

Audit Subcommittee Study on Company Affiliations

WHEREAS: Viewpoint disagreements have intensified in recent years, and businesses are caught in the middle. While shareholders should expect a degree of issue engagement over matters that affect a firm’s operations and viability – like taxation and regulation – many companies also get involved in matters that are immaterial, or even detrimental, to their businesses, often causing damage to their brands.

SUPPORTING STATEMENT: Potentially controversial relationships, especially tethered to social and cultural issues, can damage brands with customers, employees, suppliers, and investors, and present material risks to companies’ reputation and sustainability. For example:

- Consumers boycotted Bud Light following a campaign featuring transgender influencer Dylan Mulvaney. The backlash resulted in the brand losing its status as the best-selling beer in the United States.¹ Parent company Anheuser-Busch InBev experienced a 28 percent decline in pre-tax profit during the second quarter of 2023.² The situation worsened in Q3.³
- Target Corporation featured “tuck-friendly” swimsuits designed for “transgender” individuals for “Pride month.”⁴ A backlash ensued, the company lost \$10 billion in market value over ten days, and its stock price fell.⁵ Target’s quarterly sales fell for the first time in six years,⁶ despite increased consumer spending during the period.⁷
- The Walt Disney Company unnecessarily involved itself in a divisive parental rights issue in Florida, a state critical to the company’s bottom line.⁸ That decision, and its ongoing placement of mature themes in children’s programming and content, has contributed to several consecutive quarters of poor earnings.⁹

Boycotts, silent or boisterous, can arise without warning. Once they gain momentum, the damage can be difficult to contain. InBev, Target and Disney are learning the hard way. Thus, it is critical the Board of Mondelez International (“Company”) focus on its own vulnerabilities before they become a liability.

¹ <https://www.theguardian.com/business/2023/jun/14/bud-light-loses-top-us-beer-spot-after-promotion-with-transgender-influencer>

² <https://news.sky.com/story/dylan-mulvaney-bud-light-beer-takes-sales-hit-after-backlash-over-ad-campaign-featuring-transgender-influencer-12932886>

³ <https://www.cnn.com/2023/10/31/investing/bud-light-anheuser-busch-earnings/index.html>

⁴ <https://nypost.com/2023/05/24/targets-reputation-takes-a-hit-after-pride-2023-collection/>

⁵ <https://nypost.com/2023/05/28/target-loses-10b-following-boycott-calls-over-lgbtq-friendly-clothing/>

⁶ <https://www.cnn.com/2023/08/16/investing/target-stock-earnings/index.html>

⁷ <https://www.reuters.com/markets/us/us-consumer-spending-july-surges-weekly-jobless-claims-fall-2023-08-31/>

⁸ <https://www.foxbusiness.com/politics/desantis-pushes-ceo-criticism-disney-fight-right-thing>

⁹ <https://www.reuters.com/business/media-telecom/disney-ceo-says-company-will-quiet-noise-culture-wars-analyst-2023-09-20/>

Concerns include:

- Mondelez has placed its iconic snack label, Oreo, in partnership with radical LGBTQ activist group PFLAG.¹⁰ The cookie brand sponsored the group's conference this year, whose centerpiece theme was to advocate for the placement of sexually explicit books in school libraries.¹¹
- The Company lists the United Nations Human Rights Office of the High Commissioner as one of its many "Partners and Industry Memberships."¹² UN Human Rights paints a moral equivalence between Hamas and the State of Israel, mostly downplaying the vicious and unprovoked attacks of the terrorists while more frequently condemning Israel's military response in Gaza, where the terror group uses civilians and hospitals as shields to cover its weapons stockpiles and tunnel systems.¹³

RESOLVED: Shareholders request the Audit Committee of the Board of Directors create a study subcommittee to examine the risks and consequences of the Company's associations with external organizations, to determine whether they threaten the growth and sustainability of the Company. Ideally the Committee would issue a public report on the committee's findings by March 31, 2025, and publish it on the Company website.

¹⁰ <https://twitter.com/Oreo/status/1671521735240294401>

¹¹ <https://nlpc.org/corporate-integrity-project/oreo-sponsors-conference-backing-lgbtq-groomer-books-in-school-libraries/>

¹² <https://www.mondelezinternational.com/Snacking-Made-Right/Partners-and-Industry-Memberships/>

¹³ <https://www.ohchr.org/en/countries/israel>