

# Vanguard Investment Stewardship Insights

## Voting insights: Human rights shareholder proposal at American Tower



May 2021

*Vanguard publishes Investment Stewardship Insights to promote good governance practices and to provide investors and public companies with our perspectives on important governance topics and issues that come up for shareholder votes.*

**Company:** American Tower Corporation (American Tower)

**Meeting date:** May 26, 2021

**Proposal:** Item 5 (shareholder proposal)—Establish a Board Committee on Human Rights



### How the funds voted

At the annual meeting for American Tower, the Vanguard funds did not support a shareholder proposal that requested the board create a standing committee to oversee human rights risks that affect the company's business. American Tower is a U.S. real estate investment trust that owns, operates, and develops wireless and broadcast communications infrastructure globally.

### Vanguard's principles and policies

Boards are responsible for overseeing a company's long-term strategy and financially material risks.

As steward for the assets of more than 30 million investors worldwide, Vanguard has a responsibility to understand how business activities that may pose a risk to society, such as a company's human rights practices, may also pose a material risk to the long-term value of our funds. On behalf of the Vanguard funds, the Investment Stewardship team seeks assurances that boards oversee and take responsibility for financially material risks and that they take appropriate measures to mitigate those risks and disclose them to the market.

Vanguard evaluates each shareholder proposal on a case-by-case basis. When evaluating potential human rights risks within the Vanguard funds' portfolio companies, our team considers a

range of relevant factors, including the impact of a company's operations on human rights, whether violations are recurring, and whether risks materialized as a result of a company's lack of effective oversight.

### Analysis and voting rationale

We engaged with American Tower executives to assess the strength of the company's human rights oversight and escalation processes, and to discuss how the board identifies human rights-related risks and the steps the board takes to mitigate them. Our meeting included the company's chief sustainability officer (CSO), who has responsibility for overseeing human rights-related risks.

During our engagement, the American Tower team described several existing oversight measures. The team explained that the board maintains oversight of the company's human rights-related risks through its Nominating and Corporate Governance Committee. The CSO holds regular discussions about human rights matters with the committee and any human rights violations are escalated to the board through the Audit Committee. Employees and other stakeholders can also report ethical and policy violations to an Ethics Committee through secure, confidential communication channels. Finally, the company publishes an annual sustainability report, which summarizes American Tower's human rights policies and practices. The report includes details about the company's vendor oversight, which is managed by a dedicated quality assurance team to ensure adherence to relevant policies and standards.

In our discussion, the CSO pointed to improvements in the company's disclosures. American Tower recently published a global human rights statement guided by the Universal

Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, and the Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises. The company also released an enhanced vendor code of conduct to provide vendors with greater details about the company's expectations on human rights and diversity matters.

Based on our analysis and engagement with the American Tower team, we concluded that the company's board had appropriate measures and processes in place to oversee human rights-related risks. In addition, the recent enhancements to the company's human rights-related disclosures signaled to us the board's and the company's commitment to this matter. We therefore determined that the proposal's request that the board form a human rights committee was unwarranted at this time. We will continue to monitor the board's oversight and disclosures of human rights-related risks and practices.

### What we expect from companies on this matter

Generally, poor board oversight, as well as a lack of adequate public disclosure, may lead to financial, legal, and reputational risks. Vanguard expects boards to be fully engaged in the oversight of both strategy and risk, including human rights risks, and to provide clear, decision-useful disclosure of its material risks and related practices.