UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
CORPORATION FINANCE

March 28, 2022

Terence Shields
The Hartford Financial Services Group, Inc.

Re: The Hartford Financial Services Group, Inc. (the "Company")
Incoming letter dated January 18, 2022

Dear Mr. Shields:

This letter is in response to your correspondence concerning the shareholder proposal (the "Proposal") submitted to the Company by the Green Century Equity Fund for inclusion in the Company's proxy materials for its upcoming annual meeting of security holders.

The Proposal requests that the board adopt and disclose new policies to help ensure that its underwriting practices do not support new fossil fuel supplies, in alignment with the IEA's Net Zero Emissions by 2050 Scenario.

We are unable to concur in your view that the Company may exclude the Proposal under Rule 14a-8(i)(3). We are unable to conclude that the Proposal, taken as a whole, is so vague or indefinite that it is rendered materially misleading.

We are unable to concur in your view that the Company may exclude the Proposal under Rule 14a-8(i)(7). In our view, the Proposal does not seek to micromanage the Company.

Copies of all of the correspondence on which this response is based will be made available on our website at https://www.sec.gov/corpfin/2021-2022-shareholder-proposals-no-action.

Sincerely,

Rule 14a-8 Review Team

cc: Sanford Lewis

January 18, 2022

BY EMAIL [shareholderproposals@sec.gov]

U.S. Securities and Exchange Commission
Office of Chief Counsel
Division of Corporation Finance
100 F Street, NE
Washington, D.C. 20549

Re: Shareholder Proposal to The Hartford Financial Services Group, Inc. from The Green Century Funds

Ladies and Gentlemen:

The Hartford Financial Services Group, Inc. (the "Company"), in accordance with Rule 14a-8(j) under the Securities Exchange Act of 1934, as amended, is filing this letter with respect to the shareholder proposal and supporting statement (attached hereto as Exhibit A, the "Proposal") from The Green Century Funds (the "Proponent") for inclusion in the proxy statement and form of proxy (together, the "2022 Proxy Materials") to be furnished to shareholders in connection with the Company's 2022 annual meeting of shareholders. The Company hereby advises the staff of the Division of Corporation Finance (the "Staff") that it intends to exclude the Proposal from its 2022 Proxy Materials. The Company respectfully requests confirmation that the Staff will not recommend enforcement action to the Securities and Exchange Commission (the "Commission") if the Company excludes the Proposal for the reasons discussed below.

In accordance with Rule 14a-8(j) and Staff Legal Bulletin No. 14D (November 7, 2008) ("SLB No. 14D"), we are submitting by electronic mail (i) this letter, which sets forth our reasons for excluding the Proposal and (ii) the Proponent's letter submitting the Proposal.

Pursuant to Rule 14a-8(j), we are submitting this letter not less than 80 days before the Company intends to file its 2022 Proxy Materials. The Company intends to commence printing its Notice and Access materials on or about April 1, 2022 and to file its 2022 Proxy Materials on or about April 8, 2022. A copy of this letter and its attachments are also being sent on this date to the Proponent in accordance with Rule 14a-8(j) to inform the Proponent of the Company's intention to omit the Proposal from the 2022 Proxy Materials. For purposes of the following analysis, references to the Company shall include the Company's direct and indirect subsidiaries.

Rule 14a-8(k) and SLB No. 14D provide that the Proponent is required to send the Company a copy of any correspondence the Proponent elects to submit to the Commission or the Staff. Accordingly, we are hereby informing the Proponent that if the Proponent elects to submit additional correspondence to the Commission or the Staff with respect to this Proposal, a copy of that correspondence should be furnished concurrently to the Company.

THE PROPOSAL

The Proposal submitted for inclusion in the Company's 2022 Proxy Materials provides as follows:

Resolved: Shareholders request that The Hartford's Board of Directors adopt and disclose new policies to help ensure that its underwriting practices do not support new fossil fuel supplies, in alignment with the IEA's Net Zero Emissions by 2050 Scenario.

BASIS FOR EXCLUSION

The Company intends to exclude this Proposal from its 2022 Proxy Materials and respectfully requests that the Staff concur that the Company may exclude the Proposal on the following grounds.

Rule 14a-8(i)(7) – The Proposal May Be Excluded Because It Deals With A Matter Relating To The Company's Ordinary Business Operations.

A. Background On The Ordinary Business Standard Under Rule 14a-8(i)(7).

Rule 14a-8(i)(7) allows a company to exclude a proposal from its proxy materials if the proposal "deals with a matter relating to the company's ordinary business operations." As articulated in Commission Release No. 34-40018 (May 21, 1998) (the "1998 Release"), the purpose of the exception is "to confine the resolution of ordinary business problems to management and the board of directors, since it is impracticable for shareholders to decide how to solve such problems at an annual shareholders meeting" and that the term 'ordinary business' refers to matters that are "not necessarily "ordinary" in the common meaning of the word" but rather the term is "rooted in the corporate law concept providing management with flexibility in directing certain core matters involving the company's business and operations."

The 1998 Release, as well as Staff Legal Bulletin No. 14L (November 3, 2021) ("SLB 14L"), provide that the ordinary business exclusion rests on two central considerations: (1) whether the proposal concerns certain tasks that are "so fundamental to management's ability to run a company on a day-to-day basis that they could not, as a practical matter, be subject to direct shareholder oversight" and (2) whether the proposal "seeks to 'micro-manage" the company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment." Furthermore, the Commission has outlined in the 1998 Release that a proposal may probe too deeply into matters of a complex nature if it "involves intricate detail, or seeks to impose specific time-frames or methods for implementing complex policies."

B. The Proposal Seeks To Micromanage the Company And Asks Shareholders To Consider Matters Of A Complex Nature Upon Which Shareholders, As A Group, Would Not Be In A Position To Make An Informed Judgment.

The Proposal calls for the board of directors of the Company to adopt policies limiting the Company's underwriting practices that would impose inflexible and far-reaching restrictions on the Company's day-to-day business without any understanding or study as to whether the policies would achieve the purported underlying objective. In SLB 14L the Staff noted that as part of evaluating companies' micromanagement arguments, a proposal would need to "afford discretion to management as to how to achieve such goals."

The Proposal, although concerning important environmental issues, in essence allows shareholders to dictate to the Company which customers the Company can provide its insurance and underwriting services. Although the Proposal purports to afford management and the Board with discretion with respect to implementation of the policies, such implementation would result in the shareholders directing the Company to cease to provide its underwriting services to an unidentified number of its existing customers, and prohibiting the Company's offering of its underwriting services to an unidentified number of potential new customers. All of this would occur without consideration of current underwriting practices or strategic interests of the Company, and indeed without proof that such practices would result in the desired outcome.

The Company provides property and casualty ("P&C") insurance, group benefits insurance and services, and mutual funds and exchange-traded products to individual and business customers on a global basis. Insurance underwriting is based on difficult and constantly changing risk assessments that guide underwriting policy and decisions. This risk assessment drives a decision as to whether or not to underwrite, and dictating a result (such as the exclusion of entire categories of businesses, as is contemplated by the Proposal) cannot and should not drive the risk assessment. In fact, insurance regulators are keenly focused on this business model, and any deviation from risk-based decisionmaking can result in regulatory scrutiny. Determining underwriting practices and criteria, and developing and selecting the appropriate base of customers, is a core function of management that involves a range of considerations that shareholders are not in a position to address.

The profitability of the Company's P&C insurance business is greatly influenced by the Company's highly complex and proprietary underwriting guidelines, which seek to manage exposure to loss through favorable risk selection and diversification, management of claims, risk engineering solutions to limit or avoid losses to the insured, use of reinsurance, the size of its in force block, actual mortality and morbidity experience, and the ability to manage its expense ratio that it accomplishes through economies of scale and its management of acquisition costs and other underwriting expenses.

The Proposal would limit management's discretion to manage and assess the risks and opportunities associated with the implementation of the Proposal's underlying policy objectives. It would likewise restrict the Company's ability to leverage the extensive work it has done to establish its own existing climate-related business policies and to develop strategies together with its customers that could support a clean-energy transition and improved climate sustainability. Through the Proposal, shareholders are being asked to assume this managerial responsibility by dictating the Company's institutional policies, and limiting the Company's ability to determine appropriate underwriting practices and companies suitable to be the Company's customers.

As an insurer, the Company understands the risks that environmental challenges present to people and communities. As stewards of the environment, the Company is committed to mitigating climate change and reducing its carbon footprint incrementally each year, as described in our proxy statement. However, the Proposal advocates a singular method of implementing this complex objective of achieving a lower carbon economy – namely, permitting shareholders to decide that the Company cannot provide its core services to existing or future customers, which the Proponent believes, without articulation or evidence, will reduce new fossil fuel supply. Implementing a sweeping policy such as the one proposed is a simplistic approach to addressing the critical and complicated objectives of reducing fossil fuel dependence as set forth in the IEA's Net Zero Emissions by 2050 Scenario. The Proposal has not addressed any of the dynamics that would be important to consider as part of a complex strategy to assist in the transition to a low carbon economy. Cutting off access to certain of the Company's underwriting services could have significant and uncertain consequences for the Company and its customers, all without any assurance to the Company or its shareholders that these policies will achieve any objective related to responsible climate policy. The Proposal is not supported by any facts or data that suggest that terminating relationships with any current customers or refusing to enter into relationships with new customers who might be captured by the broad sweep of the proposed policy will result in a transition to a new climate-focused economy.

The Company has a Sustainability Governance Committee, which is a management committee comprised of senior leaders from across the enterprise that sets and helps drive execution of the Company's sustainability strategy. The Sustainability Governance Committee meets at least quarterly and reports to the full Board in order to enhance its oversight of environmental, social and governance ("ESG") matters. The Board also receives briefings on ESG matters, including a progress report of the Company's actions in climate change and environmental stewardship. In addition, the Company has adopted a number of practices and policies, after extensive analysis, focused on managing climate risks. For example, as part of the Company's efforts to address rising greenhouse gas emissions (GHGe), the Company has pledged to stop insuring or investing in companies that generate more than 25% of their revenues from thermal coal mining or more than 25% of their energy production from coal. The Company will continue to reduce our GHGe, achieving a reduction of at least 2.1% of GHGe each year, resulting in a minimum decrease of 25.7% by 2027 and 46.2% by 2037 (using 2015 as the base year). Since 2007, the Company has decreased GHGe by 83.9%. These changes to the Company's underwriting practices and GHGe goals were the result of careful consideration of the impact they would have on environmental issues as well as the impact they would have on the business of the Company's customers and the business of the Company (and shareholder value creation).

Many of the Company's fossil fuel customers recognize the reality of the collective effort needed to address our global climate challenges. These companies have committed, or are expected to announce commitments, to plans and targets to transition their business models. The Company and its management have the experience and expertise to responsibly support these companies as they take on these fundamental shifts to their businesses in the coming years. The Proposal, however, assumes, without any factual or empirical support, that adopting policies to terminate or alter underwriting relationships and strategy is the best strategy to fulfill the IEA's Net Zero Emissions by 2050 Scenario.

As noted in SLB 14L, the Staff expects a shareholder proposal to include the level of detail "to enable investors to assess an issuer's impacts, progress towards goals, risks or other strategic matters appropriate for shareholder input." Decarbonization is a highly complex topic that requires in-depth analysis on the best way to achieve decarbonization over time. The Proponent, however, seeks to have shareholders decide on the Proposal without conducting any analysis on the benefit of, and the reasoning behind, the Company's actions to date. The policies mandated by the Proposal would have far-reaching consequences and affect the Company's profitability, cause the Company to incur financial and other costs to implement the policies and pose other unknown risks to the Company's business, prospects and shareholders. The Company provides underwriting services on a global basis. Shareholders are being asked to dictate policies to the Company without any understanding of how they would be implemented in different countries, markets or industries, or how regulators in these countries, markets or industries may react. The Proposal does not acknowledge, or provide any flexibility to address, the different stages of the climate transition journey in different countries. To even consider policies as outlined in the Proposal, the Company would need to study how such policies could be implemented across its business, how they would impact its workforce and what impact they would have on the communities in which the Company operates and how they would be viewed by regulators in all 50 states and across the world.

The Proposal attempts to micromanage the Company and intrudes on management's operation of the Company's day-to-day business. Moreover, the Proponent does not include the level of detail and analysis required to enable shareholders to appropriately access the impact and effect of the Proposal on the Company and its goals, both environmental and business. The Proposal seeks to have shareholders demand the adoption of policies that could not possibly be based on an informed judgment.

Rule 14a-8(i)(3) – The Proposal May Be Excluded Because It Is So Vague And Indefinite That Neither The Stockholders Voting On The Proposal, Nor The Company In Implementing The Proposal, Would Be Able To Determine With Any Reasonable Certainty Exactly What Actions Or Measures The Proposal Requires.

A. Background on Vagueness And Indefinite Standard Under Rule 14a-8(i)(3).

Rule 14a-8(i)(3) permits exclusion of a proposal if the proposal or supporting statement is contrary to any of the Commission's proxy rules, including Rule 14a-9, which prohibits materially false or misleading statements in proxy soliciting materials. As described by the Staff in Staff Legal Bulletin No. 14B (September 15, 2004) ("SLB 14B"), a proposal can be excluded under Rule 14a-8(i)(3) if "neither the stockholders voting on the proposal, nor the company in implementing the proposal (if adopted), would be able to determine with any reasonable certainty exactly what actions or measures the proposal requires." Following this standard, the Staff has regularly permitted companies to exclude proposals that fail to provide either shareholders or management with sufficient clarity or guidance to understand how the proposal would be implemented.

B. The Proposal Is Inherently Vague And Indefinite

The Proposal asks that the board of directors of the Company adopt and disclose new policies to ensure that its underwriting practices "do not support new fossil fuel supplies." The Proposal provides no clear guidance as to what is intended by the terms "ensure" or "support," and although it acknowledges that management and the Board should adopt and define such policies using their discretion, it is not reasonably ascertainable from either the Proposal itself or the supporting statement what shareholders intend the Company to include in its assessment and adoption of such policies.

While certain companies, such as fossil fuel exploration and extraction companies, may be said to contribute *directly* to new fossil fuel supplies, the Proposal contains no such limitation. As such, it is unclear whether shareholders are requesting that the Company also include companies that contribute *indirectly* to new fossil fuel supplies in the policies requested by the Proposal. Companies and entities that could also possibly be subject to the Proposal would include the following:

- energy generation companies, which are significant purchasers of global fossil fuels;
- companies that provide the equipment and other materials to exploration and extraction companies, such as heavy machinery manufacturers;
- direct and indirect participants in the transportation sector, which are among the largest consumers of fossil fuels in the United States;[1]
- national and sub-national governments that implement policies that permit, facilitate or incentivize the extraction of fossil fuels from their territories;
- companies and other entities that provide services to exploration and extraction companies and any other direct participants in the fossil fuel exploration and extraction industries, such as professional service providers, like legal service providers and accountants; and

[1] U.S. Energy Information Administration (EIA), Monthly Energy Review (April 2021), https://www.eia.gov/totalenergy/data/monthly/.

- any other business or individual that is a consumer of fossil fuels, and thus contributes to global demand for fossil fuels, thereby requiring new fossil fuel supplies to be produced.

The Proposal does not provide a limitation as to what level of involvement in the fossil fuel industry is necessary to be subject to the policies requested. In fact, the Proposal could be interpreted to require the Company to cease to provide insurance underwriting services to companies that have or are developing a strategy to reduce their participation in the fossil fuel industry, completely contrary to the objectives of with the IEA's Net Zero Emissions by 2050 Scenario.

Without more specificity as to what policies the Proposal is asking shareholders to endorse, shareholders would have difficulty determining how to vote. Moreover, management would not have reasonable certainty as to exactly how the Proponent or shareholders intended such policies to be implemented. Shareholders deserve to understand the proposed scope and breadth of the policies before voting on the Proposal, especially in light of its possible far-reaching effects on the Company's business.

CONCLUSION

In light of the foregoing considerations, the Company believes that the Proposal is properly excludable under Rule 14a-8(i)(7) and Rule 14a-8(i)(3), consistent with the frameworks set forth in the 1998 Proposal and SLB 14L and SLB 14B, respectively, and, therefore, may be excluded from the 2022 Proxy Materials. The Company respectfully requests confirmation that the Staff will not recommend enforcement action to the Commission if the Proposal is excluded on such grounds.

Should the Staff disagree with the conclusions set forth in this letter, or should any additional information be desired in support of the Company's position, we would appreciate the opportunity to confer with the Staff concerning these matters prior to the issuance of the Staff's response. Please do not hesitate to contact the undersigned at 860-547-7187.

Very truly yours,

Terence Shields
Vice President and Assistant Corporate Secretary
The Hartford Financial Services Group, Inc.

cc: The Green Century Funds
114 State Street, Suite 200
Boston, MA 02109
Attention: [redacted]

EXHIBIT A

GREEN CENTURY FUNDS

November 24, 2021

Via Federal Express and email: InvestorRelations@thehartford.com

Donald C. Hunt
Corporate Secretary
The Hartford Financial Services Group, Inc.
One Hartford Plaza
Hartford, CT 06155

Re: Shareholder proposal for 2022 Annual Shareholder Meeting

Dear Mr. Hunt,

Green Century Capital Management, Inc. is the investment advisor, agent, manager and representative of the Green Century Funds. Green Century Capital Management Inc. is filing the enclosed shareholder proposal on behalf of the Green Century Equity Fund (the "Proposal") to be included in the proxy statement of The Hartford Financial Services Group, Inc. ("The Hartford" and the "Company") for its 2022 annual meeting of shareholders, in accordance with Rule 14a-8 of the General Rules and Regulations of the Securities and Exchange Act of 1934 (17 C.F.R. § 240.14a-8).

Per Rule 14a-8, the Green Century Equity Fund is the beneficial owner of at least $25,000 worth of The Hartford's stock. We have held the requisite number of shares for over one year, and we will continue to hold sufficient shares in the Company through the date of the Company's 2022 annual shareholders' meeting. Verification of ownership from a DTC participating bank will be sent under separate cover.

We are available to meet with the Company via teleconference on December 8th and 9th between 9 a.m. and 12 p.m. or on December 13th 1 p.m. to 5 p.m. Other times may be available upon request.

Due to the importance of the issue and our need to protect our rights as shareholders, we are filing the enclosed proposal for inclusion in the proxy statement for a vote at the next shareholders' meeting.

We welcome the opportunity to discuss the subject of the enclosed proposal with company representatives. Please direct all correspondence to [redacted] Shareholder Advocate, at Green Century Capital Management, Inc. She may be reached at [redacted] and [redacted].

We would appreciate confirmation of receipt of this letter via email.

Thank you for your attention to this matter.

Sincerely,

Leslie Samuelrich

Leslie Samuelrich
President
The Green Century Funds
Green Century Capital Management, Inc.

Whereas:

The Intergovernmental Panel on Climate Change (IPCC) reported that global greenhouse gas emissions must reach net zero by 2050 in order to limit a global temperature increase to 1.5 degrees Celsius by 2100, thereby averting the worst impacts of climate change. Building on the IPCC's findings, the International Energy Agency (IEA) issued a report, *Net Zero by 2050*, which provides a comprehensive pathway for the energy sector to transition to net zero emissions by 2050. The report is unequivocal about the expansion of fossil fuel supplies, saying "Beyond projects already committed as of 2021, there are no new oil and gas fields approved for development in our pathway, and no new coal mines or mine extensions are required" to ensure stable and affordable energy supplies.

As a property and casualty insurer, the Hartford Financial Services Group, Inc. (The Hartford) is uniquely exposed to climate risks because it underwrites policies meant to protect its customers' homes and businesses from the impacts of climate-driven catastrophes such as storms, wildfires, and heat waves. It also underwrites policies for the fossil fuel industry, whose emissions are widely believed to amplify devastating storms, wildfires, and heat waves. These practices are fundamentally incompatible.

While The Hartford restricts underwriting of and investments in new coal-fired power plants and companies that primarily operate in coal mining, coal power, and tar sands extraction, investors are concerned that The Hartford's efforts are not sufficiently aligned with global efforts to reduce emissions through, for example, the Paris Agreement. Further, the Company lags behind European peers, including AXA, Allianz, Aviva, Generali, Munich Re, SCOR, Swiss Re, and Zurich, that have committed to transitioning their underwriting portfolios to net zero emissions by 2050.

To develop a credible net zero commitment, the United Nations Environmental Program Finance Initiative suggests that financial institutions including insurers engaged in underwriting "begin aligning with the required assumptions and implications of Intergovernmental Panel on Climate Change's 1.5 degrees Celsius no / low overshoot pathways as soon as possible." Further, "All no / low overshoot scenarios indicate an immediate reduction in fossil fuels, signaling that investment in new fossil fuel development is not aligned with 1.5 degrees Celsius."

RESOLVED: Shareholders request that The Hartford's Board of Directors adopt and disclose new policies to help ensure that its underwriting practices do not support new fossil fuel supplies, in alignment with the IEA's Net Zero Emissions by 2050 Scenario.

Supporting Statement

The board and management, in its discretion, should define the scope, time frames and parameters of the policy, including defining "new fossil fuel supplies, "with an eye toward the well-accepted definition that new fossil fuel supplies include exploration for and / or development of oil, gas, and coal resources or reserves beyond those fields or mines already in production.

SANFORD J. LEWIS, ATTORNEY

PO Box 231
Amherst, MA 01004-0231
413 549-7333
sanfordlewis@strategiccounsel.net

February 22, 2022
Via electronic mail

Office of Chief Counsel
Division of Corporation Finance
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: Shareholder Proposal to The Hartford Financial Services Group, Inc.
Regarding Fossil Fuel Underwriting on Behalf of Green Century Equity Fund

Ladies and Gentlemen:

Green Century Equity Fund (the "Proponent") is the beneficial owner of common stock of The Hartford Financial Services Group, Inc. (the "Company" or "The Hartford") and has submitted a shareholder proposal (the "Proposal") to the Company. I have been asked by the Proponent to respond to the letter dated January 18, 2022 ("Company Letter") sent to the Securities and Exchange Commission by Terence Shields, Vice President and Assistant Corporate Secretary, The Hartford. In that Letter, the Company contends that the Proposal may be excluded from the Company's 2022 proxy statement. The response follows. A copy of this letter is being emailed concurrently to Mr. Shields.

The materials attached demonstrate that the Company has no basis under Rule 14a-8 for exclusion of the Proposal. As such, we respectfully request that the Staff inform the Company that it is denying the no action Letter request.

Sincerely,

Sanford Lewis

Response to The Hartford Financial Services Group Inc. No Action Request
Proposal on Fossil Fuel Underwriting

SUMMARY

The Proposal asks the Board of Directors to adopt and disclose new policies to help ensure that its underwriting practices do not support new fossil fuel supplies, in alignment with the International Energy Agency's (IEA) Net Zero Emissions by 2050 scenario ("IEA scenario"). The Proposal provides significant discretion to board and management to define the scope, time frames and parameters of the policies, including defining "new fossil fuel supplies," and suggests that the board and management do so with an eye toward the well-accepted definition that new fossil fuel supplies include exploration for and/or development of oil, gas, and coal resources or reserves beyond those fields or mines already in production.

Notably, the Company has not and could not reasonably claim that its existing policies and practices implement the Proposal by ensuring that its underwriting practices are consistent with the IEA scenario. The Company is one of the major underwriters of significant new fossil fuel development. It has only partially limited underwriting of a portion of coal projects and tar sands, and has yet to establish underwriting constraints on conventional oil and gas development projects.

The Company asserts that the Proposal is either too prescriptive (micromanaging under Rule 14a-8(i)(7)) or too vague (Rule 14a-8(i)(3)). Examination of the Company's arguments demonstrates that they are self-contradictory. The Company Letter argues at the same time that the Proposal is too prescriptive, constraining the discretion of board and management and too vague – leaving too much discretion. In this instance, in straddling both of these ideas, the Company Letter effectively cancels out its own arguments. The Proposal appropriately threads the needle between vagueness and ordinary business by providing necessary details – highlighting the IEA scenario and United Nations Environment Programme Finance Initiative (UNEP FI) "credible net-zero guidance" as key benchmarks for the issue of globally aligned fossil fuel underwriting — but also providing ample flexibility for board and management discretion as to how to implement policies in better alignment with that benchmark.

The issue of whether insurers should continue to underwrite new fossil fuel development represents a large strategic challenge for the sector and for the Company. In asking the Company to adopt policies to help ensure that its underwriting practices do not support new fossil fuel supplies in alignment with the global benchmarks, the Proposal addresses an issue that does not probe too deeply for investors, but rather provides an appropriate opportunity for investors to weigh in on key risks and strategies, and to encourage the Company to establish policies more in alignment with its public statements on climate.

In the absence of such alignment, investors have reason to be concerned about related risks, including stranded assets connected to underwriting, reputational risk, systemic and portfolio-wide risk, and special risks related to due diligence and enforcement exposure for ESG investors and fiduciaries. Therefore, because the Proposal does not micromanage, and raises appropriate issues for shareholder deliberation, it is not excludable under Rule 14a-8(i)(7). The flexibility provided by the Proposal is proof of that the Proposal leaves the board and management with appropriate discretion. It is not a vagueness defect. As such, the Proposal is neither too prescriptive, nor too vague, and therefore is not excludable under Rule 14a-8(i)(7) or Rule 14a-8(i)(3).

THE PROPOSAL

Whereas:
The Intergovernmental Panel on Climate Change (IPCC) reported that global greenhouse gas emissions must reach net zero by 2050 in order to limit a global temperature increase to 1.5 degrees Celsius by 2100, thereby averting the worst impacts of climate change. Building on the IPCC's findings, the International Energy Agency (IEA) issued a report, *Net Zero by 2050*, which provides a comprehensive pathway for the energy sector to transition to net zero emissions by 2050. The report is unequivocal about the expansion of fossil fuel supplies, saying "Beyond projects already committed as of 2021, there are no new oil and gas fields approved for development in our pathway, and no new coal mines or mine extensions are required" to ensure stable and affordable energy supplies.

As a property and casualty insurer, the Hartford Financial Services Group, Inc. (The Hartford) is uniquely exposed to climate risks because it underwrites policies meant to protect its customers' homes and businesses from the impacts of climate-driven catastrophes such as storms, wildfires, and heat waves. It also underwrites policies for the fossil fuel industry, whose emissions are widely believed to amplify devastating storms, wildfires, and heat waves. These practices are fundamentally incompatible.

While The Hartford restricts underwriting of and investments in new coal-fired power plants and companies that primarily operate in coal mining, coal power, and tar sands extraction, investors are concerned that The Hartford's efforts are not sufficiently aligned with global efforts to reduce emissions through, for example, the Paris Agreement. Further, the Company lags behind European peers, including AXA, Allianz, Aviva, Generali, Munich Re, SCOR, Swiss Re, and Zurich, that have committed to transitioning their underwriting portfolios to net zero emissions by 2050.

To develop a credible net zero commitment, the United Nations Environmental Program Finance Initiative suggests that financial institutions including insurers engaged in underwriting "begin aligning with the required assumptions and implications of Intergovernmental Panel on Climate Change's 1.5 degrees Celsius no / low overshoot pathways as soon as possible." Further, "All no / low overshoot scenarios indicate an immediate reduction in fossil fuels, signaling that investment in new fossil fuel development is not aligned with 1.5 degrees Celsius."

RESOLVED: Shareholders request that The Hartford's Board of Directors adopt and disclose new policies to help ensure that its underwriting practices do not support new fossil fuel supplies, in alignment with the IEA's Net Zero Emissions by 2050 Scenario.

Supporting Statement
The board and management, in its discretion, should define the scope, time frames and parameters of the policy, including defining "new fossil fuel supplies, "with an eye toward the well-accepted definition that new fossil fuel supplies include exploration for and / or development of oil, gas, and coal resources or reserves beyond those fields or mines already in production.

BACKGROUND

In the global effort to mitigate climate change, many countries and corporations have committed to achieving net-zero emissions by 2050 and to align with the Paris Agreement's climate goals of constraining global temperature increase. As noted on the first page of the Company's Statement on Climate Change, The Hartford declared that it was "one of the first companies to publicly urge the U.S. administration to remain committed to the Paris Agreement", and said, "We have an important role to play and will continue to make our approaches in this area more robust and impactful."

Despite similar statements by many corporations, in most instances current corporate activities do not align with the goals of the Paris Agreement or with a 1.5° C scenario. Greenhouse gas (GHG) emissions continue to rise, and the current amount of planned fossil fuel development worldwide would exceed the projected "carbon budget" to constrain global temperature increases. This leads to a substantial global concern – the threat of development of "unburnable" or unextractable fossil fuels interfering with momentum toward the 1.5° C goal.

In 2021, a prominent peer-reviewed article, Unextractable Fossil Fuels in a 1.5 °C World*,* published in the scientific journal, *Nature,* indicated that, for a 50% chance of global temperature increase to remain below 1.5 °C — the aspirational goal of the 2015 Paris Agreement — the world cannot emit more than 580 gigatons of carbon dioxide before 2100. The researchers concluded that 89% of coal reserves, 58% of oil reserves and 59% of gas reserves *must remain unextracted* to ensure that not more than 580 gigatons of carbon dioxide are emitted before 2100. According to the authors, "This means that very high shares of reserves considered economic today would not be extracted under a global 1.5 °C target".[1]

Currently, corporate and national commitments significantly overshoot the amount of fossil fuel production implied by this projection, and are said to exceed the global carbon budget.

The IEA's Net Zero by 2050 scenario report concluded that current national and corporate climate pledges are consistent with a temperature rise of 2.1°C by 2100[2], much higher than the 1.5° C goal. Therefore, to reach the collective 1.5° C goal, more rigorous policies would need to be implemented — and new fossil fuel development would be unnecessary and inconsistent with achieving the 1.5° C goal.

The insurance sector is among the financial sectors within the scope of the United Nations Environment Programme Finance Initiative (UNEP FI), which, along with the IEA, has identified the containment of supply growth above the world's carbon budget as a critical factor in corporate and government policies to achieve the global goals. UNEP FI issued recommendations for credible net-zero commitments from

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[1] Welsby, D., Price, J., Pye, S. *et al.* Unextractable fossil fuels in a 1.5 °C world. *Nature* **597,** 230–234 (2021). https://doi.org/10.1038/s41586-021-03821-8 *Unextractable reserves* notes that their estimate of the carbon budget may be too optimistic. We probably present an underestimate of the production changes required, because a greater than 50 per cent probability of limiting warming to 1.5 °C requires more carbon to stay in the ground and because of uncertainties around the timely deployment of negative emission technologies at scale.
[2] *See* Net Zero by 2050—A Roadmap for the Global Energy Sector*, found at*. https://iea.blob.core.windows.net/assets/deebef5d-0c34-4539-9d0c-10b13d840027/NetZeroby2050-ARoadmapfortheGlobalEnergySector_CORR.pdf

financial institutions, including insurers, which included a benchmark of credibility for financial institutions that have made net-zero commitments to "align as soon as possible":

> A financial institution establishing a net-zero commitment should begin aligning with the required assumptions and implications of IPCC 1.5°C no/low overshoot pathways as soon as possible. This is because the pathways require immediate actions to have a realistic chance of limiting warming to 1.5°C. ***This would include, for example, the immediate cessation of any new fossil fuel investments, and rapid decommissioning of remaining fossil fuel production as indicated by the scenarios.*** [Emphasis added]

The UNEP FI also notes in its recommendations that "All no/low overshoot scenarios indicate an immediate reduction in fossil fuels, ***signaling that investment in new fossil fuel development is not aligned with 1.5°C."*** [Emphasis added]

Role of the Company in Fossil Fuel Underwriting

As the global coalition of NGOs, called Insure Our Future, has written:

> Insurance companies are in a unique position to accelerate the transition to a 100% renewable energy future. As risk managers they play a silent but essential role in deciding which types of projects can be built and operated in a modern society. Without their insurance, almost no new coal mines, oil pipelines and power plants can be built, and most existing projects will have to be phased out.
>
> With assets of approximately $30 trillion, insurers are also the second largest group of institutional investors after pension funds. Reports commissioned by Ceres and the Unfriend Coal campaign have found that the largest U.S. and European insurers have invested close to 600 billion dollars in fossil fuels.

In 2019, The Hartford announced that it was phasing out underwriting and investing in coal plant construction and new risks related to coal power generation, coal mining and tar sands extraction for new clients that generate more than 25% of their energy production or more than 25% of their revenues from mining and tar sands extraction. At the time, it also committed to phasing out existing insurance cover and divesting from companies above those thresholds by 2023. Although its commitment is ambitious compared to American peers, it nonetheless provides a significant loophole through which The Hartford can continue to underwrite and invest in large diversified companies whose energy production or revenue from fossil fuels, while quite significant, may fall under the 25% threshold. This may explain why The Hartford has been identified as one of the world's largest oil and gas insurers.[3]

For competitive reasons, insurance companies do not disclose the names of their clients nor specifics on the policies they underwrite. The authors of Insure Our Future's report, *Fueling Climate Change – The Insurers Behind Brazil's Offshore Oil Expansion,* note that the underwriting coverage shared in their

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[3] https://www.insureourfuture.us/updates/2021/11/9/the-hartford-speeds-up-tar-sands-divestment-but-continues-to-insure-fossil-fuel-expansion

study is “rarely available” for major fossil fuel projects. Underscoring this point, in April 2021, the Canada Energy Regulator determined that Trans Mountain Pipeline LP could file a confidential list of insurers, an about- face from its previous practice of making names of insurers public.[4] Even data collected on insurers’ investments in the fossil fuel industry is increasingly unavailable. For example, the California Department of Insurance abruptly stopped collecting data on insurers’ investments in 2019, which had provided investors a modicum of insight into insurer’s fossil fuel debt and equities. It follows that investors lack visibility into the transitional and climate risks that insurance companies are exposed to. Chief among these is the risk posed to customers, across virtually all lines of insurance, by increasingly frequent and costly climate events aided by insurers’ collective failure to mitigate greenhouse gas emissions. The lack of visibility makes it necessary for investors to propose broad-based fossil fuels policies that will encourage insurance companies like The Hartford to manage its risks. Additionally, such a broad-based approach maintains the client confidentiality that insurers require.

The Company’s opposition to this Proposal suggests that it is not actually planning to take the actions necessary to meet the UN and IEA credibility benchmarks. In 2019, The Hartford was an early leader in setting policies[5] to limit some underwriting mining, coal plant construction and coal-powered utilities. However, a mere three years later, it is no longer a leader and is not even keeping up with peers.

In contrast, The Hartford’s peer, AXA, has gone further than The Hartford by establishing oil and gas underwriting policies that reflect a more transparent and robust approach to corporate accountability and net- zero goals. Its underwriting transition plans revolve around the Paris Agreement goal to contain global warming below 1.5°C by 2100. It has also committed to cease underwriting:

1) New upstream greenfield exploration projects (areas with little to no previous exploration);
2) Property and construction insurance coverage for oil sands production and pipelines;
3) Arctic drilling by companies deriving more than 10% of their production from the Arctic region or producing more than 5% of worldwide volume of Arctic oil and gas; and
4) Fracking and shale activities by companies deriving more than 30% of production from the practice.

AXA’s underwriting restrictions apply to nearly all lines of business, and its timeline is concrete. It has committed to the cessation of underwriting new business within 12 months and of existing business within 24 months for companies that participate in oil sands exploration or hydraulic fracturing of shale oil and gas. AXA’s policies have detailed nuances and contingencies, but they cover the range of underwriting activities of concern under the current Proposal. In contrast, The Hartford’s limited constraints on underwriting do not.

Its limited restrictions on underwriting new fossil fuel supplies address only the most carbon-intensive fossil fuels – coal and tar sands. Even these restrictions demonstrate how far the Company has to go to halt the underwriting of new fossil fuel supplies. The Company’s current policies are to avoid underwriting for resource extraction companies that generate more than 25% of revenues from thermal coal mining or tar sands extraction, or for utilities which generate more than 25% of their energy production from coal. These policies appear to allow a substantial amount of expanded fossil fuel

[4] https://www.nationalobserver.com/2021/04/29/news/trans-mountain-approval-keep-insurers-secret
[5] https://www.ran.org/wp-content/uploads/2020/01/The_Hartford_Policy_Explainer-1.pdf

development to be underwritten, even in operations producing or utilizing coal. For example, according to NGO experts, The Hartford's policy thresholds may allow underwriting:

- Approximately 46 companies that generate 25% or less of their energy production from coal and that are developing new coal infrastructure.
- Approximately 53 diversified companies that generate 25% or less of their revenues from thermal coal and are developing new coal mines.

Even for these coal mining, tar sands, and coal burning operations, the Company Letter has nowhere asserted that it believes this actually accomplishes *alignment* with the IEA net-zero scenario which implies no new fossil fuel development. Instead, it represents a modest gesture in the direction of the IEA scenario, without coming anywhere near being able to claim policy alignment. And certainly, neither constraint addresses the larger issue of new oil and gas development which are also inconsistent with the IEA net-zero scenario.

Yet the Proposal plainly references IEA and UNEP which have both made it clear that under the referenced net-zero scenario, no new fossil fuel development is appropriate. This includes the full range of fossil fuel sources. Moreover, as noted above, the Proposal lays out the areas where the Company's current policies lead to underwriting fossil fuel supply expansion inconsistent with alignment.

Indeed, as a number of other leading insurance companies align with global policy and curtail aspects of fossil fuel underwriting, the request of the Proposal for the Company to do likewise becomes more important than ever to counter competitive risks. In addition to AXA, four of The Hartford's peers have adopted stronger policies than The Hartford:

- Generali - In June 2021, Generali announced that it would no longer underwrite upstream oil and gas activities.
- Suncorp - Suncorp has committed not to directly invest in, finance or underwrite new oil and gas exploration or production by 2025.
- Swiss Re - In early 2021, Swiss Re began to withdraw insurance support from the most carbon-intensive oil and gas production.
- Zurich - Zurich has ruled out underwriting upstream oil greenfield exploration projects from companies without transition plans.

The failure of the Company to match peers, necessitating the Proposal, is reflected in the background section of the Proposal:

> As a property and casualty insurer, the Hartford Financial Services Group, Inc. (The Hartford) is uniquely exposed to climate risks because it underwrites policies meant to protect its customers' homes and businesses from the impacts of climate-driven catastrophes such as storms, wildfires, and heat waves. It also underwrites policies for the fossil fuel industry, whose emissions are widely believed to amplify devastating storms, wildfires, and heat waves. These practices are fundamentally incompatible.

> While The Hartford restricts underwriting of and investments in new coal-fired power plants and companies that primarily operate in coal mining, coal power, and tar sands extraction, investors are concerned that The Hartford's efforts are not sufficiently aligned with global efforts to reduce emissions through, for example, the Paris Agreement. Further, the Company lags behind European peers, including AXA, Allianz, Aviva, Generali, Munich Re, SCOR, Swiss Re, and Zurich, that have committed to transitioning their underwriting portfolios to net zero emissions by 2050.

The Proposal offers investors a key opportunity to voice their opinion on the issue and in doing so, advise the Company as to whether investors believe it should meet the IEA and UNEP FI benchmarks for alignment with a 1.5°C scenario.

ANALYSIS

Rule 14a-8(i)(7)

The Company Letter asserts that the Proposal addresses the ordinary business of the Company. However, when examining the Proposal against the Commission and Staff's guidance on shareholder proposals, including ordinary business and micromanagement, it is evident that the Proposal addresses a transcendent policy issue and does not micromanage or otherwise inappropriately address the Company's ordinary business.

Ordinary Business According to the Commission

In 1998, the Commission issued a rulemaking release ("1998 Release") updating and interpreting the ordinary business rule, by both reiterating and clarifying past precedents. That release was the last time that the Commission discussed and explained at length the meaning of the ordinary business exclusion. The Commission summarized *two central considerations* in making ordinary business determinations – whether the Proposal addresses a significant social policy issue, and whether it micromanages.

First, the Commission noted that certain tasks were generally considered so fundamental to management's ability to run a company on a day-to-day basis that they could not be subject to direct shareholder oversight (e.g., the hiring, promotion, and termination of employees, as well as decisions on retention of suppliers, and production quality and quantity). However*,* proposals related to such matters but *focused on sufficiently significant social policy issues* (i.e., significant discrimination matters) generally would <u>not</u> be excludable.

Second, proposals could be excluded to the extent they seek to "micromanage" a company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would be unable to make an informed judgment. This concern did not, however, result in the exclusion of all proposals seeking detailed timeframes or methods. As the 1998 Release indicated:

> Timing questions, for instance, could involve significant policy where large differences are at stake, and proposals may seek a reasonable level of detail without running afoul of these considerations.

Proposals that passed the first prong but for which the wording involved some degree of micromanagement could be subject to a case-by-case analysis of *whether the proposal probes too deeply* for shareholder deliberation. The Staff's interpretation of micromanagement has evolved over the years, most recently articulated in the November 3, 2021 Staff Legal Bulletin 14L.[6] To assess micromanagement going forward, the bulletin notes that the Staff:

> …will focus on the level of granularity sought in the proposal and whether and to what extent it inappropriately limits discretion of the board or management. **We would expect the level of detail included in a shareholder proposal to be consistent with that needed to enable investors to assess an issuer's impacts, progress towards goals, risks or other strategic matters appropriate for shareholder input.** [Emphasis added]
>
> ***
>
> Additionally, in order to assess whether a proposal probes matters "too complex" for shareholders, as a group, to make an informed judgment, we may consider the sophistication of investors generally on the matter, the availability of data, and the robustness of public discussion and analysis on the topic. The staff may also consider references to well-established national or international frameworks when assessing proposals related to disclosure, target setting, and timeframes as indicative of topics that shareholders are well-equipped to evaluate.
>
> This approach is consistent with the Commission's views on the ordinary business exclusion, which is designed to preserve management's discretion on ordinary business matters but not prevent shareholders from providing high-level direction on large strategic corporate matters.
>
> ***
>
> While the analysis in this bulletin may apply to any subject matter, many of the proposals addressed in the rescinded Staff Legal Bulletin's (SLB) requested companies adopt timeframes or targets to address climate change that the staff concurred were excludable on micromanagement grounds. Going forward we would not concur in the exclusion of similar proposals that suggest targets or timelines so long as the proposals afford discretion to management as to how to achieve such goals.

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6 The Staff Bulletin notes an evolution in the staff's thinking. In rescinding prior staff legal bulletins, the bulletin notes that: we believe that the rescinded guidance may have been taken to mean that any limit on company or board discretion constitutes micromanagement.

Micromanagement Analysis Under Staff Legal Bulletin 14L

Thus, the Staff Legal Bulletin's analysis of issues of micromanagement comes down to two basic tests to determine whether a proposal "probes to deeply" for shareholders' consideration:

> First, does the proposal frame the investor deliberation in a manner consistent with market discussions, available guidelines and the state of familiarity/expertise on the issues in the investing marketplace?
>
> Second, does it leave sufficient flexibility for board and management discretion?

We will take each of these questions in turn. The second question also overlaps with the Company's exclusion argument regarding vagueness, so we will respond there to the Company's argument regarding Rule 14a-8(i)(3) as well.

A Deliberation Appropriate to Shareholders

It is appropriate for shareholders to deliberate on whether the Company should live up to credible global fossil fuel supply development requirements. Indeed, the central question of the current Proposal, whether the Company will continue to underwrite fossil fuel development inconsistent with global policy objectives on climate change, represents a fundamental test of the robustness and impact of insurers' strategy. As noted in a *Harvard Business Review* article of May 27, 2021, "How the Insurance Industry Could Bring Down Fossil Fuels":

> Late last year, Lloyd's of London announced plans to stop selling insurance for some types of fossil fuel companies by 2030. In the world of insurance, it was a huge move: the centuries-old institution not only took a clear stand in the industry's debate on climate change, it also cast doubt on the value of the business it intends to give up. And Lloyd's isn't the only one with concerns about the future of fossil fuel. Insurers and reinsurers around the world are grappling with issues related to both climate change and the impact of energy transition on their portfolios. Some have made the same commitment that Lloyd's did, and others are likely to follow.
>
> ***
>
> The stakes couldn't be higher. The threat of climate change looms large, with implications for decades to come. If we wait for clearer proof than we have today, it may be too late to make a difference.[7]

SLB 14L notes that in considering ordinary business challenges and micromanagement, the Staff will consider whether the deliberation posed by the proposal in question is consistent with current investor discourse and credible national or international guidelines:

[7] https://hbr.org/2021/05/how-the-insurance-industry-could-bring-down-fossil-fuels

> **We would expect the level of detail included in a shareholder proposal to be consistent with that needed to enable investors to assess an issuer's impacts, progress towards goals, risks or other strategic matters appropriate for shareholder input.** [Emphasis added]
>
> …in order to assess whether a proposal probes matters "too complex" for shareholders, as a group, to make an informed judgment, we may consider the sophistication of investors generally on the matter, the availability of data, and the robustness of public discussion and analysis on the topic. **The staff may also consider references to well-established national or international frameworks when assessing proposals related to disclosure, target setting, and timeframes as indicative of topics that shareholders are well-equipped to evaluate.** [Emphasis added]

Global Guidelines

The following provides a brief summary of the IPCC, IEA, and UNEP FI and their respective guidelines upon which the Proposal is based.

In 1988, the United Nations convened the Intergovernmental Panel on Climate Change which was created to provide regular scientific assessments on climate change, its implications and potential future risks, as well as to put forward adaptation and mitigation options. Building upon 30 years of increasing scientific accuracy, the IPCC published its *Special Report on Global Warming of 1.5°C* which concluded that limiting global warming to 1.5°C over pre-industrial temperatures could stave off the worst effects of climate change. The report details the scientific bases for its findings and calculates that greenhouse gas emissions must be reduced by 45% from 2010 levels by 2030 and net-zero near 2050 to prevent warming beyond the 1.5°C ceiling.

Forged to address a different crisis, the IEA was created in 1974 to prevent a repeat of the 1973 oil crisis caused by constrained supply. In the decades since, the IEA's role has expanded, and it's now regarded as the premier body for energy analysis and market predictions covering the entire global energy system, including traditional energy sources such as oil, gas, and coal as well as cleaner sources such as solar PV, wind power and biofuels.[8]

Various media have described the IEA as a "fairly conservative agency that has been accused of being friendly towards oil and gas interests". It was remarkable, therefore, that the IEA released its Net Zero by 2050 Roadmap, drawing the unambiguous conclusion that fossil fuel supplies must rapidly decline within a thirty-year window.

In recent years, the IEA has established various scenarios for global climate change responses, with its latest Net Zero by 2050 Roadmap providing a detailed description of an ambitious global project to alter the world's energy infrastructure and align with net-zero and 1.5° C goals. That roadmap includes the

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[8]https://en.wikipedia.org/wiki/International_Energy_Agency#:~:text=The%20International%20Energy%20Agency%20acts,times%20of%20oil%20supply%20emergencies.

statement that **"that no fossil fuel exploration is required and no new oil and natural gas fields are required beyond those that have already been approved for development."**[9]

The UNEP FI is a partnership between the UNEP and the global financial sector to unlock private sector finance for sustainable development. UNEP FI works with more than 450 banks, insurers, and investors and more than 100 supporting institutions to accelerate sustainable finance.[10] The UNEP FI 2021 report entitled*, Recommendations for Credible Net-Zero Commitments from Financial Institutions,* provides clear guidance and benchmarks for financial institutions, including insurers engaged in underwriting, and their investors in assessing whether current company pledges are matched by credible commitments considering global agreements and goals. The UNEP FI report is geared toward a clear benchmark of financial institution credibility on their net-zero commitments, making it clear that one of the most important benchmarks of credibility is to "align as soon as possible":

> A financial institution establishing a net-zero commitment should begin aligning with the required assumptions and implications of IPCC 1.5°C no/low overshoot pathways as soon as possible. This is because the pathways require immediate actions to have a realistic chance of limiting warming to 1.5°C. **This would include, for example, the immediate cessation of any new fossil fuel investments, and rapid decommissioning of remaining fossil fuel production as indicated by the scenarios**. [Emphasis added]

Thus, the Proposal is grounded in and benchmarked against key international programs and guidelines. As SLB 14L notes, "The staff may also consider references to well-established national or international frameworks when assessing proposals related to disclosure, target setting, and timeframes as indicative of topics that shareholders are well-equipped to evaluate." This is not a question of "investors probing too deeply" into Company management, but rather asking the Company to come into line with the most prominent global benchmarks of the most proactive response scenario on climate change.

Prominence of discussion

These issues have also been addressed in media coverage, investor publications, and in international guidance. Therefore, the introduction of this issue as a topic for the Company's shareholder meeting is appropriate and pitched consistent with shareholder understanding and deliberation. Public debate and analysis regarding the proper path towards a net-zero future are robust and ongoing.

For example, on May 18, 2021, *The New York Times* covered the IEA's World Energy Outlook report with a headline:

> ***Nations Must Drop Fossil Fuels, Fast, World Energy Body Warns***. A landmark report from the International Energy Agency, perhaps the world's most influential energy forecaster, says

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[9] *See* World Energy Outlook 2021, *found at* https://iea.blob.core.windows.net/assets/88dec0c7-3a11-4d3b-99dc-8323ebfb388b/WorldEnergyOutlook2021.pdf
[10] https://www.unepfi.org/about/

> countries need to move faster and more aggressively to cut planet-warming pollution."[11] [Emphasis added]
>
> Nations around the world would need to immediately stop approving new coal-fired power plants and new **oil and gas** fields and quickly phase out gasoline-powered vehicles if they want to avert the most catastrophic effects of **climate change**, the world's leading energy agency said Tuesday. [Emphasis added]

The article also notes the importance for investors:

> That's significant, given the fact that the influential agency is not an environmental group but an international organization that advises world capitals on energy policy. **Formed after the oil crises of the 1970s, the agency's reports and forecasts are frequently cited by energy companies and investors as a basis for long-term planning**. [Emphasis added]

In October 2021, *The New York Times* also covered the UN-sponsored Production Gap report and its link to the IEA Net Zero Scenario:

> **Fossil Fuel Drilling Plans Undermine Climate Pledges, U.N. Report Warns: Countries are planning to produce more than twice as much oil, gas and coal through 2030 as would be needed if governments want to limit global warming to Paris Agreement goals.** [Emphasis added]
>
> The International Energy Agency recently looked at what would be needed to hold global warming to 1.5 degrees Celsius. All of the world's nations would have to drastically cut their fossil-fuel use over the next three decades until they are no longer adding any greenhouse gases to the atmosphere by 2050, essentially achieving "net-zero" emissions.
>
> Under that scenario, the agency said, the world's nations would not approve the development of any new coal mines or new oil and gas fields beyond what has already been committed today.

The Company has difficulty rationalizing the current effort to exclude investors from deliberating on these key risks and strategy given its declarations of alignment with climate concerns as stated in this excerpt from its 2019 Statement on Climate Change[12]:

> The Hartford understands the risks that climate change present to people and communities. As stewards of the environment, we are committed to mitigating climate change and reducing our carbon footprint incrementally each year. As one of the first companies to publicly urge the U.S. administration to remain committed to the Paris Agreement. We have an important role to play

[11] See https://www.nytimes.com/2021/05/18/climate/climate-change-emissions-IEA.html
[12] https://s0.hfdstatic.com/sites/the_hartford/files/statement-on-climate-change.pdf

> and will continue to make our approaches in this area more robust and impactful.
>
> ***
>
> Although The Hartford is not a significant direct emitter of greenhouse gases (GHGs), The Hartford recognizes that the reduction of GHG emissions is everyone's responsibility.

As such, the litmus test of Company policies posed by the Proposal is comprehensible by The Hartford's investors, appropriate for discussion and debate and not outside of the grasp of investor deliberation and engagement.

Investor interests in the subject matter of the Proposal

Underwriting and investment in the continued fossil fuel development by the Company poses important questions for its shareholders: stranded assets and reputational risk to the Company, systemic and portfolio wide risk for diversified investors, and due diligence concerns for ESG investors. It is salient for investors to ask the Company, as one of the largest property and casualty insurance firms in the world, to come into alignment with the leading global benchmarks for a robust climate change mitigation response.

Company Specific Risks

Financial dissonance

Insurance companies are in the business of predicting and estimating the costs of damages caused by natural catastrophes, and they earn profits by balancing their premiums with the probability of losses, by retaining existing customers, and by securing new ones. However, by underwriting customers in carbon-intensive industries, insurers like The Hartford are enabling climate change while at the same time absorbing covered losses resulting from climate-fueled weather events.

The trends in natural catastrophe-related losses are troubling. Even before the close of 2021, the Swiss Re Institute estimated global insured natural disaster losses at $105 billion for 2021. The losses exceed the previous ten-year average, continuing the trend of an annual 5–6% rise over recent decades.13 Further, secondary perils, such as severe winter storms and significant flood, wind, or wildfire events are more difficult to model, are leading to larger insured losses, which may challenge current enterprise risk management capabilities.

The changing size, intensity, frequency, and geography scope of natural catastrophes means that The Hartford will have to attenuate its risk by increasing premiums or canceling policies for existing customers or both. Climate change is inherently unpredictable which is why reducing greenhouse gas emissions as rapidly as possible makes business sense for insurers.

[13] https://www.swissre.com/media/news-releases/nr-20211214-sigma-full-year-2021-preliminary-natcat-loss-estimates.html#:~:text=Man%2Dmade%20disasters%20triggered%20another,losses%20seen%20in%20recent%20decades

Reputational risk

The Hartford engages in many communications on climate change, most notably its declared commitment to PRI and UN Global Compact.

As the NGO coalition, Insure Our Future, has published:[14]

> November 9, 2021 (Hartford, CT) – Today, The Hartford, one of the world's largest oil and gas insurers, announced that it is speeding up its timeline for divesting from the tar sands oil sector. The CT-based insurer will phase out publicly traded investments in tar sands companies by December 31, 2021, which is two years ahead of the 2023 date outlined in its December 2019 coal and tar sands policy.
>
> The Hartford is acknowledging the need for rapid action to tackle the climate crisis, and today's announcement on tar sands oil is a welcome step in that regard. However, the global climate crisis demands much bolder action. The International Energy Agency (IEA) is very clear: to limit global temperature rise to 1.5ºC, insurers should not underwrite any fossil fuel expansion whatsoever. That would be the right thing to do for their policyholders, investors and everyone else."

The Principles for Responsible Investment,[15] which The Hartford joined in 2015, is endorsed by investors with $110 trillion of assets under management and articulates six key points of "commitment" for endorsers,[16] some of which directly bear on and would cause investors to be supportive of the current Proposal.

For instance, Principle two states: "We will be active owners and incorporate ESG issues into our ownership policies and practices." The principle describes possible actions including filing "shareholder resolutions consistent with long-term ESG considerations."

Principle three states that: "We will seek appropriate disclosure on ESG issues by the entities in which we invest." Among the possible implementing actions are to **"ask for information from companies regarding adoption of/adherence to relevant norms, standards, codes of conduct or international initiatives** (such as the UN Global Compact)," and "Support shareholder initiatives and resolutions promoting ESG disclosure." [Emphasis added]

The Proposal provides a key opportunity for the Company's investors, including mainstream, ESG and responsible investors, to inquire more deeply and encourage the Company to sustain the credibility of its net-zero commitments, by aligning its policies and moving beyond its current equivocal approach to oil and gas sector supply development.

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15 The principles note they "were developed by investors, for investors."

16 https://www.unpri.org/pri/what-are-the-principles-for-responsible-investment

Systemic and Portfolio-wide Risks

The Company's fossil fuel underwriting may be inconsistent with its investors' commitments to alignment with global climate goals

Insurance firms like The Hartford face a quandary today. They recognize the important threat posed by climate change, but they have significant investments in and underwriting commitments to the coal, oil and gas sectors that make it more difficult to halt underwriting even though they may recognize the long-term systemic impacts associated with continuing to develop fossil fuels. In a sense, this is a long- versus short-term value issue, and it is also an issue of whether an individual issuer in a portfolio, like The Hartford, may be undercutting global climate goals in a manner that is inconsistent with its investors' commitments.

Many investors and fiduciaries have undertaken policies and commitments to align their portfolios and individual holdings with global climate goals. Thus, shareholders and investment fiduciaries monitoring the global impacts of climate change, in voting on the current Proposal, can provide important input to the board and management as to how to balance these short- and long-term interests, and to encourage companies as well as countries to exercise leadership in the urgent need for a phase down of new fossil fuel development.

To the growing portion of institutional and diversified investors who take seriously their fiduciary obligations to consider and engage on the systemic, economy and portfolio-wide implications of their holdings, the Proposal provides a key opportunity to engage with a major fossil fuel underwriter.

In addition, failure to address these broad concerns poses systemic economic risks. A recent report, *Wall Street's carbon bubble: the global omissions of the US financial sector,* has noted that fossil fuel assets reflect a new market bubble, analogous to subprime mortgages prior to the housing market crash of 2008:

> In order to keep global warming under 1.5 degrees Celsius, there is a finite limit to total emissions, known as the "carbon budget." To remain within that budget, global net anthropogenic CO_2 emissions must decline by 45 percent from 2010 levels by 2030. This will require a rapid phase-out of the largest sources of emissions, including emissions from fossil fuel production.
>
> Unfortunately, the potential emissions from currently operating oil, gas, and coal fields and mines alone would send the world past 2°C of warming. Instead of heeding warnings, the fossil fuel industry plans to increase production through 2030, producing twice as much emissions as the carbon budget allows. This means that, if the world is to achieve the 1.5°C warming limit, a portion of existing fossil fuel projects will turn into "stranded assets," defined by the International Energy Agency as "those investments which have already been made but which, at some time prior to the end of their economic life… are no longer able to earn an economic return." Companies are therefore raising and spending capital for projects that will not provide the returns investors expect.

> The market is now carrying a significant amount of "unburnable carbon." This means, according to Ben Caldecott, there is a "disconnect between the current value of the listed equity of global fossil fuel producers and their potential commercialisation under a strict carbon budget constraint." This disconnect is termed the "carbon bubble."

As described in a paper by David Comerford and Alessandro Spignati:

> [A]nalogously to the subprime mortgage problem that precipitated the 2008-09 Financial Crisis, the global economy is once again mis-pricing assets as markets overlook this 'unburnable carbon' problem. This issue is termed the 'Carbon Bubble' because the imposition of climate policy consistent with the Potsdam Climate Institute's calculations would mean the fundamental value of many fossil fuel assets must be zero as they cannot be used. Their current market value must therefore be made up of a zero fundamental value, and a 'bubble' component: the Carbon Bubble.[17]
>
> **The scale of this mispricing problem is significant. According to Carbon Tracker Initiative, "governments and global markets are currently treating as assets reserves equivalent to nearly 5 times the carbon budget for the next 40 years." Based on some estimates, the impact of losses from stranded fossil fuel assets may "amount to a discounted global wealth loss of $1-4 trillion**."[18] [Emphasis added]

Thus, the continued refusal by insurance companies as well as other financial institutions to adapt their lending and underwriting to align with a carbon-constrained future in a timely manner may lead to large losses in value throughout the global financial system. If asset repricing occurs abruptly, this inaction will lead to sudden, painful financial and economic shocks that could precipitate a global financial crisis.

This appropriate systemic and portfolio-wide concern is connected with fiduciary duties of investors, specifically the fiduciary duty of impartiality which necessitates a balancing of interests of beneficiaries who may draw on the assets in the near-term and those for whom retirement or other need for the assets are longer-term and may be undercut by a carbon bubble and related market shocks.[19]

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[17] https://www.bankofengland.co.uk/-/media/boe/files/events/2016/november/the-carbon-bubble-climate-policy-in-a-fire-sale-model-of-deleveraging-speaker-paper.pdf?la=en&hash=F6FC6E38ED1334A006F9658A605E77946C8BDE83

[18] https://static1.squarespace.com/static/61ac8233d16d7417cc6589e3/t/61b84bc6383f9b0e20216046/1639467980190/us_financed_emissions_USL_FIN.pdf

[19] A law review article reviewing this duty of impartiality noted in particular that with regard to the potential conflict between long or short term bias: "As a practical matter, such communication is done through stockholders' resolutions, allowing stockholders to express their preferences for certain corporate actions…the fiduciary duty of impartiality provides an analytic framework for the consistent resolution of stockholders' conflicts of interest. It is a balancing test that provides a corporation's board of directors a flexible tool with which to weigh various, and often conflicting, interests of stockholders to reach a resolution that maximizes the value of the enterprise as a whole. Shachar Nir, One Duty to All: The Fiduciary Duty of Impartiality and Stockholders' Conflict of Interest, 16 Hastings Bus. L.J. 1 (2020).
Available at: https://repository.uchastings.edu/hastings_business_law_journal/vol16/iss1/2

ESG Due Diligence

Ensuring that investment firms, asset managers and other fiduciaries have information necessary for due diligence on any ESG related claims.

On March 4, 2021, the SEC initiated a new Task Force focused on climate and ESG issues looking primarily at the "veracity of issuers' ESG disclosures as well as those of investment fiduciaries."[20] Based on the United Nations' "credible action" document, the credibility of The Hartford's climate commitment is on the line in any claims to be aligned with global climate goals without a concurrent commitment to eliminating the funding of new fossil fuel development.

The shareholder Proposal provides an opportunity for the Company's investors to guide Company policy in a manner that would address what appears to be a fundamental flaw in current Company plans. In addition, the shareholder right to file and vote on this Proposal offers the best available opportunity for ESG investment fiduciaries to act on their due diligence responsibilities, to ensure that their ESG commitments are backed with the data and verification necessary to make any ESG claims. To the extent that investment fiduciaries claim that stock holdings in The Hartford are ESG or net-zero assets, the request of the Proposal provides a central opportunity to back that claim with due diligence in engagement and stewardship.

This investor due diligence that is enabled by the Proposal is responsive to the demands and scrutiny placed on ESG investors according to the report of the SEC "Division of Examinations' Review of ESG Investing, April 9, 2021. That review noted that numerous investment products and financial services have incorporated ESG to meet demand. The division noted that it will be monitoring the accuracy of disclosures on ESG investing, and that examinations of firms claiming to engage in ESG investing will focus on, among other matters, a review of a firm's policies, procedures, and practices related to ESG and its use of ESG-related terminology; due diligence and other processes for selecting, investing in, and monitoring investments in view of the firm's disclosed ESG investing approaches; and whether proxy voting decision-making processes are consistent with ESG disclosures and marketing materials. The division also noted that 5 Advisers Act Section 206 imposes a fiduciary duty on investment advisers to provide full and fair disclosure of all material facts relating to the advisory relationship and to provide advice that is in the best interest of the client. Investment advisers also have antifraud liability with respect to communications to clients and prospective clients under Advisers Act Section 206. See Commission Interpretation Regarding Standard of Conduct for Investment.[21]

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20 *See* SEC Announces Enforcement Task Force Focused on Climate and ESG Issues, *found at* https://www.sec.gov/news/press-release/2021-42

21 The Review also noted, despite claims to have formal processes in place for ESG investing, a lack of policies and procedures related to ESG investing; policies and procedures that did not appear to be reasonably designed to prevent violations of law, or that were not implemented; documentation of ESG-related investment decisions that was weak or unclear; and compliance programs that did not appear to be reasonably designed to guard against inaccurate ESG-related disclosures and marketing materials. They noted further:
• *Portfolio management practices were inconsistent with disclosures about ESG approaches.*
• *Controls were inadequate to maintain, monitor, and update clients' ESG-related investing guidelines, mandates, and restrictions*.
• *Inadequate controls to ensure that ESG-related disclosures and marketing are consistent with the firm's practices.*
• *Policies and procedures that addressed ESG investing and covered key aspects of the firms' relevant practices*.

Issues comprehensible to investors

The Proposal and the underlying debate raised by the Company in its no action request are comprehensible to shareholders. Indeed, many of the Company's arguments in the no action request actually demonstrate the propriety of shareholder deliberation on these issues, by demonstrating how a company opposition statement could read. Much of the Company Letter reads as if it is the Company's future opposition to the Proposal in the proxy statement:

The Proponent deems these arguments as appropriate for an *opposition statement* — sides of the debate regarding this major issue of company strategy that shareholders can readily consider and deliberate on. These are not arguments that justify exclusion of the Proposal.

The Proposal addresses issues that are of great interest to investors, and within investors' expertise to deliberate, particularly based on reference to benchmarking Company activities against the referenced global benchmarks.

Flexibility, Discretion, Vagueness

The Proposal is neither too vague for purposes of Rule 14a-8(i)(3) nor too directive for purposes of Rule 14a-8(i)(7). It represents an appropriately framed proposal for shareholder deliberation.

However, the Company Letter asserts simultaneously that the Proposal is vague, and that it is too prescriptive, relating to ordinary business and micromanaging the Company by constraining the discretion of the board and management.

How flexible or specific should a shareholder Proposal be?

To begin with, the shareholder proposal rule in Rule 14a-8(a) states that a proposal should "state as clearly as possible the course of action" that the proponent believes "the company should follow"[22] as an advisory "request" for company action. Thus, any claim that the Proposal is overly inflexible must be evaluated against this fundamental guidance in the rule itself. Moreover, as the Company Letter itself demonstrates, failure to be specific invites a company challenge based on vagueness, that either the company or its shareholders will not understand the scope of the Proposal or how it will be implemented.

At the other pole is the potential for the Proposal to encroach too far onto the board and management discretion. But as an advisory proposal, the board and management's discretion is seldom encroached on by a proposal. Even after a majority of support on an advisory proposal, the board and management are *expected* to exercise discretion to act as fiduciaries in the interests of the corporation. The request of the current Proposal is advisory, it is not directive.

Controls were inadequate to maintain, monitor, and update clients' ESG-related investing guidelines, mandates, and restrictions.

[22] *See* Rule 14a-8(a).

The Company Letter asserts that the Proposal would provide management with no discretion to assess the risks and opportunities associated with underwriting. However, there is actually substantial flexibility within the guidance of the Proposal for the board and management to define the scope, time frames and parameters of the policy, including defining "new fossil fuel supplies," with an eye toward the well-accepted definition that new fossil fuel supplies include exploration for and/or development of oil, gas, and coal resources or reserves beyond those fields or mines already in production.

In this instance, the Proposal addresses the critical strategic benchmark against which its underwriting activities are being criticized by civil society and global climate experts – the Company's continued underwriting of new fossil fuel supplies in conflict with global climate and temperature goals. The Proposal asks a critical question, provides sufficient background information on the question, and offers the board and management appropriate discretion to fill in the details of an aligned company policy.

Proposal does not unduly confine board and management discretion

Contrary to the Company's assertions of micromanagement, this advisory proposal asks the Company only to adopt policies consistent with global climate constraints already articulated by IEA indicating that new fossil fuel development is not compatible with the 1.5°C scenario. The Proposal does not delineate acceptable clients for the Company, but rather seeks for the Company to adopt policies that it can rationalize as aligned with key global climate benchmarks which are considered by many investors and experts to be a litmus test for the credibility of global insurers who are charged with protecting their clients from climate-driven natural disasters. To the extent that the Company's underwriting is aligned with or in conflict with the need to keep undeveloped fossil fuels in the ground, and without a coherent rationale in relation to those global benchmarks, it poses a problem for many investors who are committed to ESG and climate alignment.

Nothing in the Proposal contemplates or demands ceasing underwriting current coal, oil and gas companies; it only asks the Company to establish new policies to help ensure that its underwriting practices do not support new fossil fuel development. The Proposal is agnostic as to which clients the Company provides underwriting to. For instance, to the extent that the fossil fuel companies are developing renewable or clean energy segments, there is no requirement in the Proposal that would necessitate ending the financing of those initiatives. Indeed, as the IEA has itself pointed out:

> The expertise of the oil and natural gas industry fits well with technologies such as hydrogen, CCUS and offshore wind that are needed to tackle emissions in sectors where reductions are likely to be most challenging.[23]

A compelling demonstration of the flexibility and discretion afforded by the Proposal is contained in the UNEP FI "credible commitments" document. UNEP FI in its credible net-zero commitments guidance notes that there are multiple possible pathways to credible alignment by companies including an absolute contraction approach, an economic intensity-based approach, a capacity or technology-based approach, a portfolio coverage approach and sectoral alignment. *Whichever of these pathways the board and*

[23] https://www.iea.org/reports/net-zero-by-2050

management should choose, new fossil fuel development is excluded because it not consistent with 1.5° C alignment.[24]

To the extent that an oil and gas major is developing a substantial renewable energy project, or developing resources other than fossil fuels, the Proposal is agnostic as to the continuation of or initiation of underwriting activities for particular types of companies.

Rather than seeing this as an unacceptably vague element of the Proposal, as we noted above, the Proponent believes that it clearly demonstrates that the board and management has adequate discretion to ascertain how to implement the Proposal appropriately, including, for instance, providing conditions on underwriting to any of those entities, or integrating nuanced policies as the Company has demonstrated it is well capable of developing on its thermal coal-related and tar sands policies.

The Proposal merely places a stake in the ground on new fossil fuel development calling for shareholder deliberation on whether the Company, beyond its current proclamations, still needs to make credible commitments aligned with the global 1.5° C temperature goal, as articulated by IEA. The Proposal is clear, unambiguous, and shareholders would have no difficulty determining how to vote on the Proposal, nor would the board or management have difficulty implementing the policy within their discretion.

The Proposal is squarely on target for a shareholder assessment of this key vulnerability in the Company's strategy to date. As Staff Legal Bulletin 14L puts it: "This approach is consistent with the Commission's views on the ordinary business exclusion, which is designed to preserve management's discretion on ordinary business matters but not prevent shareholders from providing high-level direction on large strategic corporate matters."

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24 The UNEP FI notes that there is no universal pathway to 1.5 degrees and that each company must tailor its pathway to its own circumstances. UNEP FI discusses five approaches that a financial institution may take to achieve a 1.5 degree no/low overshoot alignment: 1. 'Absolute contraction' approach a. Reducing the absolute amount of carbon in the portfolio. This can involve early divestment from major sources of carbon.
2. 'Economic intensity-based' approach c. Achieving a greater carbon efficiency per dollar invested. This can involve investing new funds in more carbon efficient companies and/or ceasing to finance major sources of carbon.
3. A 'capacity- or technology-based' approach. This involves identifying fossil fuel sources (or technologies) in the port- folio or loan book and working towards the cessation or replacement of those capacities/technologies.
4. 'Portfolio coverage' approach - providing increasing amounts of capital to companies with transition plans and their own net-zero commitments, either through analyzing asset level data and/or engaging with companies to encourage, track and accelerate company-level net-zero commitments, or taking a bottom-up approach to increase the number of companies which are credibly net-zero aligned as a percentage of the portfolio or loan book
5. 'Sectoral alignment' e.g. 'sector decarbonization approach' in which, over time, all companies in the portfolio or loan book for that sector would be expected to achieve the benchmark carbon/GHG efficiency (as a result this transitions to a portfolio coverage approach over time but has the added benefit of supplying capital to the more efficient companies in the near-term) This can involve overweighting (providing greater amounts of financing to) companies which have a lower energy demand or carbon/GHG emissions per unit of product/output, and underweighting (providing lesser amounts of financing to) those which are less energy or carbon/GHG efficient." Credible commitments guidance at 11-12.

Nevertheless, no matter which method a financial institution utilizes, new fossil fuel development is excluded from any 1.5 degree C pathway. Proponents do not specify a pathway, either. They merely request that the Board craft a credible pathway.

Rule 14a-8(i)(3)

The Company Letter asserts that the Proposal is vague in that it does not dictate precisely what types of underwriting should be restricted by the Company, but rather leaves it to board and management discretion to assess. This is, as noted above, inconsistent with the argument that the Company makes in its first assertion that the Proposal micromanages.

Range of operations covered by an implementing policy: appropriate discretion to board and management

In an argument that stretches credulity, the Company's Rule 14a-8(i)(3) vagueness argument also asserts that the range of potential contributors to new fossil fuel supplies that could be covered by the policy is too open-ended. The Company Letter notes various scenarios and energy-consuming and producing sectors that may be encompassed in a policy fulfilling the Proposal. This flexibility demonstrates that the Proposal is leaving appropriate flexibility to board and management to identify and disclose policies to help ensure that its underwriting practices do not support new fossil fuel supplies, in alignment with the IEA scenario. It makes the Proposal not overly prescriptive, and therefore not micromanaging. It does not make the proposal excludable under Rule 14a-8(i)(3).

CONCLUSION

Ultimately, the ability of a shareholder proposal to produce beneficial change at a corporation is grounded in a fundamental test – whether shareholders vote in favor of the proposal. This inevitably turns on shareholders' assessment of whether the proposal will advance value on a short- or long-term basis, whether at the individual company or across the economy.

The current Proposal is consistent with the rights and responsibilities of investors to assess the congruence of portfolio companies' alignment with climate pledges. The Proposal is neither too prescriptive nor too vague, and therefore is not excludable under Rule 14a-8(i)(7) or Rule 14a-8(i)(3). Based on the foregoing, the Company has provided no basis for the conclusion that the Proposal is excludable from the 2022 proxy statement pursuant to Rule 14a-8. We urge the Staff to deny the no action request.