

Why Sphere uses the shareholder vote to help build a climate-safe future and position the companies we own for long-term financial success

Index investing doesn't have to mean passive ownership

Index investing is often described as passive investing. But owning an index fund does not mean being a passive owner. When an index fund owns shares in a company, it also owns a vote. That vote can influence how the company prepares for the future. At Sphere, we believe using that vote is part of our responsibility as fiduciaries, particularly because our investors are saving for retirement and typically have investment horizons measured in decades.

We vote in favor of climate-related shareholder proposals when we believe they can help the companies we own succeed financially in a rapidly changing economy, while also helping build the climate-safe future our investors will one day retire into. This paper explains why we believe voting for the planet is both the right thing to do for our investors and the right thing to do for the planet, why we avoid the conflicts of interest that can arise when voting at fossil fuel companies, and why our approach makes Sphere different from traditional index fund managers.

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We believe voting for the planet is the right thing to do as a fiduciary

We built our company specifically for people who are saving for retirement. That knowledge of who our customers are gives us as fiduciaries the kind of clarity that we would not have if we were serving a broader market. Those saving for retirement typically have a long-term investment time horizon. We are not serving day traders.

Time and again, we have found that voting in favor of climate proposals has aligned with setting up companies for long-term financial success in a quickly changing world.

Take, for example, Costco. They had a shareholder proposal to set science-based targets to reduce greenhouse gas emissions.¹ Management recommended voting against the proposal, because there could be an up-front cost incurred by investing in the new technology, lowering short-term profitability. Our assessment, however, as fiduciaries focused on long-term profitability, was that Costco would make back the investment in lowered energy costs in 2-3 years, and would save on energy costs thereafter. The proposal passed with 70% of the vote, and Costco has significantly improved its climate impact as a result.

¹ Sciammacco, Sara: "69.9% of Costco* Shareholders Support Landmark Green Century Proposal on Climate Change," Ceres, January 27, 2022. <https://www.ceres.org/resources/news/699-of-costco-shareholders-support-landmark-green-century-proposal-on-climate-change>

The reality is that we, as fiduciaries, are not always aligned with board members or management. They often have generous compensation packages associated with maximizing quarterly profits, and are less incentivized to prioritize the long-term financial health of their companies than we as shareholders are. It is critical for shareholders to represent their interests through their vote, especially because they sometimes do not align with the short-term interests of company management.

Another example is the shareholder proposals that have been submitted to the three biggest banks in the US over the past few years to stop lending money for new fossil fuel development projects.² Management recommended against, and most index funds voted against, but we voted in favor. As fiduciaries, it is clear to us that the financial models that the bank analysts used to approve those loans assumed that demand for fossil fuels will continue to grow over the next thirty years in a way that does not account for the exponential growth in adoption of renewable technologies that we are experiencing.

Analysts typically assume straight-line trends, whereas new technology can follow an S-curve of adoption. Solar, wind, and battery installations are currently growing exponentially.³ That means there will not be as much demand for fossil fuels in 10, 20, or 30 years as bank analysts assume, and project owners are likely to default on these loans.⁴ Management is incentivized to approve the loans because the immediate interest payments improve their short-term bottom line. We as long-term investors voted to have banks stop making these loans, because the economics show that their customers are likely to default on those loans in increasing numbers, hurting the long-term bottom-line of banks.⁵

Voting for the planet is the right thing to do for the planet

The scientific consensus is that climate change is real, it is caused by humans, and importantly: the technologies that can turn it around already exist. Fossil fuels are overwhelmingly the culprit behind climate change. To phase them out, we must do two things: (1) electrify everything – i.e. replace gas-powered cars with electric cars, and replace gas stoves and furnaces with induction stoves and heat pumps, and (2) install renewables like solar, wind, and the batteries that make it possible to keep running on renewables after the sun sets.

These goals are achievable. The California grid surpassed 50% solar power generation this year.⁶ The Utah grid had more electricity generated from solar than from any other power source, both enabled by load-balancing batteries that have been deployed at scale.⁷ The combination of solar, wind, and batteries is already less expensive than any kind of fossil fuel

² Marshall, Elizabeth Dilts and Ross Kerber: “Bank shareholder proposals to curb new fossil fuel lending get slim support,” Reuters, April 26, 2022. <https://www.reuters.com/business/sustainable-business/bank-shareholder-proposals-curb-new-fossil-fuel-lending-get-slim-support-2022-04-26/>

³ The Economist: “The exponential growth of solar power will change the world,” The Economist, June 20, 2024. <https://www.economist.com/leaders/2024/06/20/the-exponential-growth-of-solar-power-will-change-the-world>

⁴ Walter, Daan, Sam Butler-Sloss, and Kingsmill Bond: “The Rise of Batteries in Six Charts and Not Too Many Numbers: The unstoppable rise of batteries is leading to a domino effect that puts half of global fossil fuel demand at risk,” Rocky Mountain Institute, January 25, 2024. <https://rmi.org/resources/the-rise-of-batteries-in-six-charts-and-not-too-many-numbers/>

⁵ Grady, Barbara: “Despite Trump, renewable energy keeps surging,” Yale Climate Connections, January 29, 2026. <https://yaleclimateconnections.org/2026/01/despite-trump-renewable-energy-keeps-surging/>

⁶ Begert, Blanca: “California produced over half its May electricity from solar, a world record,” Los Angeles Times, July 31, 2026. <https://www.latimes.com/environment/story/2026-07-31/california-produced-over-half-its-may-electricity-from-solar-world-record>

⁷ Rogers, John: “Utah renewable milestone: Solar tops all other sources of power generation sources in May,” Salt Lake Business Journal, August 15, 2026. <https://saltlakebusinessjournal.com/article/utah-renewable-milestone-solar-tops-all-other-sources-of-power-generation-sources-in-may>

power generation on today's grid.⁸ Basic market economics have made it clear that a global transition from fossil fuels to renewables is inevitable, and shifting politics can impact the speed of the transition, but not the transition itself.

We as shareholders can help speed up the global transition from a polluting economy to one that operates in balance with nature by encouraging some of the biggest companies in the world to invest in the transition to climate-friendly practices.

Voting for the planet at fossil fuel companies poses a conflict of interest that we avoid

The only exception we have encountered to the general rule that voting for the planet can improve the long-term financial health of companies has been for companies whose core line of business is not compatible with a climate-safe future. For fossil fuel companies to help turn around climate change, they by definition have to do less of their core line of business. That is a conflict of interest that we prefer to avoid.

By not investing in fossil fuel companies or other companies whose core line of business is harmful to people and the planet, we avoid a conflict of interest in voting our shares in favor of climate-related shareholder proposals. For the remainder of companies that we do invest in, voting in favor of these proposals both helps set companies up for financial success in a rapidly changing world, and helps our shareholders encourage some of the biggest companies in the world to help build a world that we can all enjoy in retirement.

We use our votes differently than traditional index funds

Sphere was built around a simple idea: index investing does not have to mean passive ownership. While traditional index funds generally seek to track the market as it has been, Sphere looks to invest in the market we want to create. Voting intentionally helps us do that.

The largest index fund managers own shares in virtually every major publicly traded company, giving them enormous influence over how those companies are governed and how they respond to issues such as climate change. But because their primary objective is to track a broad market index, they often approach shareholder voting with the goal of maintaining consistency with that benchmark and minimizing deviations from prevailing market practices. Sphere was created with a different purpose. While we invest in a largely similar list of companies as other index funds (see top ten holdings comparison) we believe that long-term investors should use their ownership to encourage the companies they invest in to prepare for the economy of the future.

As a result, Sphere votes for climate-related shareholder proposals when we believe they are in the long-term financial interests of the companies we own and our shareholders. That can mean voting against the recommendation of a company's management or board, and it can mean voting differently from other index fund managers. We do not believe that simply following management or the prevailing vote is an adequate exercise of our responsibility as a fiduciary.

Top 10 Holdings Snapshot (%)*

NVIDIA	NVDA	8.37%
Apple	AAPL	7.63%
Microsoft	MSFT	4.77%
Amazon	AMZN	4.29%
Alphabet Class "A"	GOOGL	3.73%
Broadcom	AVGO	3.24%
Alphabet Class "C"	GOOG	3.22%
Micron Technology	MU	2.33%
META Platforms	META	2.31%
Tesla	TSLA	2.21%

*As of June 30th, 2026. Fund holdings and sectors are subject to change at any time and should not be considered recommendations to buy or sell any security.

⁸ Reuters: "Around 90% of renewables cheaper than fossil fuels worldwide, IRENA says," Reuters, July 22, 2025. <https://www.reuters.com/business/energy/around-90-renewables-cheaper-than-fossil-fuels-worldwide-irena-says-2025-07-22/>

Our investors are saving for a future that may be decades away, and the companies they own will operate in an economy that is likely to look very different. We use our ownership to encourage the companies in our portfolio to understand the changes ahead, manage the risks they create, and invest in the opportunities they present.

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Conclusion

Owning a share of a company means more than participating in its financial upside. It also means having a voice in how that company prepares for the future. For long-term investors saving for retirement, that voice can be especially important. The decisions companies make today about energy, technology, and climate risk can shape their costs, competitiveness, and financial resilience for decades to come.

At Sphere, we believe shareholders should use that voice. We vote our shares in favor of climate-related shareholder proposals when we believe doing so can help the companies we own succeed in a changing economy. We do not see this as separate from our responsibility as fiduciaries.

Our approach starts with a simple distinction. For companies whose core businesses are compatible with a climate-safe future, encouraging them to adapt to the transition can strengthen their long-term financial position while helping accelerate the shift to a

cleaner economy. For companies whose core business is fundamentally incompatible with that future, there is an inherent conflict: meaningful climate progress would require them to do less of what they are in business to do. Combined with the fact that the industry is in long-term decline, this conflict explains why we do not invest in fossil fuel companies in the first place.

This allows us to vote with greater clarity. We use the shares our investors own to encourage companies to reduce long-term costs, prepare for technological change, manage emerging risks, and position themselves for the economy of the future. At the same time, we use our ownership to help move that economy toward a climate-safe future.

Index funds own enormous portions of the world's largest companies. We believe their influence should be used thoughtfully and transparently, with the long-term interests of investors and the future of our planet in mind.

Before investing in the Sphere 500 Climate Fund (“the Sphere 500”), carefully consider the fund's investment objectives, risks, charges and expenses. To obtain a prospectus or summary prospectus which contains this and other information, please visit <https://oursphere.org/fund> or talk to your financial advisor. Read it carefully before investing.

RISKS AND DISCLOSURE

As with all investments, there are risks involved with investing in the Sphere 500. Climate Investing Consideration Risk-Considerations related to climate risk, such as environmental criteria (e.g., fossil fuel screens), applied to the Index's construction may limit the number of investment opportunities available to the Fund, and as a result, at times, the Fund may underperform funds that are not subject to similar investment restrictions. For example, the Index may exclude certain securities due to climate-focused considerations when other investment considerations would suggest that investing in such securities would be advantageous. The Fund may also underperform funds that invest in the energy and utilities sectors, particularly in times of rising oil, gas and energy prices. Other risks include, but are not limited to general market risk, small fund risk, large cap risk, common stock risk, sector risk, industry concentration risk, passive investment risk, index calculation risk, limited operating history risk, cybersecurity risk, tracking error risk, operation risk, and third-party data risks as it relates to the composition of the Index. For a detailed explanation of the risks associated with the Sphere 500 and the underlying Index, please read the prospectus.

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