

# Allspring 2021 midyear stewardship report

Proxy voting and engagement activities

This report serves as a statistical midyear update to the Allspring Global Investments stewardship activities covering the period 1 January–30 June 2021. Every 12 months, Allspring will publish a more voluminous annual report.



## Voting statistics

### Management and shareholder proposal vote distribution January–June 2021

90% supported management (39,609)

10% opposed management (4,216)

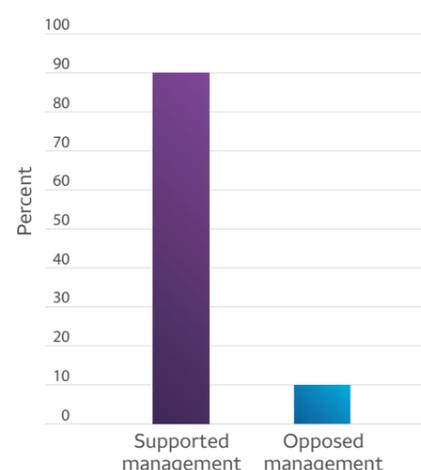
**Total: 44,715**

99.9% of all votable meetings voted

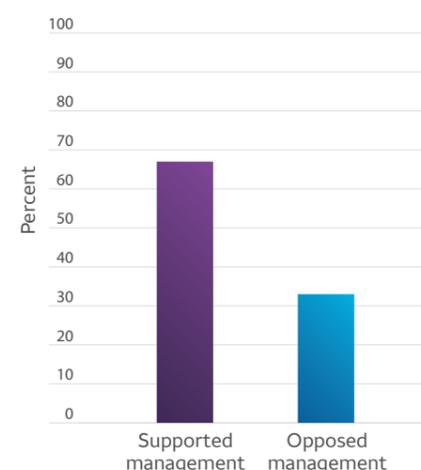
46% of meetings with at least one against-management vote

11% of meetings with at least one against-ISS<sup>2</sup> vote

#### Allspring's support of and opposition to 43,825 management proposals



#### Allspring's support of and opposition to 890 shareholder proposals



1. In accordance with the Allspring International SRD II Policy, all voting results for the Allspring (Lux) Worldwide Fund covering the fiscal year that ended June 30, 2021, can be found [here](#).

2. Allspring has retained a third-party proxy voting service, Institutional Shareholder Services Inc. (ISS), to assist in the implementation of certain proxy voting-related functions, including: 1. Providing research on proxy matters, 2. Providing technology to facilitate sharing research and discussions related to proxy votes, 3. Voting proxies in accordance with Allspring's guidelines, 4. Handling administrative and reporting items, and 5. Maintaining records of proxy statements received in connection with proxy votes and provide copies/analyses upon request.

## Allspring's votes on management proposals by topic January–June 2021

|   | Voted with management | Voted against management | Allspring voted with management | Allspring voted against management | Total         |
|---|-----------------------|--------------------------|---------------------------------|------------------------------------|---------------|
| <b>Total management proposals</b>               | <b>39,609</b>         | <b>4,216</b>             | <b>90%</b>                      | <b>10%</b>                         | <b>43,825</b> |
| <b>Board-related</b>                            | <b>24,130</b>         | <b>2,546</b>             | <b>90%</b>                      | <b>10%</b>                         | <b>26,676</b> |
| Elect directors                                 | 19,896                | 2,094                    | –                               | –                                  |               |
| Elect chair/vice chair                          | 35                    | 19                       | –                               | –                                  |               |
| Declassify the board                            | 46                    | –                        | –                               | –                                  |               |
| Director remuneration                           | 602                   | 24                       | –                               | –                                  |               |
| <b>Capital management</b>                       | <b>2,298</b>          | <b>395</b>               | <b>85%</b>                      | <b>15%</b>                         | <b>2,693</b>  |
| Authorize share repurchase                      | 483                   | 18                       | –                               | –                                  |               |
| Approve issuance of equity                      | 496                   | 180                      | –                               | –                                  |               |
| <b>Changes to company statutes</b>              | <b>1,028</b>          | <b>139</b>               | <b>88%</b>                      | <b>12%</b>                         | <b>1,167</b>  |
| Reduce supermajority vote                       | 50                    | –                        | –                               | –                                  |               |
| <b>Executive compensation</b>                   | <b>3,873</b>          | <b>757</b>               | <b>84%</b>                      | <b>16%</b>                         | <b>4,630</b>  |
| Advisory vote on executive compensation         | 2,107                 | 318                      | –                               | –                                  |               |
| Approve executive stock option plan/grant       | 39                    | 20                       | –                               | –                                  |               |
| <b>Mergers and acquisitions/reorganizations</b> | <b>727</b>            | <b>157</b>               | <b>82%</b>                      | <b>18%</b>                         | <b>884</b>    |
| Divestiture/spin-off                            | 76                    | 5                        | –                               | –                                  |               |
| Merger/acquisition                              | 155                   | 29                       | –                               | –                                  |               |
| <b>Routine business</b>                         | <b>7,553</b>          | <b>222</b>               | <b>97%</b>                      | <b>3%</b>                          | <b>7,775</b>  |

# Allspring's votes on shareholder proposals by topic January–June 2021

|                                 | Allspring voted with management | Allspring voted against management | Total votes | Allspring voted with management | Allspring voted against management | Total       |
|---------------------------------|---------------------------------|------------------------------------|-------------|---------------------------------|------------------------------------|-------------|
| Shareholder proposal total      | 596                             | 294                                | 890         | 67%                             | 33%                                | 100%        |
| <b>Environmental</b>            | <b>55</b>                       | <b>21</b>                          | <b>76</b>   | <b>72%</b>                      | <b>28%</b>                         | <b>100%</b> |
| Nuclear plant phase out         | 15                              | 0                                  | 15          |                                 |                                    |             |
| Greenhouse gas emissions        | 7                               | 3                                  | 10          |                                 |                                    |             |
| Renewables                      | 1                               | 0                                  | 1           |                                 |                                    |             |
| Climate change                  | 23                              | 15                                 | 38          |                                 |                                    |             |
| Circular economy                | 4                               | 0                                  | 4           |                                 |                                    |             |
| <b>Social</b>                   | <b>35</b>                       | <b>26</b>                          | <b>61</b>   | <b>57%</b>                      | <b>43%</b>                         | <b>100%</b> |
| Workforce diversity             | 3                               | 8                                  | 11          |                                 |                                    |             |
| Gender pay gap                  | 3                               | 1                                  | 4           |                                 |                                    |             |
| Human rights                    | 4                               | 3                                  | 7           |                                 |                                    |             |
| Labor related                   | 11                              | 5                                  | 16          |                                 |                                    |             |
| Data privacy & internet content | 0                               | 2                                  | 2           |                                 |                                    |             |
| Surveillance                    | 0                               | 2                                  | 2           |                                 |                                    |             |
| <b>Governance</b>               | <b>506</b>                      | <b>247</b>                         | <b>753</b>  | <b>67%</b>                      | <b>33%</b>                         | <b>100%</b> |
| Require independent chair       | 13                              | 19                                 | 32          |                                 |                                    |             |
| Declassify the board            | 4                               | 2                                  | 6           |                                 |                                    |             |
| Elect dissident director        | 11                              | 1                                  | 12          |                                 |                                    |             |
| Elect proxy access nominee      | 47                              | 1                                  | 48          |                                 |                                    |             |
| Reduce supermajority vote       | 1                               | 9                                  | 10          |                                 |                                    |             |
| One vote per share              | 0                               | 12                                 | 12          |                                 |                                    |             |

# Significant votes

| Company                              | Estimated position value (\$) | ISS governance quality score** | Allspring voted with management | Allspring voted against management | Total proposals | Significant votes against management  |
|--------------------------------------|-------------------------------|--------------------------------|---------------------------------|------------------------------------|-----------------|---|
| Alphabet Inc.                        | 2.9B                          | 10                             | 11                              | 10                                 | 21              | Allspring voted AGAINST the election of the compensation committee members. We believe this was warranted due to their poor stewardship of the company's pay programs as evidenced by recurring and significant executive compensation concerns.  |
| Amazon.com, Inc.                     | 2.1B                          | 9                              | 13                              | 10                                 | 23              | Allspring voted FOR (against management) a report on the company's gender and racial median pay gaps. The additional information would allow shareholders to better measure the company's progress on diversity and inclusion initiatives and its management of related risks.  |
| Facebook, Inc.                       | 843M                          | 10                             | 9                               | 8                                  | 17              | Allspring voted FOR (against management) a report on online child sexual exploitation. Additional information on risks related to potential sexual exploitation of children through the company's platforms would give shareholders more information on how well the company is managing related risks.   |
| China Life Insurance Company Limited | 691.6M                        | 8                              | 2                               | 0                                  | 2               | There was no significant vote against management.   |
| MasterCard Inc.                      | 675.1M                        | 8                              | 18                              | 1                                  | 19              | Allspring voted AGAINST a proposal for an advisory vote to ratify named executive officers' compensation. We believe this vote is warranted given significant concerns regarding COVID-19-related compensation adjustments. Although some investors have expressed a degree of flexibility regarding adjustments to short-term awards, we don't view adjustments to closing-cycle equity awards as an appropriate reaction to COVID-19-related disruptions. |
| Tradeweb Markets Inc.                | 510.4M                        | 10                             | 2                               | 4                                  | 6               | Allspring voted FOR (against management) the adoption of an annual say-on-pay frequency. Annual say-on-pay votes are considered an industry best practice as they give shareholders a regular opportunity to opine on executive pay.  |
| Tencent Holdings Ltd.                | 507.9M                        | 9                              | 6                               | 2                                  | 8               | Allspring voted AGAINST the "Approvals of Issuances of Equity or Equity-Linked Securities without Preemptive Rights" and the "Authorization of Reissuance of Repurchased Shares." We believe our vote rationale is warranted because the aggregate share issuance limit in each case is greater than 10% of the relevant class of shares. Also, the company doesn't have a specified discount limit.  |
| Li Ning Company Ltd.                 | 507.2M                        | 8                              | 9                               | 0                                  | 9               | There was no significant vote against management.   |

|                              |        |    |    |   |    |   |
|------------------------------|--------|----|----|---|----|---|
| Generac Holdings Inc.        | 498.4M | 9  | 6  | 0 | 6  | There was no significant vote against management.   |
| Chipotle Mexican Grill, Inc. | 473.9M | 9  | 12 | 2 | 14 | Allspring voted FOR (against management) "Providing the Right to Act by Written Consent." We believe this vote is warranted because the ability to act by written consent would enhance shareholder rights.   |
| Twilio Inc.                  | 439.8M | 10 | 2  | 3 | 5  | Allspring voted to WITHHOLD (against management) regarding the election of three director nominees. We believe this vote is warranted given the board's failure to remove—or subject to a sunset requirement—the supermajority vote requirement to enact certain changes to the governing documents and the classified board, each of which adversely affects shareholder rights.   |
| Berkshire Hathaway Inc.      | 420.8M | 10 | 12 | 4 | 16 | Allspring voted FOR (against management) a "Report on Climate-Related Risks and Opportunities." We believe this vote is warranted because an assessment of the company's climate-related risks and opportunities would allow shareholders to better understand how the company is managing systemic risks posed by climate change and the transition to a low-carbon economy.   |
| Pinterest, Inc.              | 356.7M | 10 | 3  | 2 | 5  | Allspring voted AGAINST the election of two incumbent directors. We believe this vote is warranted given the board's failure to remove—or subject to a reasonable sunset requirement—the dual-class capital structure and the supermajority vote requirement to enact certain changes to the governing documents and the classified board, each of which adversely affects shareholder rights.  |
| Natera Inc.                  | 346.1M | 9  | 2  | 4 | 6  | Allspring voted to WITHHOLD (against management) votes for four director nominees. We believe this vote is warranted given the board's failure to remove—or subject to a sunset requirement—the supermajority vote requirement to enact certain changes to the governing documents and to the classified board, each of which adversely affects shareholder rights.   |
| Exxon Mobil                  | 60.0M  | 5  | 19 | 2 | 21 | Allspring voted FOR (against management) a proposal to "Issue Audited Report on Financial Impacts of IEA's NetZero 2050 Scenario." We believed this FOR vote was warranted because the company lags its peers in settings targets aligned with Paris-type goals and is involved in multiple controversies related to climate change. In light of regulatory developments and recent volatility in oil demand and prices, shareholders would benefit from an audited report on the financial impacts of IEA's Net Zero 2050 Scenario. The board will summarize its findings by January 31, 2022. |

\*Estimated values are based on Allspring shares held on record date for the company's most recently held meeting during the reporting period.  
 \*\*Companies receive an overall ISS governance quality score and a score for each of four categories: board structure, compensation/remuneration, shareholder rights and takeover defenses, and audit and risk oversight. The ISS governance quality score methodology focuses on the qualitative aspects of governance, including global governance standards and alignment with ISS voting policy in each region. ISS assigns a numeric score that is decile-ranked (1–10 with 1 being highest) to indicate a company's governance risk relative to its index or region. Learn more here: <https://www.issgovernance.com/esg/ratings/governance-qualityscore>.

## Firm-wide stewardship activity at Allspring—by the numbers

The following engagement activities span the first two quarters of 2021.

### Overall engagement metrics

We engaged with 16 different companies on a total of 37 environmental, social, and governance (ESG)-related issues.

### ESG issues breakdown (with top issues)



#### Environmental 15

Climate change  
Plastics  
Recycling



#### Social 6

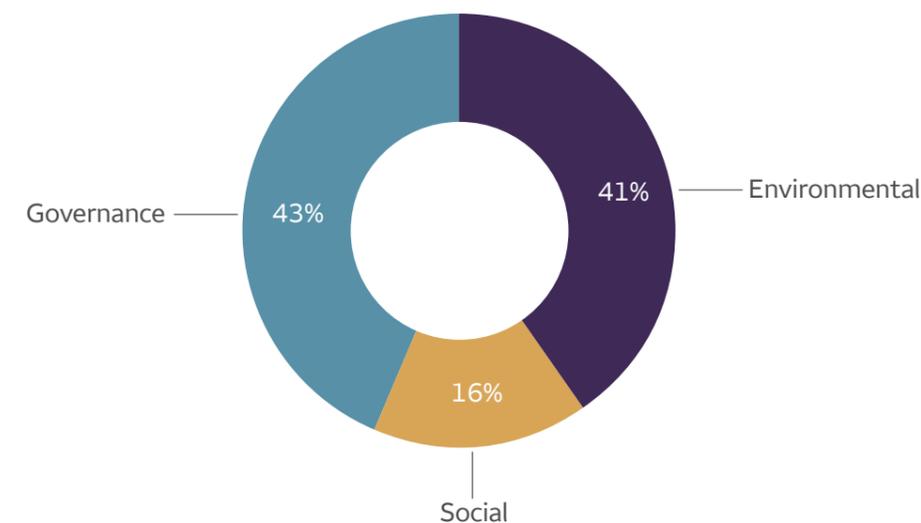
Workplace safety  
Labor management  
Drug pricing & access



#### Governance 16

Controlled company  
Executive compensation  
Report on lobbying  
Board refreshment  
Board diversity  
Classified board  
ESG oversight  
Proxy access

### Percentage breakdown of our engagement on E, S, and G issues



# Case studies

## European beverage company

Allspring requested this engagement as part of its thematic focus on plastics and the circular economy. The ultimate objective of the thematic engagement will be to encourage companies to improve the quality and economics of recycling practices, to shift strategic focus toward redesign and innovation, and to increase the reusability of plastics that will enable plastics to be sustainable and play a key role in the circular economy.

This company's focus is on achieving its 2025 targets, which include having 100% recyclable or reusable packaging, as distinguished from competitors who include compostable or biodegradable packaging. The company aspires to have none of its packaging go into landfills or become environmental litter. In 2020, the company had achieved 88% recyclable/reusable packaging. By 2025, it also seeks to reduce virgin plastic content by 33% (versus 4% achieved in 2020). The company has made a commitment to invest \$2.1 billion to lead its shift from virgin plastic, which includes allocating \$1.6 billion to pay a premium for food-grade recycled plastics between now and 2025. Strategically, an important ESG distinction the company has made is that “we don't ask investors to pay for it, and we don't expect consumers will pay for it.” Instead of lowering earnings per share or charging higher consumer prices to cover these added costs, the company aims to fund them largely through other internal cost-cutting measures over the next few years.

The company uses an overarching five-pillar approach to improve the environmental impact of its packaging:

- Reducing unnecessary packaging and use of virgin plastic
- Scaling up reuse systems
- Shifting away from plastics
- Advocating for and participating in extended producer responsibility schemes
- Forming partnerships to develop community engagement programs for lasting and impactful change

The company has created its own internal packaging institute that's designing the packaging for tomorrow. While the company doesn't necessarily aspire to build packaging, this expertise is essential to help drive the packaging ecosystem forward. The packaging institute employs 50 scientists with packaging-industry expertise and a network of university research partnerships. The company also has 350 packaging suppliers that have their own research and development (R&D) efforts underway to innovate against their own criteria.

In terms of recycling, the company is focused on investing in infrastructure and working to change mindsets, particularly by engaging with policymakers, stakeholders, and members of the supply chain. The company has said its big-picture goal is to eventually create “plastic neutrality” whereby the company doesn't add any net additional plastic into the ecosystem. Also, the company stated that the full value chain needs to be evaluated for potential environmental impacts that consider the emissions impacts of delivery and other activities. The company believes bulk systems offer a lot of promise, but the location is critical in terms of being able to serve the system. In order to shift from linearity to circularity, an economic value is necessary in order to motivate the recycling loop.

Allspring would like more detail on the link between meeting plastic targets and incentive compensation at senior management levels. Additionally, we would like to follow up with the company to discuss R&D related to plastics and alternatives.

Lastly, regarding compensation, while the company has not publicly disclosed this information, it's currently the first year in which 15% of the company's short-term bonus plan is directly tied to ESG criteria. The exact metrics haven't yet been disclosed as the company is still testing how the new key performance indicator (KPI) interacts with the existing KPIs. When this testing is complete, the company intends to disclose more and move to long-term incentives. We're awaiting more details on the link between meeting plastics targets and incentive compensation at the senior management level as well as more information on R&D related to plastics as a percentage of all R&D and the most significant projects currently underway.

## U.S. construction materials company

Allspring's concerns leading to our most recent engagement with this company were that the company still lacks greenhouse gas emissions and biodiversity targets despite engagements over the past 18 months during which we drew attention to this issue. Furthermore, we cited continued concerns with the classified board structure, which impedes the shareholders' right to elect directors annually.

Regarding the continued lack of targets for greenhouse gas emissions and biodiversity, the company stated it is still a future aspiration but as a precursor, it has been working on educating senior management. The company has been reporting actual carbon emissions reductions achieved since 2013. However, it also had a divestiture that year and has not adjusted the baseline for this change, so actual results reported have been significantly distorted. At our last engagement, Allspring recommended the company change its baseline year to 2014 or adjust its 2013 results to remove the distortion of divestiture. Subsequently, the company made an update to its website but not to its sustainability reporting. While the company noted that scope 1 and 2 emissions were up 17% since 2015, it attributed the growth to revenue growth. Allspring encouraged the company to complement its disclosure of absolute emissions with intensity emissions. Additionally, Allspring discussed the company's commitment to expand its portfolio of sustainable products and become an innovation leader in the industry. We suggested disclosing the company's R&D spend on sustainability-related activities as a percent of total R&D, and the company acknowledged this as a good suggestion. On sustainability frameworks, the company noted that it's looking at adopting market standards such as the Task Force on Climate-Related Financial Disclosures (TCFD) and the Sustainable Accounting Standards Board in the future, and we supported this goal.

On diversity, Allspring applauded the company for creating a diversity and inclusion (D&I) council and beginning to report on diversity progress for the first time. We suggested that the company set diversity targets and work through formalizing and publishing diversity statistics. We also recommended linking D&I to executive compensation, similarly to how the company currently ties worker safety into compensation.

On governance, the company recently added proxy access to its charter after investor feedback, for which we complimented them. However, we reiterated—for the second year in a row—that a more significant improvement to shareholder rights would be to declassify the board and that it's highly unusual for a large company to still maintain a classified board. We suggested that communicating a sunset provision to allow for the transition would be a good start.

Even after multiple engagements during which we emphasized the importance of setting carbon emission targets, the company's management still doesn't have a concrete timeline for doing so. While there are indications that the company is committed to improving diversity and inclusion of its workforce, we would like to see more disclosure, targets, and goals and linking progress on goals to executive compensation. The classified board structure is still a corporate governance concern, and we would like to see the company commit to declassify. Allspring will follow up with the company on its climate disclosures and emissions targets as well as the recurring governance issues.

## U.S. airline company

Allspring requested this engagement as part of our thematic focus on airlines and climate. The company essentially is falling in line with the industry by adopting the industry's commitments. The company's approach to its CO2 emission reductions is based on different time horizons. In the short term, like other airlines, it is focusing on fleet renewal and a pandemic-accelerated retirement of its older fleet. The company retired 200 aircraft in 2020, and its replacement aircraft are 25% more fuel efficient on a per mile/seat basis—which the company noted has resulted in a 6% improvement in its overall fuel efficiency per seat. Allspring asked if the company currently models out the impact of fleet renewal, and the company responded that it uses a variety of industry-level scenario analyses.

The short- to medium-term focus is squarely on sustainable aviation fuel (SAF) data. By the numbers, the company's SAF utilization was 0% in 2019, it has agreements in place to attain 1.7% utilization by 2025, and it's targeting 10% utilization by 2030. The company noted that it's working with producers and lobbying for incentives to make SAF prices more cost competitive. When asked about efforts to reduce SAF costs, the company explained that it would need a federal tax incentive to do so. Currently, SAF tax incentives are only available at the state level—specifically, California and Oregon have successfully implemented SAF tax credits. Additionally, the company noted that there isn't an adequate supply of SAF to keep up with industry demand. Addressing this insufficiency could be an immediate lever to benefit industry emissions. Allspring also asked if the company had any thoughts on investing to operate its own refinery, and the company responded that it's evaluating whether it makes better sense to invest its own capital or to collaborate on this expense. The company has executed industry-leading SAF agreements with corporate customers to take collective action for the greater good of our planet.

The company's sustainability disclosures do not stand out. When asked about plans to intensify TCFD reporting, the company responded that a standalone report is in the cards for the future, but for the time being it's working on how to connect sustainability efforts to the Carbon Disclosure Project.

In terms of governance on climate strategy at the board level, current oversight for climate change is a responsibility of the company's corporate governance committee. We asked if there are any plans to make a more dedicated committee on the topic, but the company believes the corporate governance committee is the right spot for this responsibility. The company emphasized that this committee has sufficient bandwidth and receives updates on the topic twice per year while the entire board is updated annually. Allspring will continue to monitor progress as well as have a follow-up meeting with the company's compensation team to better understand the emissions target component of compensation.

## U.S. financial services company

Allspring engaged with a team from a leading financial services firm, including its lead director, after the annual general board meeting. We discussed corporate governance issues that included executive compensation and board diversity as well as concerns regarding human capital management.

In terms of executive compensation, Allspring noted that the vote on executive compensation garnered a sizable dissent at the 2020 annual general meeting while in past years it had high pass rates. We cited issues with increased targets and payouts for the new leadership and a high proportion of short-term incentives based on individual performance with no metrics on hurdles that would need to be achieved. The compensation committee acknowledged our concerns and plans on addressing these issues by tilting short-term incentives more toward corporate performance and putting a greater emphasis on total shareholder return.

On diversity, Allspring applauded the company for strong board gender diversity that met current standards, and we asked about racial and ethnic diversity. The attending board member stated that the company's goal is to add at least two Black and/or Latino members in the next 18 months and that it also will be looking for diversity of thought in its candidates. Turning toward workforce diversity, the company noted that executive compensation has a component tied to achieving diversity improvement goals, and we were provided with specific diversity targets for the next 10 years.

Finally, Allspring drew attention to recent workforce reductions and declining employee morale. The company cited targets to improve employee satisfaction and noted that there were no pandemic-related workforce reductions. We emphasized that most employees cited a lack of future progression as their reason for leaving and noted that this may indicate a weakness in company culture. We suggested the company continue to nurture promotional opportunities and recognize the organizational costs of turnover.

Allspring will continue to monitor the company's approach to talent retention and morale and track board and workforce diversity progress relative to new stated targets.

**We want to help clients build for successful outcomes, defend portfolios against uncertainty and create long-term financial well-being.**

- To learn more, contact us at [AllspringInternational@allspring-global.com](mailto:AllspringInternational@allspring-global.com).

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