash



CLEAN ENERGY'S DIRTY SECRETS

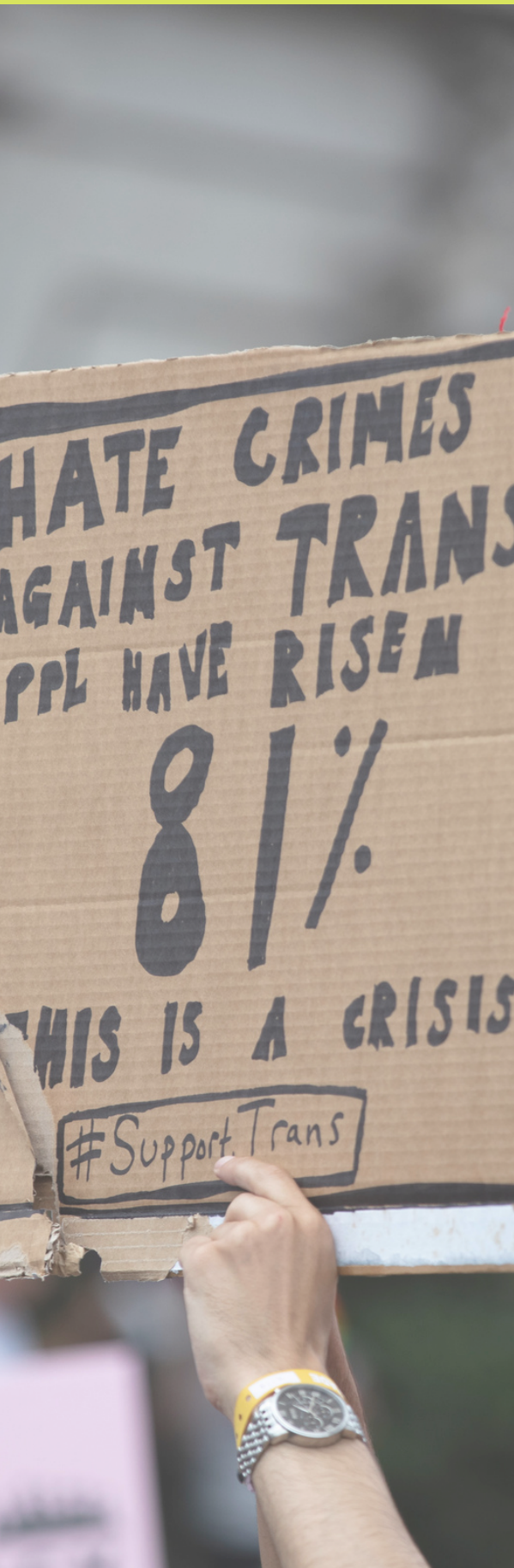
In attempting to gain more exposure to the electrification of our world, we find ourselves confronting inconvenient truths regarding the green revolution that is being sold as a panacea for one of society's greatest challenges.

Clean energy is in fact not so clean.

It is impossible to explore investment opportunities within the renewable energy sector without constantly being confronted by human rights abuses. The solar panel industry is heavily dependent on the controversial Xinjiang region of China for its cheap fossil fuel-generated electricity. Xinjiang is also home to the Uyghur Muslim minority who have been persecuted, raped, and tortured because of their religious beliefs. Similarly, when evaluating opportunities to increase our exposure to electric vehicles, we discovered human rights abuses within the supply chain involving child labor and exposure to hazardous and cancer-causing particles.

As socially responsible investors, it is our duty to invest in the most responsible manner possible to ensure we are not creating more ethical, environmental, or social problems while trying to solve an environmental problem.

Image credit: 4tmax from Getty Images



LGBTQ+ RIGHTS

Founded by one of the original plaintiffs in the legal case that earned Massachusetts equal marriage rights, NorthStar has successfully engaged portfolio companies to include LGBTQ+ people in internal benefits and protections.

However, in many states, LGBTQ+ people can be turned away from restaurants or stores, may face harassment and legal action for using a public bathroom, and are not protected through hate crimes legislation. Despite positive forward progress when marriage equality became a nationwide right, LGBTQ+ people continue to be denied federal nondiscrimination protections at work and in public.

Broad protective legislation must be passed by federal lawmakers. The bipartisan Equality Act, if passed, would amend existing civil rights law to provide consistent and explicit nondiscrimination protections for LGBTQ+ people across key areas of life.

In 2019, NorthStar wrote to twenty-four portfolio companies asking them to join the Human Rights Campaign's Business Coalition for the Equality Act and/or to urge political candidates the company supported financially to support the Equality Act.

In early 2021, the U.S. House of Representatives passed the Act, getting us one step further toward LGBTQ+ equality.

Image credit: inkdrop on Canva

ENVIRONMENTAL JUSTICE



At NorthStar, we are keenly aware of the growing aspirations of corporations (and many others) to transition from reliance on climate change-causing fossil fuels towards a greener world. Our research into investment opportunities in the renewable energy space has resulted in the inconvenient truth that every company claiming to create a solution also contributes to an environmental problem. In our work, we invest in ways that aim to avoid negative environmental or social externalities while trying to solve environmental problems.

It is also our responsibility to discern whether a company is greenwashing. For example, over the last few years, net zero goals have been adopted by many corporations aiming to claim corporate social responsibility. Developed countries are responsible for 92% of emissions in excess of our planetary boundaries, and yet net zero schemes too often leave the global South to deal with the consequences of climate breakdown. Rich countries and corporations must take responsibility for reducing our aggregate energy use to enable a sufficiently rapid transition to renewables, and we must reduce aggregate resource use to reverse ecological breakdown. If corporations do not directly acknowledge the need for degrowth in the richest economies, then net zero commitments are at best superficial and misleading, and at worst an unjust perpetuation of colonialism.

Image credit: Markus Spiske on Unsplash



HUMAN RIGHT TO WATER & SANITATION

According to a 2020 [study](#), "by 2030, demand for water will outstrip supply by 40 percent, and that about half of the world's population will live in water-scarce areas." Companies touch water resources in many ways in the everyday dealings of business -- in manufacturing and cooling, producing and treating wastewater, extracting drinking resources in humid and arid environments, and for plant production in agriculture. The corporate water footprint is vast and complex.

The human right to water was first recognized by the UN General Assembly and the Human Rights Council as part of binding international law in 2010. NorthStar began our work on the human right to water in 2007, before the UN's formal recognition. In past engagements with portfolio companies, including three water utilities, we have successfully negotiated the creation of policies in support of the human right to water. Those policies reflect a responsibility to ensure that safe, sufficient, acceptable, physically accessible, affordable water is available for drinking and hygiene in the communities in which the company does business.

While NorthStar did not engage any companies in 2021 on the human right to water, this issue remains more than important than ever as water scarcity increases in severity and prevalence. As affirmed by a 2021 [report](#) by the UN Special Rapporteur on human rights and the environment, the growing global water crisis requires action both by governmental actors as well as businesses in order to reduce preventable deaths and ensure access to safe water for drinking and agriculture worldwide.

Image credit: Chaucharanje Brand from Pixlels



Image credit: Tim Mossholder on Unsplash

OUTSIDE INVESTMENTS CASE STUDY:

WATSONVILLE LAND PROJECT

Economic equality and environmental justice are two of the core tenets of NorthStar's pursuits in activism as well as the work we do in choosing Outside Investment opportunities for our clients. In this case study, we highlight one opportunity some of our clients supported in the reporting year:

In 2021, NorthStar clients supported the Watsonville Land Project, a California-based endeavor that sought to expand equitable land access and ownership for Latino immigrant organic farmers.

The project involved the acquisition of 170+ acres of organic farmland in Watsonville, CA in order to transfer ownership to 5-10 Latino immigrant organic farmers in three to seven years.

NorthStar clients participated in their capital raise by providing patient and affordable loans.

1. Past performance is no guarantee of future results.
2. Case study listed for illustrative purposes only.
3. Past Outside Investment recommendations available upon request. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities on this list.
4. The information provided herein does not provide information reasonably sufficient upon which to base an investment decision and should not be considered a recommendation to purchase or sell any particular security or to make any particular investment.

CORPORATE GOVERNANCE



Corporations wield power over many facets of society.

They can limit or expand consumer choice, influence consumer beliefs and actions by promoting certain ideas through their brand, affect the outcome of political races or ballot initiatives through political contributions and lobbying, expose or reduce exposure to chemicals and pollutants, and much more.

Corporate governance is the collection of mechanisms, policies, and procedures that companies have in place to control and operate the corporation. Shareholders can engage companies on those governance mechanisms to protect shareholders, employees, the environment, and other stakeholders as well as to encourage company growth and shareholder return.

At NorthStar, we engage companies on corporate governance issues in pursuit of supporting our guiding values.

Image credit: August0802 from Getty Images

UNEQUAL VOTING

At most companies, shareholders receive one vote per share on each proxy item at a meeting of shareholders. Shareholders get to use their vote to voice their opinion on matters that concern them as part-owners of the company.

At a handful of publicly traded companies, company insiders have outsized voting rights. Engaging on equal voting is critical because when insiders control over 50% of the vote while actually owning far less in shares, it's nearly impossible for shareholders to effectively oppose management's desired outcome on any proxy item.

We engage these companies because without equal shareholder voting, shareholders' most effective strategy to hold companies accountable remains muted.

The controversy Meta faced in the fall of 2021 after a whistleblower accused the company of placing “profit over safety” is one of the more recent scandals that has threatened or caused losses in shareholder value of the Meta stock. Without equal voting rights, shareholders cannot provide effective feedback to management or hold the board accountable.

NorthStar has filed proposals on equal voting at Meta (formerly Facebook) and Alphabet (parent company to Google) for many years, sometimes with co-filers. In 2021, NorthStar began filing this proposal at Block (formerly Square).



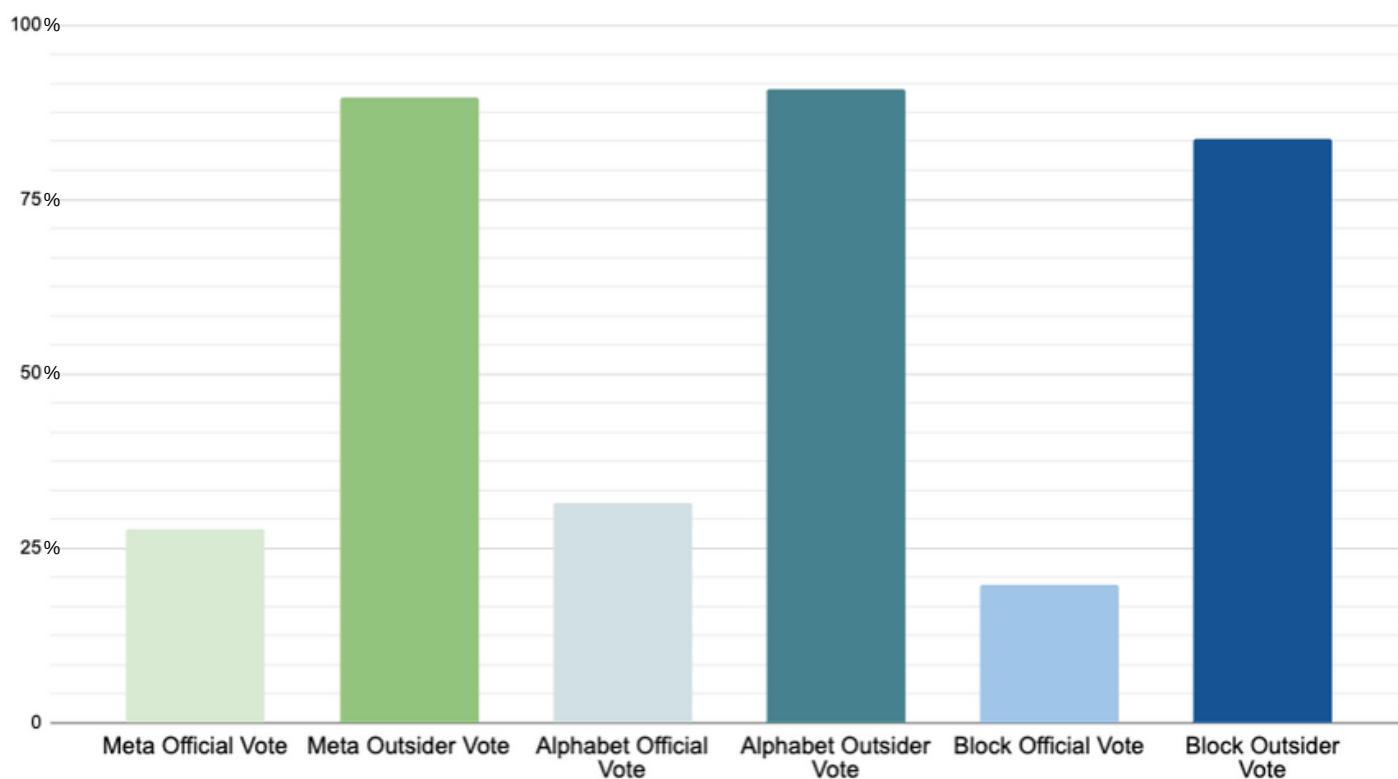
Image credit: samxmeg from Getty Images

UNEQUAL VOTING

META, ALPHABET, BLOCK

Across the board, these proposals receive high vote counts with outside shareholders that vote ordinary shares. While our proposals have only received about 20-30% of the official vote, when we extract the insider vote from the count, we see how ordinary shareholders view our request. We estimate that at both Meta (formerly Facebook) and Alphabet, our equal voting proposal earned close to 90% of the vote, and close to 85% at Block (formerly Square) for non-insider shareholders that only have one vote per share.

2021 Equal Voting Proposal Outcomes



Estimates are based upon our calculations from company-reported data obtained from company proxy statements and 8-K filings.



CORPORATE POLITICAL CONTRIBUTIONS

For many years, companies have poured millions of dollars into U.S. elections through political action committees (PACs), SuperPACs, ballot initiative PACs, and "dark money" tax-exempt organizations that funnel contributions with little disclosure. Companies often claim that they participate in the political process to support issues the company believes will further its own goals such as intellectual property, trade issues, or immigration, without considering how those contributions will affect other issues like climate change, women's rights, LGBTQ+ rights, etc.

Since 2011, NorthStar has sought to press companies to improve their diligence processes for making political contributions to include a comprehensive analysis of the intended political recipient, with the goal of reporting how candidates' policy stances align or contrast with the company's policies, values, and goals.

The need for congruency between company values and political contributions has come into focus sharply this year. After the January 6 insurrection of the U.S. Capitol, many companies have had to reconsider their political contributions and endorsement of values. According to research by Citizens for Responsibility and Ethics in Washington, companies that pledged to halt donations to the insurrectionists have since contributed over \$2 million directly to their campaigns or PACs. Media critics and shareholders are paying close attention to this issue.

This is a perfect example of the long-term financial ramifications of topics upon which we engage our portfolio companies.

Image credit: Hansjörg Keller on Unsplash

COLLABORATIONS

NorthStar also supports many of our colleagues' engagements through sign-on letters, allowing us to add our voice and investor strength to projects that go beyond our primary work. Below is a sampling of the topics of letters we signed in 2021:

- Advocating for animal welfare
- Climate risk issues
- Decrying racism
- Denouncing the expansion of mass incarceration and immigrant detention
- Letters to tech companies regarding content that promoted violence and the January 6th Insurrection
- Promoting federal paid family and medical leave
- Policy recommendations to Members of Congress and President Biden's administration
- Requests for public disclosure of company EEO-1 data
- Supporting the human rights of agricultural workers
- Supporting unionizing efforts
- Supporting voting rights



30+
LETTERS
SIGNED IN 2021

Topics listed are high-level summaries covering all letters signed based on our categorization of nuanced issues.

MEMBERSHIPS

NorthStar is a member of numerous formal and informal groups that collaborate to create stronger networks for change.



Shareholder Rights Group



DISCLOSURES

NorthStar Asset Management, Inc. is an SEC registered investment advisor.

For informational purposes only.

Information valid as of date of publication.

The information provided herein does not provide information reasonably sufficient upon which to base an investment decision and should not be considered a recommendation to purchase or sell any particular security or to make any particular investment.

This document is only intended for clients and interested investors residing in states and countries in which the NorthStar is qualified to provide investment advisory services.

Please contact us at (617) 522-2635 to find out if the investment advisor is qualified to provide investment advisory services in the state where you reside or refer to www.adviserinfo.sec.gov.

NorthStar does not attempt to furnish personalized investment advice or services through this document or our website.

Past Outside Investment recommendations available upon request. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities on this list.

Past performance is no guarantee of future results.