

Creation of Board Committee on Corporate Sustainability

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

SUPPORTING STATEMENT: Articulation of potentially controversial stances, especially on social and cultural issues, can damage relationships with customers, employees, suppliers, and investors, and present material risks to companies' reputation and sustainability. For example:

- Consumers boycotted Bud Light following an advertising 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
- Following the boycott, parent company Anheuser-Busch InBev experienced a 28 percent decline in pre-tax profit during the second quarter of 2023. Meanwhile, US sales to wholesalers and retailers dropped 15 percent and 14 percent, respectively.² The situation worsened in Q3, resulting in another 29 percent drop in adjusted US earnings.³
- Target Corporation featured “tuck-friendly” swimsuits⁴ designed for “transgender” individuals in advance of “Pride month.” In response to a vehement backlash, the company lost \$10 billion in market value over ten days,⁵ and its stock price continued to fall. In addition, Target's quarterly sales fell for the first time in six years immediately following the boycott,⁶ despite increased consumer spending during that period.⁷

Target's underperformance, compared to competitors, might have been avoided if its directors exercised greater oversight of risks to the company's image.

Boycotts can arise without warning. Once they gain momentum, the damage can be difficult to contain. Thus, Verizon should focus more on risk mitigation before its actions 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/>

Concerns include:

- Verizon has helped open 34 new chapters of PFLAG,⁸ which advocates for the placement of sexually explicit books in school libraries.⁹ As mentioned above, radical LGBT activism can be offensive to significant customer segments, like parents.
- Verizon enlisted controversial former U.S. Attorney General Eric Holder, whose current No. 1 calling is to short-circuit election integrity efforts around the country, to conduct a racial equity audit of the Company.¹⁰ In addition, diversity, equity, and inclusion efforts do not work¹¹ and can increase division rather than resolve it.¹²

RESOLVED: Shareholders request the Board of Directors to create a board committee to examine the consequences of the company's positions and advocacy on immaterial social policy issues as they affect the company's growth or decline, and ultimately its sustainability. The company shall issue a public report on the committee's findings by the end of 2024.

To allow maximum flexibility and judgment, nothing in this resolution shall serve to micromanage the Company, intrude on its everyday business operations, or impose a partisan point of view on its board of directors or employees.

⁸ <https://www.verizon.com/featured/pride/>

⁹ <https://nlpc.org/corporate-integrity-project/oreo-sponsors-conference-backing-lgbtq-groomer-books-in-school-libraries/>

¹⁰ <https://www.verizon.com/about/news/results-verizons-equity-audit>

¹¹ <https://hbr.org/2016/07/why-diversity-programs-fail>

¹² <https://nypost.com/2022/01/22/how-a-28-year-old-is-fighting-divisive-antiracism-training/>