



**PRENTISS
SMITH & CO**

Sustainable Investment Report for:

Charles Schwab Corporation

Westlake, TX

Ticker: SCHW US Equity

Website: www.schwab.com

Last Updated: 08-31-2023

I. Exclusionary Screening

Does Charles Schwab Corporation appear on any of the following lists?
In our exclusionary screening, a single appearance disqualifies an investment.

Fossil Fuels & Precious Metals Mining

- BICS - Oil, Gas & Coal Industries¹
- BICS - Precious Metals Mining¹
- CDP/CAI Carbon Majors Database²

Plastics Production

- Top 100 Plastic Polymer Producers³

Agrochemicals & Animal Cruelty

- BICS - Crop Chemicals & Fertilizers¹
- Cruelty Free Investing Worst Companies for Animals⁴

Defense & Retail Gun Sales

- BICS - Defense Primes¹
- SIPRI Arms Industry Database⁵
- NRA Industry Allies/Gun Retailers^{6,7}

Private Prisons

- BICS - Security Services¹

Pornography, Gambling & Tobacco

- BICS - Casinos¹
- BICS - Tobacco¹
- BICS - Pornography¹

¹ BICS = [Bloomberg Industry Classification Systems](#)

² [CDP/CAI Carbon Majors](#)

³ [Minderoo Foundation Top 100 Plastic Polymer Producers](#)

⁴ [Cruelty Free Investing 10 Worst Companies for Animals](#)

⁵ SIPRI = [Stockholm International Peace Research Institute](#)

⁶ NRA = [National Rifle Association Top 10 Industry Allies](#)

⁷ Prentiss Smith & Company Internal Research

II. Recognition & Data

What quantifiable environmental, social and governance data, policies or recognition does Charles Schwab Corporation exhibit? Positive factors may help support a decision to invest.*

General

Just Capital Overall (1-954)

306

Climate Change & Environmental Stewardship

CDP 2022 Climate Change Score

C

Just Capital - Environment (1-954)

337

Human Rights & Well-Being

As You Sow Racial Justice Score (-23 to 62)

9

Just Capital - Customers (1-954)

423

Just Capital - Workers (1-954)

152

Forbes World's Best Large Employers (1-500)

150

Just Capital - Communities (1-954)

199

Corporate Responsibility

Just Capital - Shareholders (1-954)

863

CPA-Zicklin Political Disclosure and Accountability
Score (1-100)

24

* Data sources may include:

- Corporate SEC filings
- Company sustainability and other reporting.
- Bloomberg LP ESG Data (via Data License).
- [As You Sow Clean 200](#)
- [As You Sow Racial Justice 1000 Scorecard](#)
- [Banktrack Human Rights Benchmark](#)
- [Barron's 100 Most Sustainable US Companies](#)
- [CDP A-List](#)
- [CDP Responses](#)
- [CEO Action for Diversity & Inclusion Pledge](#)
- Climate Group [EP100 Members](#), [EV100 Members](#)
- [Corporate Knights 100 Most Sustainable Corporations](#)
- [CPA-Zicklin Index](#) for Political Accountability
- [Digital Rights Corporate Accountability Index](#)
- [Diversity Inc's Top 50 Companies for Diversity](#)
- [Dow Jones Sustainability Indices \(DJSI\)](#)
- [EPA's Green Power Partners](#)
- [Equileap's Top 100 Companies for Gender Equality](#)
- Forbes [Best Large Employers](#), [Best Midsize Employers](#), [Best Employers for Diversity](#)
- Fortune [100 Best Employers](#), [Best Workplaces for Women](#), [Best Workplaces for Millennials](#)
- [Glassdoor Best Places to Work](#)
- Great Places to Work [World's Best Workplaces](#), [Best Workplaces for Parents](#)
- [HRC's Corporate Equality Index](#)
- [Institute for Clinical and Economic Review \(ICER\) Policy Leadership Forum Members](#)
- [JUST Capital Rankings](#)
- KnowTheChain [Food, Apparel and IT Benchmarks](#)
- [MSCI ESG Ratings](#)
- PEOPLE [Companies That Care](#)
- [Points of Light Civic 50 Honorees](#)
- [RE100 Member List](#)
- [Roundtable on Sustainable Palm Oil \(RSPO\) Supply Chain Certificate Holders](#)
- [S&P Global Sustainability Yearbook](#)
- [Science-Based Targets initiative \(SBTi\) Companies](#)
- [State Street Global Advisors' Gender Diversity Index](#)
- [Task Force on Climate-related Financial Disclosures \(TCFD\) Supporters](#)
- World Benchmarking Alliance [Corporate Human Rights Benchmark](#), [Social Transformation Benchmark](#), [Gender Benchmark](#), [Digital Inclusion Benchmark](#), [Food and Agriculture Benchmark](#), [Auto and Utilities Benchmark](#)

III. Further Research

What else has our research process told us about how Charles Schwab Corporation conducts business, in terms of its products and services, its environmental impact, and its approach to governance?

Summary

In the years after its founding, Charles Schwab Corporation became known as a [disruptor](#) of Wall Street and champion of Main Street investors: first in the 1970s by offering heavily discounted trading fees, and later for moves that included providing a centralized market for no-load, no-transaction-fee mutual funds, serving the majority of smaller advisors in the custody market, and eventually eliminating fees for stock and ETF trades altogether. Even a \$26 billion acquisition of TD Ameritrade in 2020 was [characterized](#), by Schwab CEO Walt Bettinger, as a "unique opportunity to build a firm with the soul of a challenger." Today, Schwab is one of the [largest](#) brokerage firms by assets under management.

A 2023 Morningstar analysis [found](#) that Schwab's Asset Management division had demonstrated very high levels of support for shareholder resolutions championing environmental and social causes. Charles Schwab Corporation supported such resolutions 70% of the time, compared to an average of just 45% for the three largest firms (including 36% by asset management giant Vanguard). The company's proxy voting [policy](#) (covering its investment and fund management) likewise makes explicit reference to its support for increased board diversity, climate change disclosure (particularly for carbon-intensive industries), and disclosure of political activity.

Charles Schwab, the man, has been a major, prominent donor to the Republican Party, and has come under some criticism for his financial support of former US President Donald Trump. That said, days after the United States Capitol attack in January 2021, the Charles Schwab Corporation [announced](#) it would close down its political action committee (PAC) and stop making corporate political donations. Around the same time, the company [terminated](#) its membership in the U.S. Chamber of Commerce. Although the PAC had always split its donations equally between the two major political parties, both moves seemed intended to signal a clear break from the partisanship of the company's founder.

We applaud Schwab's proactive neutrality, and would also like to see the company further diversify its board of directors and leadership, and improve its greenhouse gas emissions disclosures and targets.

Products & Services

Background

- *Brief description of products/services:*
Offers investment products and services such as brokerage and retirement accounts, online trading, etc. for financial planning with individual investors, advisors, and employers.¹
- *Founding date:*
Founded in San Francisco in 1971.²
- *Key historical changes to company structure (e.g. M&A):*
In 2020 Schwab acquired TD Ameritrade to integrate their investment, trading, and wealth management capabilities.³
- *Key historical changes to products:*
In 2019 Schwab shifted to \$0 trade commissions from \$4.95 to make investing more accessible to everyone. In 2015 they introduced their automated portfolio management option.⁴

Product Detail

- *Current products/services detail, including social/environmental benefits:*
Schwab offers some ESG options for investing.⁵
- *Significant recent developments or new plans for products/services:*
Nothing significant was found.

Landscape

- *Company size:*
Approximately 36,600 employees.⁶

¹ <https://www.aboutschwab.com/what-we-do>

² <https://www.aboutschwab.com/charles-schwab#:~:text=Schwab%20started%20the%20San%20Francisco.in%20the%20discount%20brokerage%20business.>

³ <https://www.aboutschwab.com/what-we-do>

⁴ <https://www.aboutschwab.com/what-we-do>

⁵ <https://www.schwab.com/socially-responsible-investing>

⁶ <https://www.aboutschwab.com/walter-bettinger>

- *Business segments and revenue:*
2022 revenue was \$20.8 billion. It is in two segments, investor services and advisor services within the financial services sector.⁷
- *Industry position/market share:*
Schwab's largest market share is in the online stock brokerage industry at about 12.8% total industry revenue.⁸

Impact

- *Detail on additional social/environmental impacts of products:*
Schwab tries to partner with vendors that use recycled content and sustainable products.⁹

Environment

Goals & Disclosure

- Environmental Commitments
 - *CDP reporting and score:*
Climate change score of D in 2021 and a C in 2022.¹⁰
 - *Emissions target(s)? 1.5-degree SBTi target?*
No emissions targets disclosed and no 1.5 degree SBTi target.
 - *Scope 3 targets?*
No scope 3 target.
 - *Water/waste/deforestation goals?*
No specific goals listed but they do have a corporate real estate team to identify and implement water conservation measures for their properties.¹¹
- Environmental Disclosures and Progress
 - *Emissions:*
"Over the 10-year period from 2011 through 2021, our total employee headcount increased by 137%, our portfolio square footage grew by 169%, and our total carbon emissions increased by only 40%. During the same period, we reduced carbon emissions per full-time employee by over 40%, and we reduced emissions per square foot by 50%."¹²

⁷ <https://finance.yahoo.com/quote/SCHW/profile?p=SCHW&nn=1>

⁸ <https://www.ibisworld.com/us/company/charles-schwab-corp/407611/#:~:text=Charles%20Schwab%20Corp%20%2D%20Overview&text=Their%20largest%20market%20share%20is.than%20some%20of%20their%20peers.>

⁹ <https://www.aboutschwab.com/environmental-stewardship>

¹⁰ <https://www.cdp.net/en/responses/3133>

¹¹ <https://content.schwab.com/web/retail/public/about-schwab/schwab-2022-esg-report.pdf> pg. 68

¹² <https://content.schwab.com/web/retail/public/about-schwab/schwab-2022-esg-report.pdf> pg. 67

- *Water:*
No water disclosures found.
- *Waste, including use of recyclable materials:*
The partnership with Green Standards helped divert 1,487 tons of waste from landfills by diverting workplace furniture and equipment to being resold, recycled and donated.¹³
- *Deforestation:*
No deforestation disclosures found.

Product & Supply Chain Impacts

- *Further environmental benefits to using products:*
Nothing was found.
- *Significant environmental commitments in supply chain:*
Schwab has a general social and environmental commitment to a responsible supply chain.¹⁴
- *Do products help customers reduce emissions? By how much?*
Nothing specific was found.
- *Intermediate scope 3 milestones and targets:*
Nothing specific was found.
- *Significant environmental fines, remediation or controversy:*
Nothing significant was found.

Operational Initiatives

- *Are scope 1 and 2 commitments 1.5-aligned?*
Annually measures and reports Scope 1 and 2 GHG emissions to the CDP, doesn't mention being 1.5 degree-aligned.¹⁵
- *Intermediate scope 1/2 initiatives, milestones and targets:*
No targets or initiatives mentioned.
- *Specific initiatives that could help achieve scope 1/2 targets, or lower emissions if no targets:*
Working on reducing GHG emissions with several solar projects like one in Texas that has the capacity to produce 4600 megawatt hours annually, reducing carbon dioxide emissions by 1913 metric tons per year.¹⁶

¹³ <https://content.schwab.com/web/retail/public/about-schwab/schwab-2022-esg-report.pdf> pg. 68

¹⁴ <https://content.schwab.com/web/retail/public/about-schwab/schwab-2022-esg-report.pdf> pg. 13

¹⁵ <https://content.schwab.com/web/retail/public/about-schwab/schwab-2022-esg-report.pdf> pg. 67

¹⁶ <https://content.schwab.com/web/retail/public/about-schwab/schwab-2022-esg-report.pdf> pg. 67

- *Other specific, internal initiatives in service of water conservation, waste management, etc:*
One initiative is incorporating native plants at office locations to thrive with minimal water and reduce their water usage.¹⁷

Management Integrity and Ethics

Leadership & Diversity

- *Brief profile of CEO and any other notable leaders:*
Walter Bettinger II, CEO - founded The Hampton Company, a retirement service company, in 1983 at age 22 which was acquired by Schwab in 1995. He graduated from Ohio University with a degree in finance and completed a management program offered by Harvard Business School. He has been CEO since 2008.¹⁸
Charles R. Schwab, Co-Chairman and Director and Founder - founded the Charles Schwab Corporation in 1971. Served as CEO from 1986-1997 and from 2004-2008.¹⁹
- Leadership Composition
 - *Executive team:*
20 people, 4 women, 16 men, races not disclosed but only 1 person of color.²⁰
 - *Board:*
17 people, 5 women, 12 men, 3 people of color, 14 white people.^{21,22}
- Employee/Management Composition and Pay Equity
 - *Employees:*
Workforce includes 63% men and 37% women, as well as 63% white people and 37% people of color.²³
 - *Management:*
In management roles, 63% are men and 37% are women, along with 73% white people and 27% people of color.²⁴
 - *Pay equity:*
No pay equity disclosure found.

¹⁷ <https://content.schwab.com/web/retail/public/about-schwab/schwab-2022-esg-report.pdf> pg. 68

¹⁸ <https://www.aboutschwab.com/walter-bettinger>

¹⁹ [aboutschwab.com/charles-r-schwab](https://www.aboutschwab.com/charles-r-schwab)

²⁰ <https://www.aboutschwab.com/leadership>

²¹ <https://www.aboutschwab.com/leadership>

²² <https://content.schwab.com/web/retail/public/about-schwab/schwab-2022-esg-report.pdf> pg. 33

²³ <https://content.schwab.com/web/retail/public/about-schwab/schwab-2022-esg-report.pdf> pg. 33

²⁴ <https://content.schwab.com/web/retail/public/about-schwab/schwab-2022-esg-report.pdf> pg. 33

Human & Labor Rights

- *Are clear policies in place on forced labor and supply chain monitoring?*
There are policies and procedures for responsible social and environmental sourcing practices including labor standards in working hours and conditions, wages and benefits, and humane treatment of workers employed in the supply chain.²⁵
- *What % of the supply chain is covered?*
100% is inferred.
- *Supply chain enforcement mechanisms:*
None disclosed.
- *Employee safety metrics:*
None disclosed.
- *Labor relations disputes or successful agreements:*
Nothing significant was found.
- *Employee satisfaction metrics:*
Rated 3.9 average on indeed with over 1600 reviews.²⁶ Rated 3.8 average on Glassdoor with over 5000 reviews, mostly positive for pay, benefits, and people, but also reviews about slow bureaucracy due to its large size and poor management.²⁷
- *Programs requiring diverse hiring practices, professional training in underserved communities, or other equity-focused initiatives:*
Schwab has a program called “Hiring Our Heroes” to hire veterans, “Military Spouse Employment partnership” to recruit military spouses, “Neurodiversity at Work” to hire neurodivergent talent and focus on accessibility, and partners with HBCUs and Hispanic-serving institutions to present at career fairs and panels. They also use bias-detection tools and diversity dashboards to monitor diversity and candidate pools.²⁸

Political & Charitable Activity

- *Does the company have a policy not to spend anything on lobbying or politics?*
Schwab has a policy to not use corporate funds for direct political spending and not to endorse or financially support any political party or political candidate.²⁹
- *Federal lobbying expenditures and political donations:*
\$18 million from individual contributions in 2022, 93.34% to Republicans 6.66% to Democrats. \$3 million spent on lobbying in 2022.³⁰

²⁵ <https://content.schwab.com/web/retail/public/about-schwab/schwab-2022-esg-report.pdf> pg. 12

²⁶ <https://www.indeed.com/cmp/Charles-Schwab/reviews>

²⁷ <https://www.glassdoor.com/Reviews/Charles-Schwab-Reviews-E144.htm>

²⁸ <https://content.schwab.com/web/retail/public/about-schwab/schwab-2022-esg-report.pdf> pg. 29

²⁹ <https://content.schwab.com/web/retail/public/about-schwab/schwab-2022-esg-report.pdf> pg. 52

³⁰ <https://www.opensecrets.org/orgs/charles-schwab-corp/summary?id=D000000414>

- *Is lobbying data voluntarily disclosed, including state and local contributions, trade association memberships, and PACs?*
Schwab had a PAC funded by voluntary contributions from employees and directors that was discontinued in 2021 and contributed the remaining funds to the Boys & Girls Clubs of America and HBCUs.³¹
- *How much is spent annually on charitable contributions?*
In 2022 Schwab contributed \$13.1 million to nonprofit organizations. Since 1995 the Charles Schwab Foundation has granted \$126 million in donations.³²
- *How much volunteer time do employees give annually?*
Schwab gives full time employees 8 hours and part time employees 5 hours to volunteer each year.³³ In 2022 employees volunteered 144,500 hours.³⁴
- *Major charitable or volunteer projects with meaningful long-term impact:*
In 2021 Schwab launched “Moneywise America” to help make financial literacy accessible for everyone. Employee volunteers are trained and help educated people across the country in financial literacy for schools and nonprofit organizations. At the end of 2022 they helped 75 schools and nonprofits in the US and 5650 individuals.³⁵ They have also partnered with the Boys and Girls Club of America to help youths with financial education, helping more than 1.1 million kids develop skills.³⁶

Legal

- *Outstanding legal disputes with significant reputational and/or financial stakes (including shareholder lawsuits):*
Nothing outstanding or significant was found.
- *Significant fines paid or in dispute:*
“In 2022, Charles Schwab Corp. agreed to pay a record \$187 million penalty to federal securities regulators to settle allegations that it failed to tell clients about the hidden costs of its robo-advising product, which was investing client money in a way that often lowered their returns.”³⁷
- *Current or recent headline controversies involving the company or its management:*
Nothing significant was found.

³¹ <https://content.schwab.com/web/retail/public/about-schwab/schwab-2022-esg-report.pdf> pg. 52

³² <https://content.schwab.com/web/retail/public/about-schwab/schwab-2022-esg-report.pdf> pg. 63

³³ <https://content.schwab.com/web/retail/public/about-schwab/schwab-2022-esg-report.pdf> pg. 44

³⁴ <https://content.schwab.com/web/retail/public/about-schwab/schwab-2022-esg-report.pdf> pg. 63

³⁵ <https://content.schwab.com/web/retail/public/about-schwab/schwab-2022-esg-report.pdf> pg. 60

³⁶ <https://content.schwab.com/web/retail/public/about-schwab/schwab-2022-esg-report.pdf> pg. 62

³⁷ <https://news.bloomberglaw.com/securities-law/charles-schwab-pays-187-million-to-settle-sec-robo-adviser-case>

Legal Notice

The material contained in this report is provided for informational purposes only and should not be considered an individualized recommendation of any particular security, strategy or investment product. This report is not intended to be used as a general guide to investing, or as a substitute for personalized investment advice, and it makes no implied or express recommendations concerning the manner in which any specific client account should be handled. If you have questions regarding the applicability of any issue discussed on this report to your own situation, you are encouraged to consult with a professional advisor of your choosing. Prentiss Smith & Co is neither a law firm nor a certified public accounting firm, and no portion of this report should be construed as legal or tax advice.

No guarantee is made as to the accuracy, completeness or timeliness of any information, projections or opinions contained in this report or upon which any such projections or opinions have been based. The information contained in this report is compiled for the convenience of site visitors and is accepted by the reader on the condition that errors or omissions shall not be made the basis for any claim, demand or cause of action. Due to factors that may include changing market conditions or applicable laws, some content on this report may no longer be reflective of our current positions or opinions. Some information on this report has also been obtained from published sources and/or prepared by unaffiliated third parties. While such sources are believed to be reliable, neither Prentiss Smith & Co nor its respective employees or representatives assumes any responsibility for the accuracy or completeness of such information. References and hyperlinks to other websites are not an endorsement, approval or certification of information, projections or opinions located at such web sites.

Investing in securities involves risk, including the loss of all principal invested. Other types of investments involve varying degrees of risk. There can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Prentiss Smith & Co), will be profitable or suitable for your portfolio or individual situation.