

Methodology for “The Hidden Risk in State Pensions” Report

Created by the Sierra Club

The methodology for assessing proxy voting guidelines was last updated in October 2025. Voting records were assessed for votes cast in 2025.

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2025 Shareholder Resolutions

The grading methods for proxy votes were simplified for 2025 to reflect the percent of total votes that a pension supported in each category. For a final grade on proxy voting records, all categories were weighed equally. Below are the resolutions that were tracked in each category:

Director “No” Votes¹

Bank of America: Clayton Rose
Berkshire Hathaway: Susan Decker
Wells Fargo: Maria Morris
W.R. Berkley: Mary Farrell
American Electric Power Company: Sandra Beach Lin
Duke Energy Corp: Robert Davis
FirstEnergy Corp: Paul Kaleta
ConocoPhillips: David Seaton

Climate Resolutions

Climate Disclosure

Alphabet Inc: Disclosure Related to 2030 Climate Goals (Item #7)
Amazon.com: Disclosure of Material Scope 3 Emissions (Item #6)
Amazon.com: Climate Commitments and AI Data Centers (Item #7)
Bank of America: Energy Supply Ratio (Item #8)
Berkshire Hathaway: Clean Energy Financing Ratio (Item #7)
Chubb Corporation: Disclosure of GHG Emissions (Item #13)
Goldman Sachs: Energy Supply Ratio (Item #7)
Morgan Stanley: Regarding Energy Supply Ratio (Item #5)
Southern Company: Assumptions Underlying Reliance on Fossil Fuel-Based Energy (Item #6)
Travelers: Report on Impact of Climate-Related Pricing and Coverage Decisions (Item #5)
Wells Fargo: Energy Supply Ratio (Item #6)

Climate Targets

Alliant Energy: Evaluation of GHG Target Alignment with the Paris Agreement (Item #4)
Ameren Corporation: GHG Targets and Alignment with the Paris Agreement (Item #4)
Ford Motor Company: Supply Chain GHG Targets and Alignment with Net Zero (Item #5)
General Motors: Supply Chain GHG Targets and Alignment with Net Zero (Item #5)
Meta Platforms Inc: Transition Plan and Renewable Energy (Item #12)

¹ Director Votes were pulled directly from Majority Action's [2025 Proxy Voting for Climate](#). The recommended action here was for pensions to vote against the director(s) listed.

Climate Lobbying / Political Contributions

Lobbying Disclosure

Bank of America: Lobbying Activity Alignment with Sectoral and Net Zero Targets (Item #7)

FirstEnergy Corp: Lobbying Report (Item #4)

Verizon: Lobbying Alignment with Climate Targets and Commitments (Item #4)

Wells Fargo: Report on Political Expenditures and Values Congruency (Item #5)

Indigenous Peoples' Rights Resolutions

Indigenous Peoples' Rights Disclosure

Citigroup: Report on Human Rights Standards for Indigenous Peoples (Item #6)

Wells Fargo: Report on Human Rights Standards for Indigenous Peoples (Item #7)

Environmental Justice Resolutions

Environmental Justice Disclosure

Chevron: Report on Human Rights Risks & Community Impacts (Item #5)

Just Transition

Just Transition Target-Setting

State Street: Transition Financing Reporting (Item #5)

JPMorgan: Transition Financing Reporting (Item #5)

Biodiversity / Deforestation Resolutions

No biodiversity resolutions went to a vote at the covered companies in 2025.

Grading Rubric for Proxy Voting Guidelines

Systemic Risk / Universal Owner Framework

What	Point
Recognizes the threat that climate change poses to the economy and the role that investors have in mitigating climate change AND sets out goals to reduce greenhouse gas emissions across the portfolio, focused on real-economy emissions in line with a goal of limiting warming to 1.5 °C or less (e.g., may come in language either recognizing climate as a systemic risk or through the pension's role as a universal owner).	5
Mentions systemic risk, universal ownership, or that climate poses a threat to the economy, and therefore <u>seeks disclosure</u> .	3
Some acknowledgement of systemic risk, but in a subsection of the guidelines (not an overarching principle), OR Mentions financial market soundness, but not climate.	1
No mention of systemic risk or universal ownership, or explicitly limits voting strategy to single materiality or idiosyncratic risk assessment.	0
Explicit exclusion of consideration of ESG factors	-2

Climate-Related Votes on Directors

What	Point
Vote against directors at companies that have failed to align business plans/corporate strategy/capital alignment with 1.5 °C pathways, with pathways for escalation	13
Has the above policy, but applies it to a limited scope of companies, OR no escalation pathway	12
Vote against directors at companies that have not disclosed transition plans after setting targets	11
Vote against directors at companies that have failed to set SBTi (or equivalent) short-, mid-, and long-term targets for Scope 1, 2, and 3 emissions	10

Vote against directors if the board lacks sufficient climate competency ²	9
Vote against directors at companies that have failed to set long-term targets, OR does not require targets to be science-based SBTi (or equivalent) targets	8
Vote against directors that have failed to set Scope 1 and 2 targets (but doesn't expect Scope 3 targets)	7
Vote against directors for <u>insufficient board oversight</u> of climate-risk management	6
Vote against directors for insufficient climate action, where climate action is vaguely defined	5
Vote against responsible directors for failure to take demonstrable steps toward climate-related resolutions that received 20-50% support	4
Vote against directors at companies that have failed to provide TCFD-aligned disclosures	3
Vote against responsible directors for failure to respond to a majority-supported climate-related resolution	2
Vote against responsible directors for failure to respond adequately to an ESG or climate controversy	1
No specific climate policy on director voting	0
Explicit policy against holding directors accountable for climate risk or transition-related metrics	-2

Climate-Related Shareholder Resolutions

What	Point
Has sectoral expectations for high-emitting and high-impact sectors (eg, finance, utilities) that include an escalation pathway, which includes voting and <u>investment-related consequences</u>	13
Has sectoral expectations for high-emitting and high-impact sectors (eg, finance, utilities) that include either mention of an escalation pathway or lay out escalating <u>voting consequences</u>	12
Has a defined, time-bound escalation pathway for proxy voting on climate-related issues	11

² Qualifications for climate competency on corporate boards should include expertise in environmental science or climate policy, as well as experience in risk management and strategic planning related to sustainability. Additionally, members should possess strong communication skills to engage with stakeholders and a proven track record in corporate governance, particularly in areas that align with climate initiatives and responsible business practices.

Generally supports or supports resolutions calling for specific climate actions, including the adoption of best-practice policies. Examples of this may include setting a science-based decarbonization strategy, planning capital allocation aligned with 1.5 °C, policies to price-in carbon, or adopt practices verified by a credible third-party.	10
Case-by-case support for resolutions calling for specific climate actions (ie, the adoption of policies that implement decarbonization strategies)	9
Generally supports or supports resolutions calling for the development of a company’s transition plan or strategy to achieve its climate targets	8
Generally supports or supports resolutions calling for best practices in GHG reduction target setting, including: <ul style="list-style-type: none"> • Targets for Scope 1, 2, and 3 emissions • Short-, mid-, and long-term science-based targets and/or aligned with 1.5 °C pathways • Absolute GHG emission reductions 	7
<u>Generally</u> supports or supports resolutions on GHG reduction <u>targets</u> , but has no specific expectations of science-based standards.	6
<u>Case-by-case</u> support for resolutions on GHG <u>reduction targets</u> , OR only supports target setting for Scope 1 and 2 emissions, OR just long-term targets	5
Generally supports or supports only <u>disclosure-based climate resolutions</u> , including those asking for company reporting in line with recommendations from the Taskforce on Climate-related Financial Disclosures (TCFD)	4
Case-by-case support for disclosure-based climate resolutions	3
Generally supports or supports ESG resolutions, but doesn’t mention climate specifically	2
Case-by-case support for ESG resolutions, but doesn’t mention climate specifically	1
Nothing on climate or ESG	0
Explicit policy not to support ESG measures	-2

Lobbying and Political Contributions

What	Point
Generally supports or supports resolutions calling for the execution of a 1.5 °C-aligned climate lobbying strategy, applied to both direct and indirect lobbying. (Examples may include resolutions asking for restrictions on contributions or the adoption of specific policies to implement the climate lobbying policy.)	7
Generally supports or supports resolutions calling for the company to align its lobbying and/or political contributions with 1.5 °C pathways	6
Case-by-case support for resolutions calling for the adoption of policies to align lobbying and/or political contributions with 1.5 °C pathways	5
Generally supports or supports resolutions calling for the alignment of lobbying and/or political contributions with the company's climate policies, OR case-by-case for resolutions calling for restrictions on political contributions	4
Case-by-case support for resolutions calling for the adoption of policies to align lobbying and/or political contributions with the company's climate policy	3
Generally supports or supports resolutions calling for disclosure of (climate) lobbying practices, annual activities, political spending, PAC & industry group contributions	2
Case-by-case support for resolutions calling for disclosure of (climate) lobbying practices, annual activities, political spending, PAC & industry group contributions	1
No policy on climate lobbying / political contributions	0
Explicitly against resolutions barring limitations to political contributions on climate grounds	-2

Human and Indigenous Peoples' Rights

What	Point
Generally supports or supports resolutions calling for the adoption of policies aligned with the UN Declaration on the Rights of Indigenous Peoples and/or improvement to policies on FPIC and economic reconciliation and co-development plans that recognize Indigenous land ownership	11

Case-by-case support for resolutions calling for the adoption of policies aligned with the UN Declaration on the Rights of Indigenous Peoples and/or improvement to policies on FPIC and economic reconciliation and co-development plans that recognize Indigenous land ownership	10
Generally supports or supports resolutions that ask the company to adopt a due diligence and grievance process for its operations and value chains AND acknowledges Indigenous Peoples' rights, including on land tenure ³	9
Generally supports or supports resolutions that ask the company to adopt a due diligence and grievance process for its operations and value chains	8
Generally supports or supports resolutions calling for the adoption of FPIC policies or alignment with the International Labour Organization Convention (<u>and specifically references Section 169</u>)	7
Case-by-case support for resolutions calling for the adoption of FPIC policies, <u>OR</u> alignment with the International Labour Organization Convention	6
Supports resolutions calling for the adoption of Zero Tolerance for Violence, Intimidation, and Criminalization of Environmental Human Rights Defenders, as defined by the Zero Tolerance Initiative (ZTI)	5
Generally supports or supports resolutions requesting a report on the effectiveness of a company's policies, practices, and performance on Indigenous Peoples' rights	4
Support for resolutions requesting a report on the effectiveness of a company's policies, practices, and performance on human rights, but no specific mention of Indigenous Peoples' rights, respect for customary lands, or FPIC	3
Case-by-case support for resolutions requesting a report on the effectiveness of a company's policies, practices, and performance on Indigenous Peoples' rights	2
Has a basic human rights policy, OR a policy drafted in a way that it is not clear whether special protection is afforded for Indigenous Peoples' rights. May include a reference to the UN Guiding Principles on Business and Human Rights.	1
No voting policy on Indigenous Peoples' rights or human rights	0
Policy explicitly against Indigenous Peoples' rights and/or human rights proposals	-2

³ May be met by alignment with FAO Voluntary Guidelines (subject to interpretation).

Biodiversity and Nature-Related Voting

What	Point
Generally supports or supports resolutions calling for the <u>adoption or strengthening of policies</u> that would prevent or reduce negative impacts on biodiversity, forests, <i>and</i> other natural landscapes throughout the company’s operations, products, <u>and value chains</u> OR resolutions calling for the alignment of corporate practices with either the Global Biodiversity Framework (inclusive of value chain sourcing) or the Accountability Framework Initiative (AFi).	8
Generally supports or supports resolutions calling for the <u>adoption or strengthening of policies</u> that would prevent or reduce negative impacts on biodiversity, forests, <i>and</i> other natural landscapes throughout the company’s operations (and not its value chains) OR resolutions calling for the alignment of corporate practices with “30x30” OR no-go zones (as defined by Banks and Biodiversity) ⁴	7
Policy outlining support for resolutions that call for restricted corporate activities in a number of ecologically sensitive areas (eg, Amazon, Arctic, ANWR, intact forests) OR calls for one type of best practice policy (eg, no deforestation policy)	6
Policy outlining support for resolutions that call for restricted corporate activities in protected areas (legally or as defined by groups like UN World Heritage Sites) or a very limited number of sensitive areas. Seeking advanced disclosure of activities in the area does not count.	5
Case-by-case support for resolutions calling for the adoption or strengthening of policies that would prevent or reduce negative impacts on biodiversity, forests, and other natural landscapes throughout the company’s operations, products, and value chains.	4
Generally supports or supports resolutions calling for <u>improved disclosures</u> on company impact and dependence on biodiversity or natural capital and associated risks and opportunities, <u>including through its value chain</u> . May include calls for disclosure aligned with the Taskforce on Nature-related Financial Disclosures (TNFD). ⁵	3

⁴ A note on the distinctions between a grade of 5 and 7.

Grade of 7: Sensitive areas and no-go zones are NGO and/or scientific-based designations; these are areas that have been deemed as ecologically important to preserve, but may not have legal protections. Because there are no legal requirements, this reflects a company’s voluntary commitment to mitigate impact.

Grade of 5: Protected areas are regions that have legal designations or recognized cultural or environmental significance, where certain types of corporate activities may be restricted. Compliance with these protections is a baseline legal requirement, so avoiding operations in these areas should be viewed as standard regulatory adherence rather than a proactive sustainability commitment.

A distinction between 5 and 7 regarding sensitive areas is the number listed. If a proxy voting guideline only lists one or two sensitive areas, it should be given a grade of 5, as this reflects response to campaign pressure rather than an understanding of the economic importance of preserving these ecosystems.

⁵ Subject to interpretation.

Generally supports or supports resolutions calling for improved disclosures on company impact and dependence on biodiversity or natural capital and associated risks and opportunities, <u>excluding its value chain</u>	2
Case-by-case support for resolutions calling for improved disclosures on the company's dependence on biodiversity and nature (including deforestation), OR calls for alignment with the CERES Principles	1
No mention of biodiversity/nature/nature loss in proxy voting guidelines	0
Explicit policy against supporting measures that would mitigate harms to biodiversity and nature	-2

Just Transition

What	Point
Generally supports or supports resolutions that call for policies that reduce <u>and redress</u> harms or disparities to workers or communities that have happened due to a company's low-carbon transition	7
Generally supports or supports resolutions that call for the <u>adoption or development of policies</u> that mitigate or reduce harms to or disparities among workers and communities impacted by the transition to a low-carbon economy (may be company operations or financing)	6
Case-by-case support for resolutions that call for the <u>adoption or development of policies</u> that mitigate or reduce harms to or disparities among workers and communities impacted by the transition to a low-carbon economy (may be company operations or financing)	5
Generally supports or supports resolutions asking the company to <u>research and disclose</u> the impacts of its climate strategy on employees, value chain workers, and communities in which it operates	4
Case-by-case support for resolutions asking the company to research and disclose the impacts of its climate strategy on employees, <u>value chain workers</u> , and communities in which it operates	3
Generally supports or supports resolutions asking the company to research and disclose the impacts of its climate strategy on employees and communities in which it operates (<u>excludes value chain</u>)	2
Case-by-case support for resolutions asking the company to research and disclose the impacts of its climate strategy on employees and communities in which it operates (excludes value chain)	1

No voting policy on just transition	0
Explicit policy against supporting just transition measures	-2

Environmental Justice / Environmental Racism

What	Point
Generally supports or supports resolutions that call for the adoption of policies to reduce <u>and redress</u> harms to vulnerable communities ⁶ in which the company or its value chain operates, including, but not limited to, the adoption of <u>community consultation policies</u>	6
Generally supports or supports resolutions that call for the adoption of policies to reduce (future) harms to vulnerable communities in which the company or its value chain operates, including the publication of a just transition plan	5
Case-by-case support for resolutions that call for the adoption of policies to reduce harm to vulnerable communities, including the publication of a just transition plan	4
Generally supports or supports resolutions requesting third-party audits of a company's environmental justice footprint, including of the environmental and health impacts of a company's operations and value chain on vulnerable communities	3
Case-by-case support for resolutions requesting third-party audits of a company's environmental justice footprint, including of the environmental and health impacts of a company's operations and value chain on vulnerable communities	2
Support for increased disclosure of company efforts, beyond those required by law and regulation, to identify and reduce heightened environmental and health impacts from company operations on communities of color & low-income communities, including the company's plans for improvement	1
No proxy voting policy on environmental justice or environmental racism	0
Explicit policy against supporting measures related to environmental justice/environmental racism	-2

⁶ Vulnerable communities is defined here to encompass communities of color, Indigenous communities, low-income or otherwise disadvantaged communities

Grading Rubric for Final Grades

Proxy votes were scored by the percentage of key votes supported in each category (disclosure, target setting & implementation, and governance) across each topic of climate, biodiversity, lobbying, Indigenous Peoples’ Rights, and environmental justice. Not all topics of interest are represented every year. Each category was equally weighted.

For the grades on proxy voting guidelines, the policies were graded on a scale for each topic evaluated (e.g., environmental justice, climate directors); each topic was weighted equally in determining the overall grade for guidelines.

For final grades, proxy voting records weighed 50%, and proxy voting guidelines were 50%.

Score (%)	Grade
75+	A
55-74	B
35-54	C
15-34	D
0-14	F
<0	F- (grade only given for guidelines)

Notes on presentation of scores: The scores are presented in two ways throughout the report. In the chart on pension guideline scores, each pension is evaluated in each category using a custom scale specific to that category. The detailed evaluation for those scores can be found starting on page 5 of this document. The total available points in each category do not reflect greater weight in the overall guidelines score but represent complexity in our evaluation. In the chart on pension voting records, the scores for each category are represented as percentages, indicating the proportion of votes in that category that were supported by the pension.