

Resolved: Shareholders request East West Bancorp issue a report describing the company’s environmental, social, and governance (ESG) policies, practices, and performance goals and metrics. The report should be updated annually, prepared at reasonable cost, and omit proprietary information.

Supporting Statement: In assessing relevant content for the report, we recommend, at management’s discretion, consideration of the following:

- Utilization of recognized frameworks, such as SASB Standards for the Commercial Banks industry, to ensure consistent, comparable, and decision useful disclosures.
- Quantitative, timebound goals for improvement against ESG performance.
- Discussion of how sustainability considerations are integrated into business strategies and operational decisions.

Tracking and reporting on ESG business practices strengthens a company’s ability to respond to a global business environment characterized by finite natural resources, evolving legislation, and heightened public expectations for corporate accountability.

Regardless of company size or industry, public sustainability reporting on material ESG factors can contribute to long-term business success and creation of shareholder value by helping companies better recognize operational efficiencies, enhance competitiveness, and identify new revenue generating opportunities. It can also help companies attract and retain talent, build brand and reputational value, and better manage a rapidly developing regulatory landscape.

The rapid uptake of ESG reporting among publicly traded companies reflects the growing acknowledgement of the material benefits afforded by enhanced disclosure and management of key sustainability issues. In 2011, just 20% of companies in the S&P 500 index were producing sustainability disclosures. In 2020, 92% of the index published a sustainability report, as well as 70% of the Russell 1000 index.¹

The United Nations Principles for Responsible Investment has more than 4,375 signatories that represent \$121 trillion in assets globally. These members publicly commit to: “seek appropriate disclosure on ESG issues by the entities in which [they] invest” and to “incorporate ESG issues into investment analysis and decision making.” Insufficient information presents challenges to investors’ and third-party ESG research providers’ ability to comprehensively evaluate a company’s management of ESG-related risks and opportunities. Weak corporate disclosure may lead to a poor evaluation and unnecessary exclusion from investment portfolios.

Global regulators and disclosure standard setters are increasingly seeking non-financial sustainability reporting from publicly traded companies and investors alike. The Sustainable Finance Disclosure Regulation (SFDR) in the European Union imposes mandatory ESG disclosure obligations for asset managers, although gaps in corporate disclosure remain a barrier to meaningful implementation. The Securities & Exchange Commission is considering mandatory disclosures related to human capital management and climate risk management. Proactive reporting of ESG risks, opportunities, and performance can mitigate the risks of rapidly evolving disclosure regulation.

Within the commercial banking sector, regional peers such as CIT Group, Pacific Premier Bank, Pacific Western Bank, Columbia Bank, and Banc of California have taken initiative and reported on sustainability risks, opportunities, and associated metrics. In contrast, East West Bancorp does not provide any discussion of material ESG risks and opportunities, let alone publish a sustainability report detailing performance against stated risks and opportunities.

¹ <https://www.ga-institute.com/2021-sustainability-reporting-in-focus.html>