

Vanguard Investment Stewardship Insights

Voting insights: A push for greater environmental and social risk disclosure at Charter Communications



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Vanguard publishes Investment Stewardship Insights to promote good corporate 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: Charter Communications, Inc.

Meeting date: April 27, 2021

Shareholder proposals: Item 3 – Report on Lobbying Payments and Policy; Item 4 – Require Independent Board Chair; Item 5 – Publish Report on Diversity, Equity, and Inclusion Efforts; Item 6 – Report on Greenhouse Gas Emissions; Item 7 – Adopt Policy to Disclose EEO-1 Data.



How the funds voted

At the annual meeting for Charter Communications, a U.S. telecommunications and mass media company, the Vanguard funds voted in favor of four shareholder proposals. Three of the proposals, Items 3, 5, and 7, requested enhanced reporting on the company's corporate political activity, diversity strategy, and workforce diversity data (through its disclosure of data in the Equal Employment Opportunity Commission's EEO-1 compliance survey), respectively. A fourth proposal, known as a "say on climate" vote (Item 6), asked the company to annually report on its greenhouse gas (GHG) emissions and climate strategy and put the reports to an annual advisory shareholder vote. Although the proposals did not pass, three received meaningful support from shareholders, nearing 40% approval—those seeking reports on the company's diversity strategy and workforce diversity data, and the "say on climate" vote. The proposal seeking a report on lobbying payments and policies received 36.5% support from shareholders.

The funds voted against a shareholder proposal requiring an independent board chair. The proposal drew 24.8% support from shareholders.

Vanguard's principles and policies

We believe boards are responsible for oversight of a company's long-term strategy and material risks. Vanguard's Investment Stewardship team regularly assesses how well a board of directors understands the company's strategy and the board's own role in identifying, mitigating, and disclosing material risks. Investors benefit when the market has clear, decision-useful disclosure of material risks, including environmental and social risk. Good disclosure can encourage sound governance practices and help investors and companies make better decisions.

If we find gaps in disclosure or disconnects with long-term strategy, the Vanguard funds may vote in favor of proposals calling for greater reporting and oversight.

Analysis and vote rationale

Charter Communications received several shareholder proposals at the 2021 annual meeting. Enhanced disclosure was the common theme among proposals addressing risks associated with the company's corporate political activity, board and workforce diversity, and climate change. Vanguard engaged with company executives ahead of the meeting to discuss the board's oversight approach on these topics. Through these discussions and our own research, we determined that four of the proposals addressed material risks. Based on that determination and our assessment that investors would benefit from greater disclosure of these risks, the Vanguard funds voted in favor of those four proposals:

- **Report on Lobbying Payments and Policy.** Our study of the company's existing corporate political activity disclosures revealed that its reporting lacked sufficient details about the

board's strategy and its oversight role of corporate political activities. The disclosures also lagged those of the company's peers. During our engagement, we encouraged the board to increase its level of disclosure related to its oversight of corporate political activity. Given the company's role as an information provider to nationwide customers, a lack of comprehensive reporting may pose material reputational and financial risks that could affect long-term value for investors.

- **Publish Report on Diversity, Equity, and Inclusion (DEI) Efforts.** In our analysis, this proposal addressed an opportunity for Charter Communications to provide investors with greater details about its board and enterprise-wide diversity strategy, including quantitative disclosure of performance metrics and progress against goals. The board is diverse across gender, racial, and ethnic dimensions. The company has also invested in its enterprise-wide DEI program with its Executive Diversity and Inclusion Committee, made up of senior leaders with diverse backgrounds and strong ties to DEI initiatives. Yet the company's existing reporting does not provide robust insights about its DEI risk-oversight process or year-over-year quantitative disclosure that would allow investors to understand progress being made against its stated DEI strategy.
- **Adopt Policy to Disclose EEO-1 Data.** Our analysis also found that investors could benefit from greater disclosure of the company's workforce diversity to understand related risks. We seek disclosure of workforce diversity measures (gender, race, and ethnicity) at the executive, nonexecutive, and overall workforce levels (See Vanguard's *Insights: Diversity in the workplace*). We believe widely used frameworks such as those from the Sustainability Accounting Standards Board (SASB) and the EEO-1 in the U.S. are helpful starting points.
- **Report on Greenhouse Gas Emissions.** Vanguard is directionally aligned with shareholder proposals that call for reasonable enhancements to climate-risk disclosures, including target-setting, where climate-related risks are material to the company. Prior to the annual meeting, Charter Communications published its first environmental, social, and governance report, which highlighted to shareholders

the materiality of GHG emissions to the business. The report's disclosures were generally aligned with standards set forth by SASB and the Task Force on Climate-related Financial Disclosures. They included a company goal to reach carbon neutrality across its Scope 1 and 2 emissions by 2035. We welcomed this positive reporting step and believed Charter Communications could enhance reporting by providing greater details on how its climate initiatives align to the overall corporate strategy and corresponding 2035 emissions-reduction goal.

The Vanguard funds did not support a shareholder proposal requiring the separation of the CEO and board chair roles. Absent considerations such as significant concerns regarding board independence or effectiveness, we believe a company's board is best positioned to address this matter.

What we expect from companies on these matters

Vanguard has called on companies and their boards to enhance disclosure related to oversight and management of a company's material risks, including those related to corporate political activity, diversity, and climate.

Market norms, regulations, and investor expectations are evolving toward greater levels of disclosure in the governance industry, and you can expect Vanguard, through our engagements, proxy voting, and public advocacy, to continue to seek relevant, decision-useful information related to material risks.

For additional perspectives, please see the following *Insights*, available on Vanguard's Investment Stewardship website:

- *Insights: How we evaluate corporate political activity shareholder proposals*
- *Insights: A continued call for boardroom diversity*
- *Insights: Diversity in the workplace*
- *Insights: Vanguard's expectations on climate risk governance*