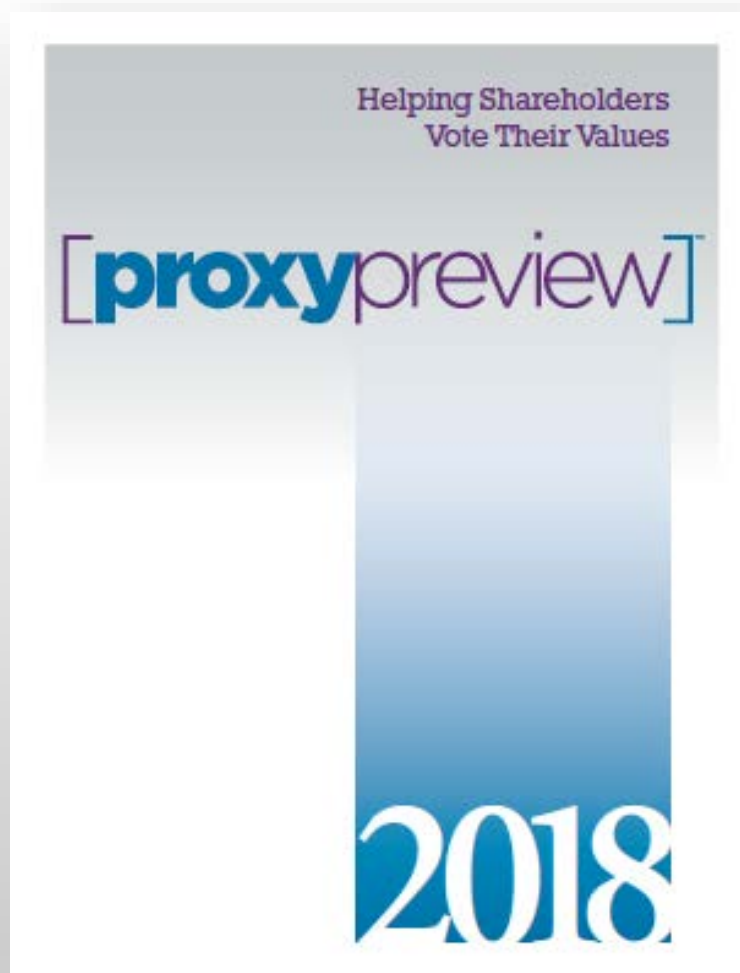




HELPING SHAREHOLDERS VOTE THEIR VALUES

Proxy Preview 2018



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March 8, 2018

2018

Featured Speakers

Heidi Welsh

Sustainable Investments
Institute (Si2)



Michael Passoff

Proxy Impact



Timothy Smith

Walden Asset
Management

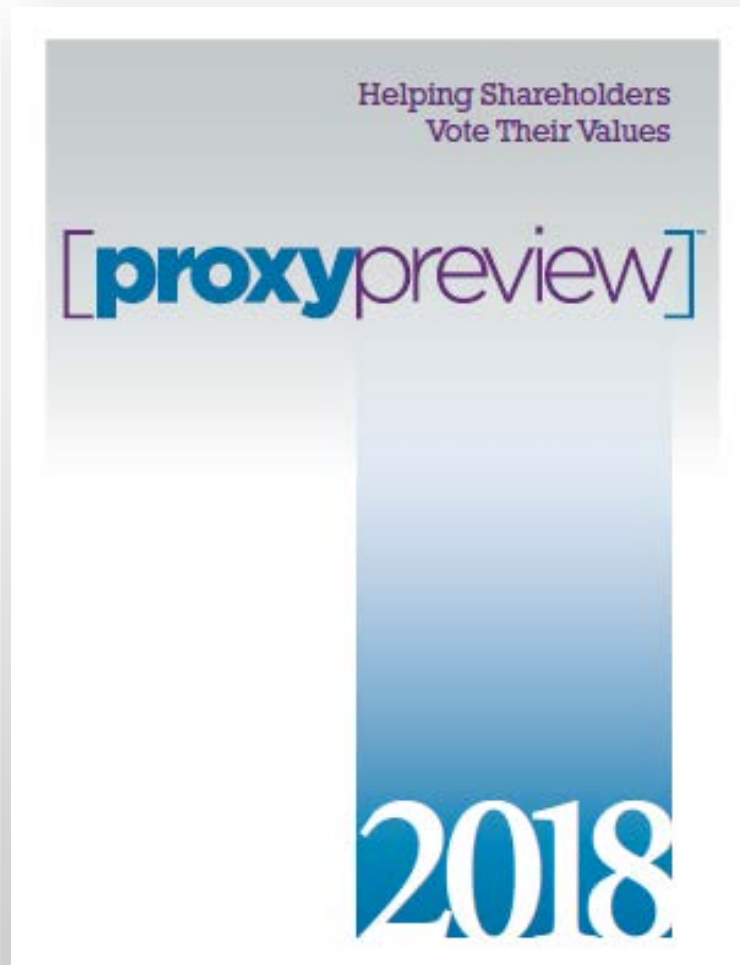


Andrew Behar

As You Sow



Agenda



- ✓ **Introduction** (3 min)
Andrew Behar, As You Sow
- ✓ **2018 Proxy Season Overview** (15 min)
Heidi Welsh, Si2
- ✓ **Climate and Energy Proposals** (10 min)
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- ✓ **Closing Remarks** (1.5 min)
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- ✓ **Conclusion** (2 min)
Andrew Behar

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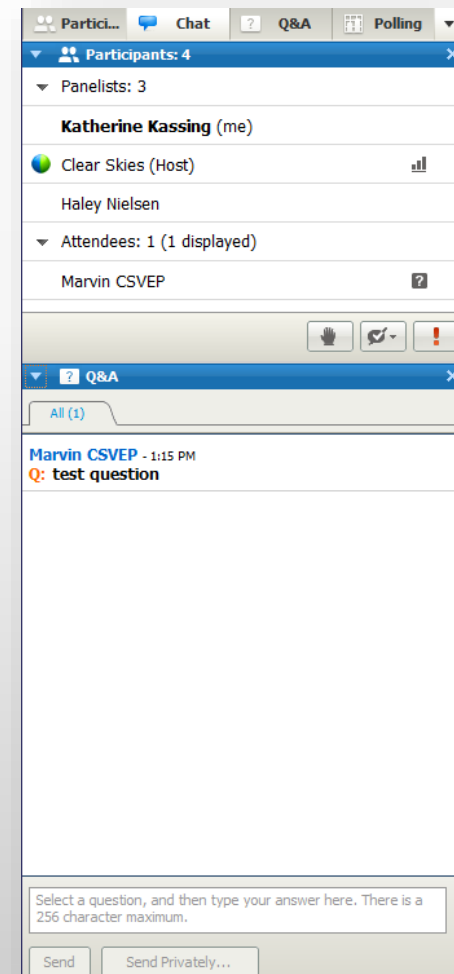


General Information

- Use the Q&A window to send us your questions
- You will receive an email a link to the recording within 24 hours

Q&A Window

Download the full report at
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Introduction



Andrew Behar

CEO

As You Sow



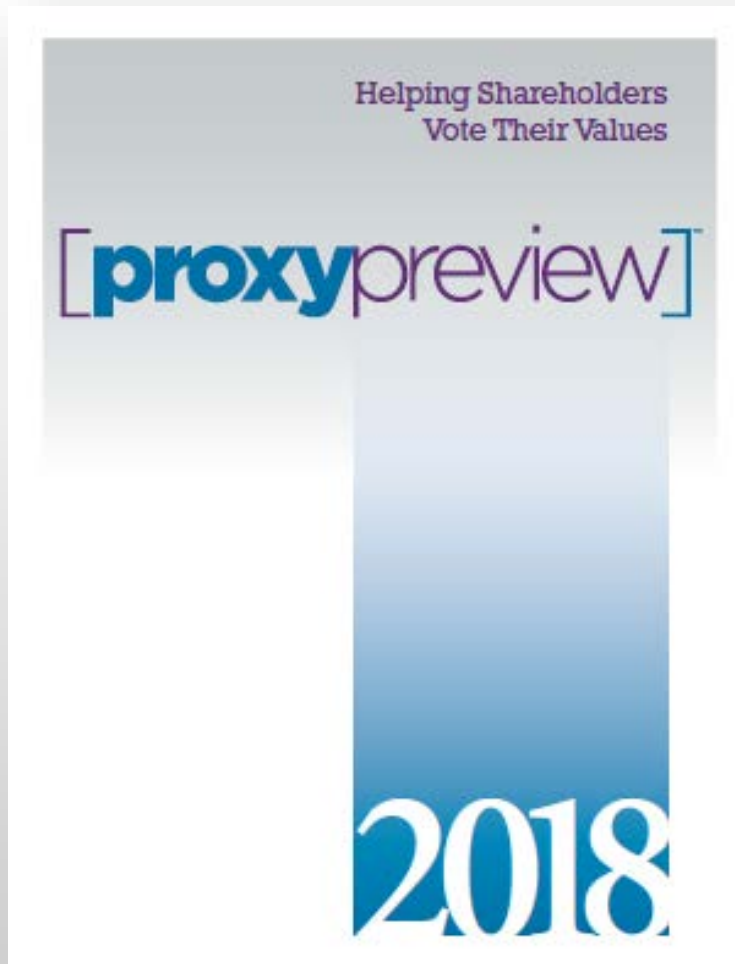
AS YOU SOW

Proxy Poll

1. Is this your first time attending a *Proxy Preview* webinar?
2. Do you vote proxies, either on your own behalf or for a client or for your organization?
3. Have you ever be involved with shareholder engagement—such as filing or responding to resolutions or as part of a shareholder dialogue—either as an advocate or as management?



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2018 Proxy Season Overview



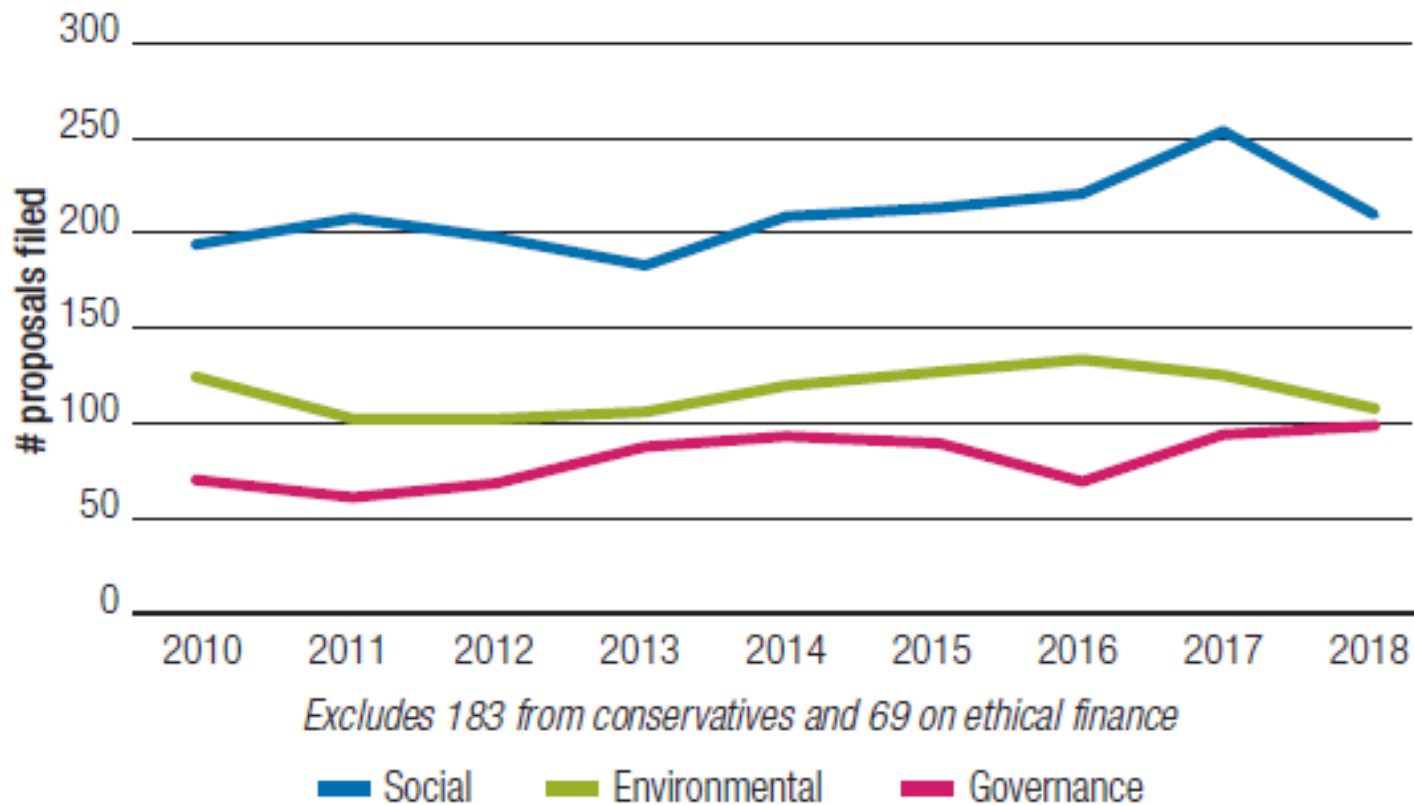
Heidi Welsh

Executive Director

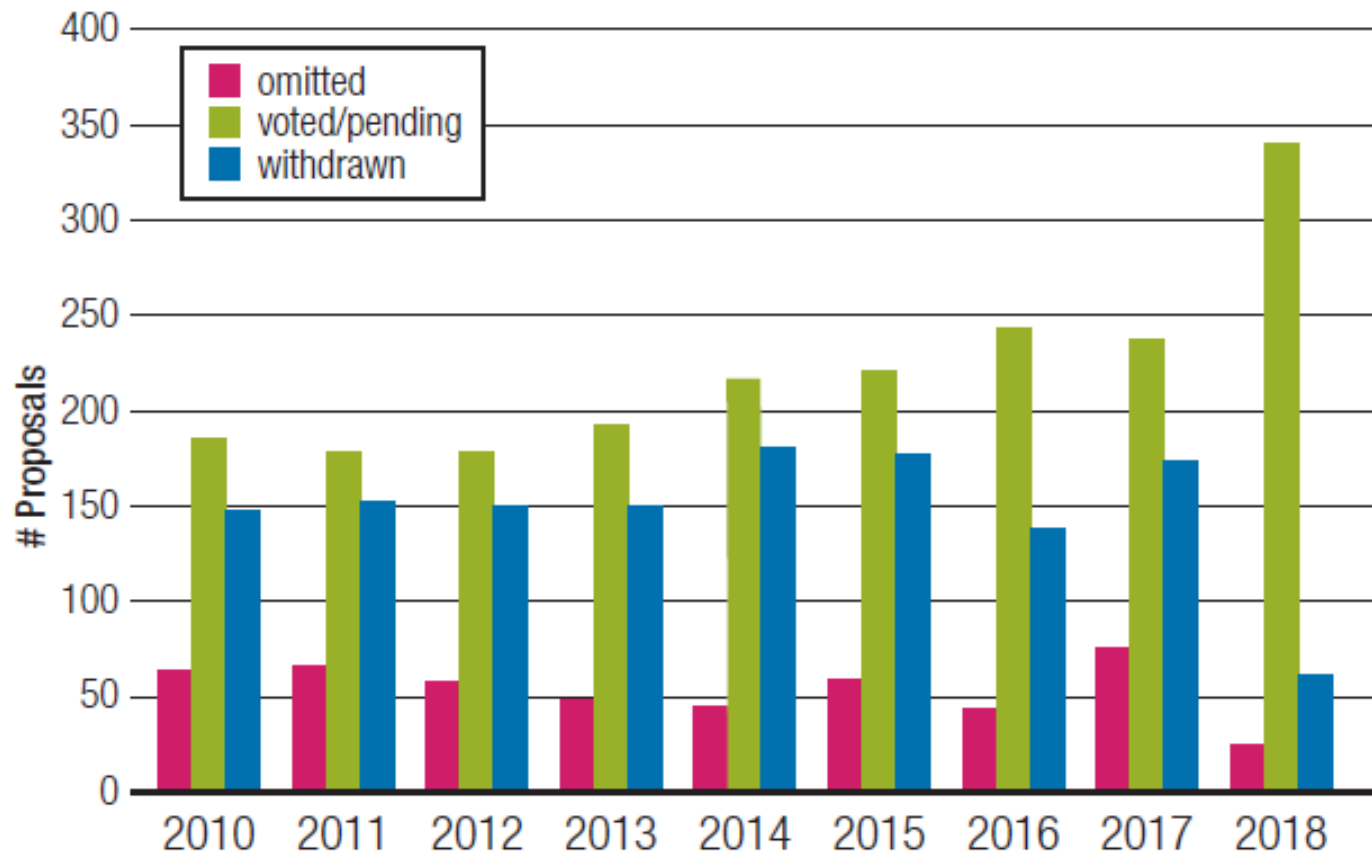
Sustainable Investments Institute (Si2)



ESG Trend Since 2010

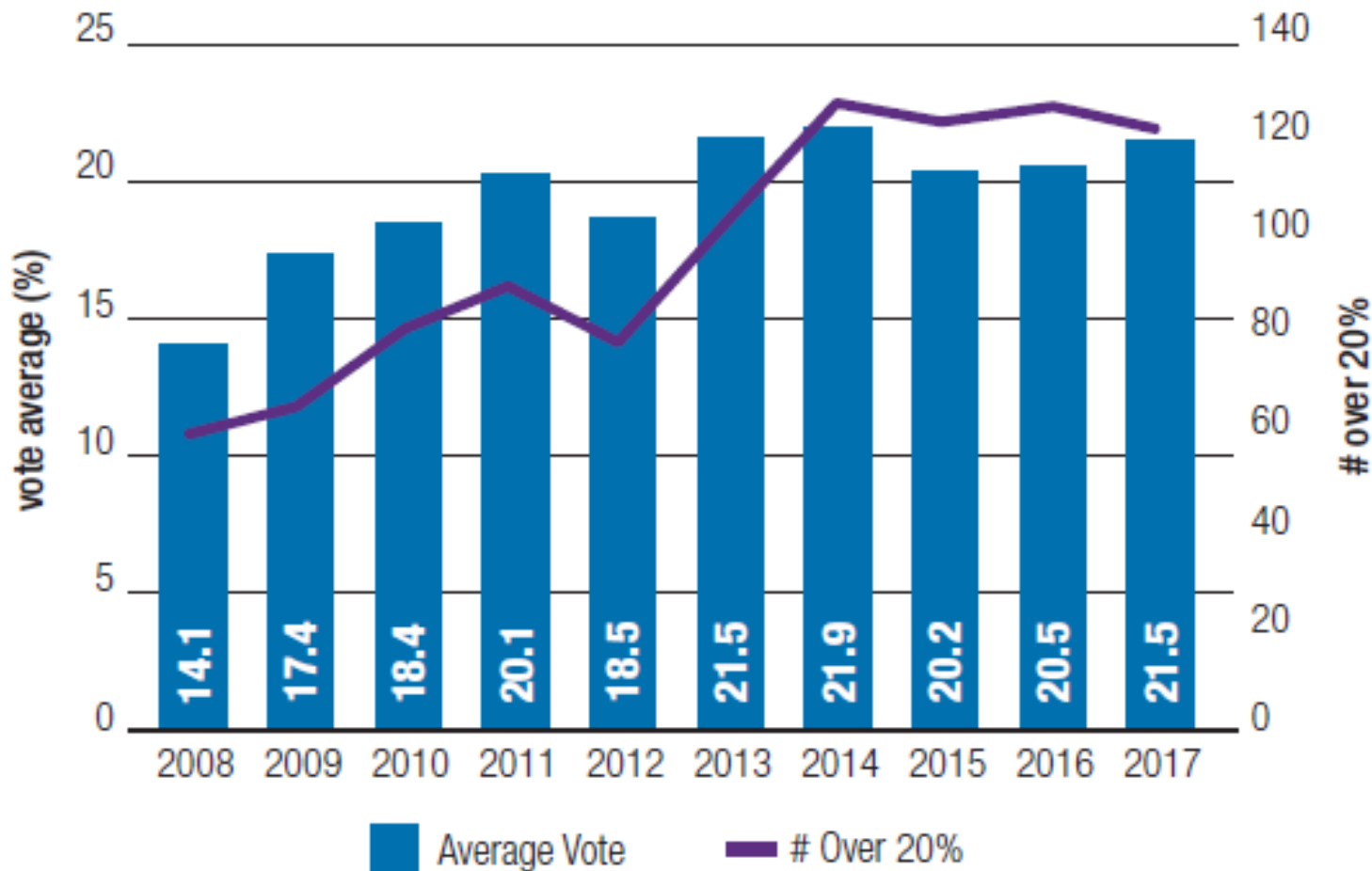


Environmental, Social & Sustainability Resolutions Since 2010

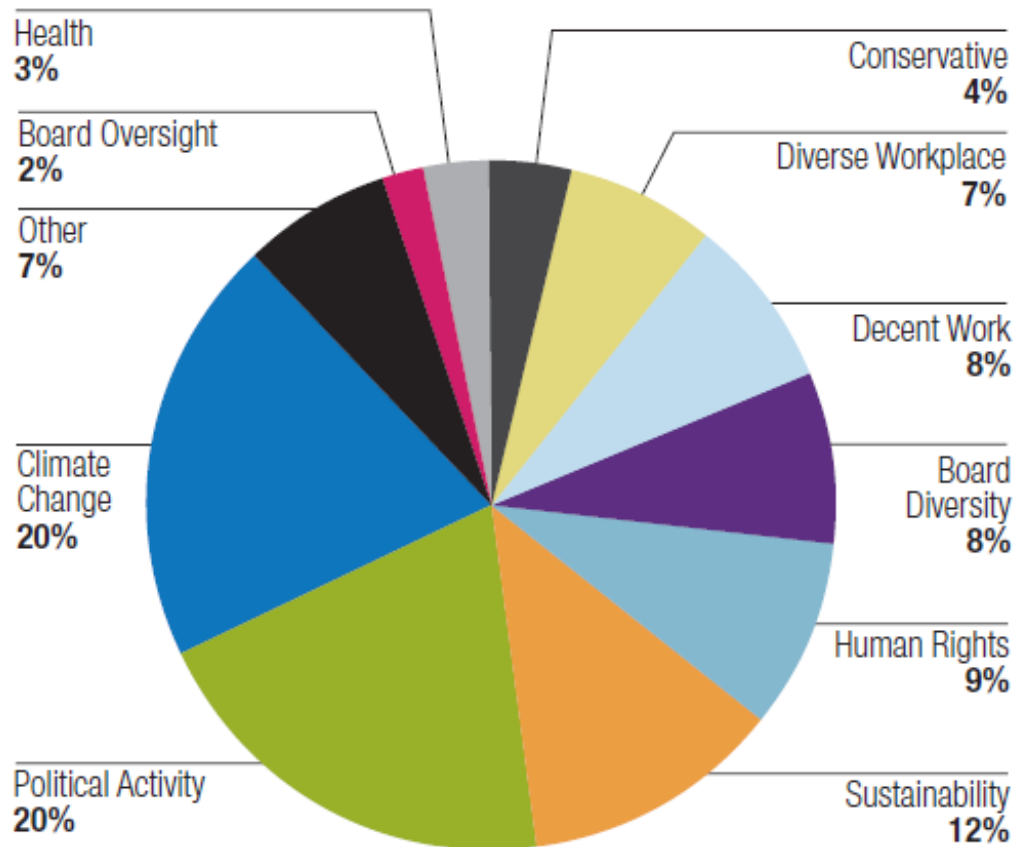


Excludes 48 not voted for other reasons, 1 in 2018 and 7 in 2017; data as of 2-16-18

Votes Averages and High Scoring Proposals

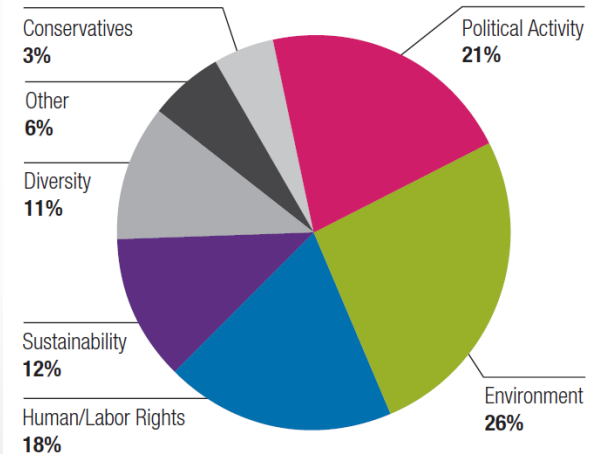


Environmental, Social & Sustainability Resolutions in 2018

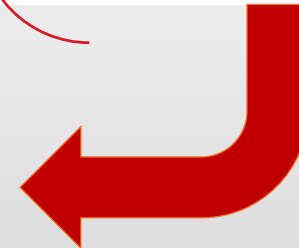


n=429, as of 2-16-18

Proposals Filed in 2017

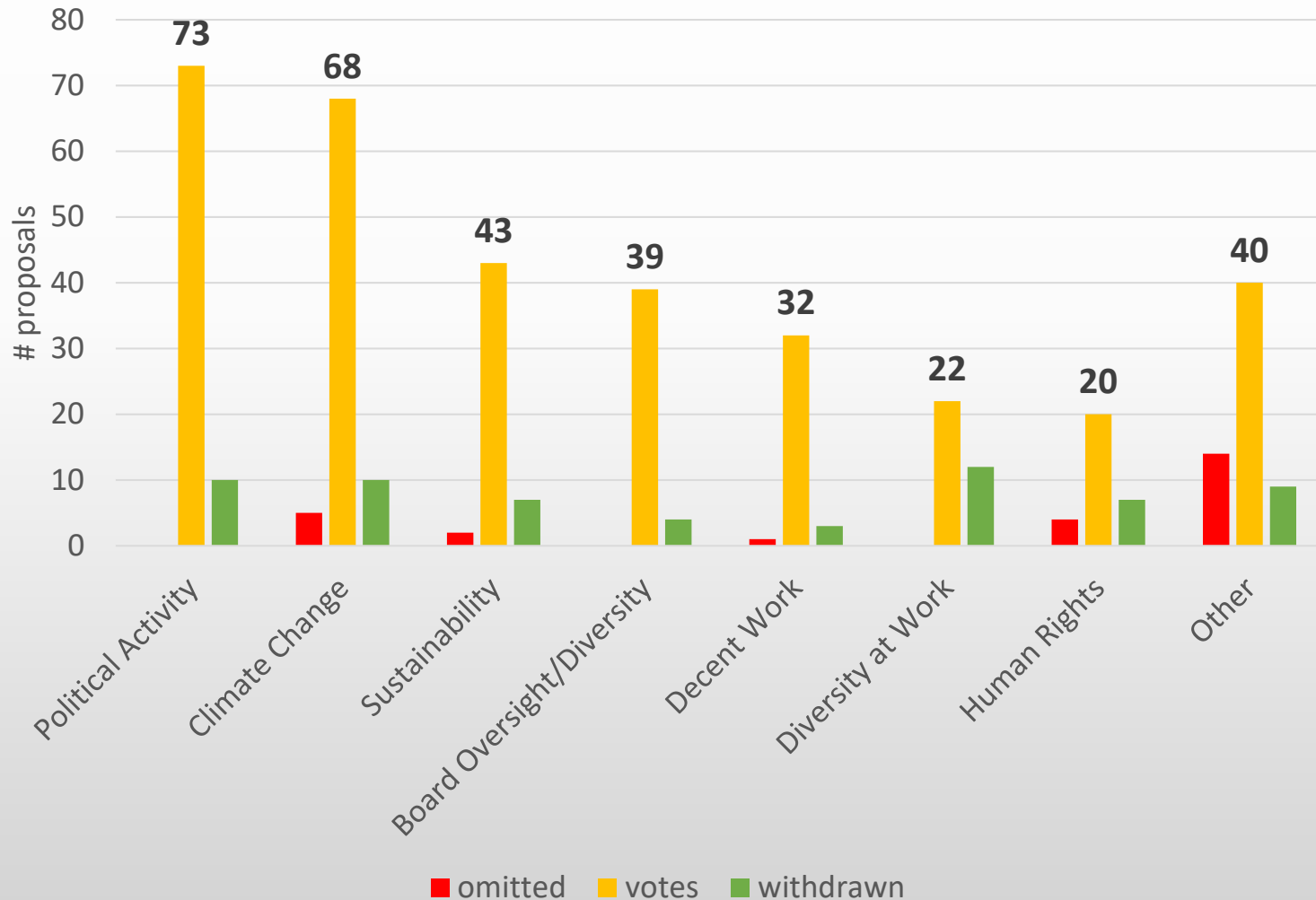


Source: Si2, n=430, as of 2-15-17



2018

Projected 2018 Votes



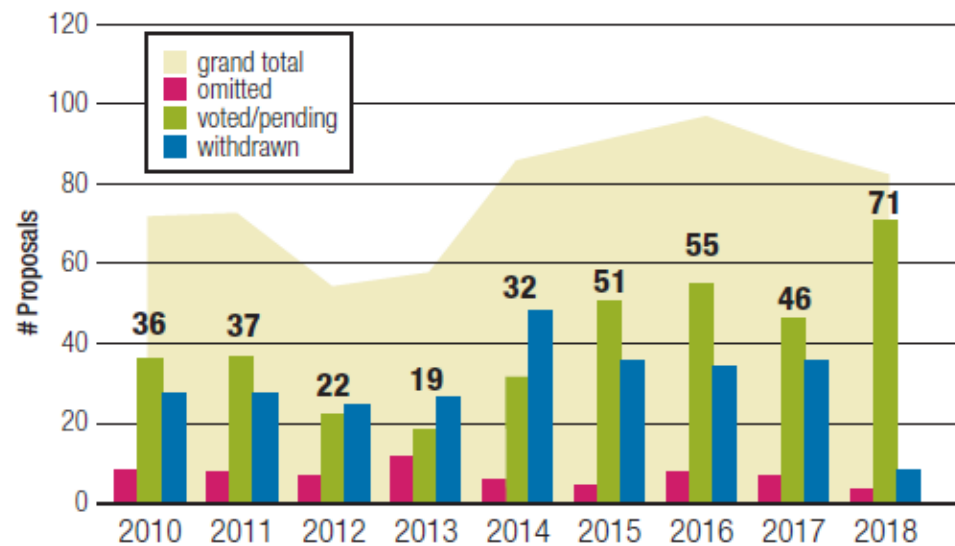
New Issues, Key Themes in 2018

Environment

✓ Climate Change (83 filings, like last year)

- Carbon asset risk (27)
 - Will 2017 majorities repeat?
- GHG emissions (27, up from 18)
 - SEC: “ordinary business” big shift but impact next year?
 - **NEW: Auto emissions**
- Unconventional: methane (11)
- Renewables/efficiency (15)
 - SEC: goals are “ordinary business - micromanagement”
- Deforestation (3)
 - Food commodities, human rights links

Climate Change Resolutions Since 2010



Excludes 8 not voted for other reasons.

New Issues, Key Themes in 2018

Environment *(continued)*

- ✓ **Environmental Management** (15, down from 19)
 - Recycling
 - **McDonald's** win - Styrofoam ban
 - **Dunkin' Brands**: K-Cups “not significantly related” says SEC
- ✓ **Industrial Agriculture** (8, down from 14)
 - Antibiotics in meat – not just chicken
 - **Sanderson Farms** (31% -> 43.1%)
 - Pesticides and pollinators
 - **Dr Pepper Snapple** pending



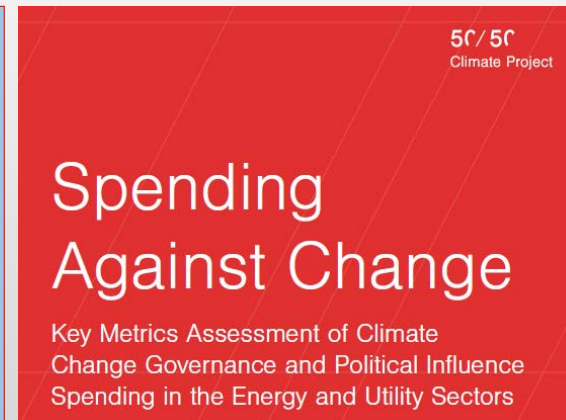
New Issues, Key Themes in 2018

Social Policy

- ✓ **Political Activity** (80 proposals)
 - Lobbying oversight & disclosure - federal, state & local (47)
 - Election spending (27 use Center for Political Accountability oversight/ disclosure model)
 - **BIG WIN:** March 2 SEC rejection of **Eli Lilly** challenge: 25% vote on lobbying last year shows investor interest, contrary to board assertion, *not* “ordinary business”

New by Si2 for The 50/50 Climate Project:

- Scanty board climate risk oversight
- Limited board climate expertise
- \$673 million spent to influence by energy/utility companies in last 6 years:
 - Just a few big companies spend most
 - Highly partisan election \$
 - 3/4s for lobbying
 - Exploration of “dark money”



New Issues, Key Themes in 2018

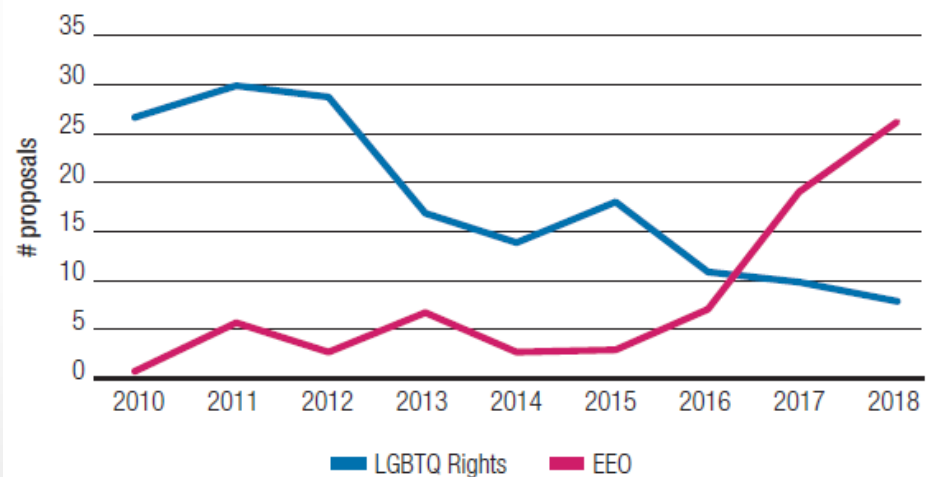
Social Policy *(continued)*

✓ Decent Work (33)

- Pay equity for women
 - Agreements at 4/5 biggest banks
 - Financial sector focus + retailers
 - Half are resubmissions
- **NEW: family leave at CVS, WMT**



Diversity at Work Proposals Since 2010



✓ Diversity at Work (34)

- Fair treatment for women, minorities (26)
- Half are resubmissions
- LGBT non-discrimination policy proposals (8)
 - Will changed federal stance affect SEC challenge by **Cato**?

New Issues, Key Themes in 2018

Social Policy (*continued*)

✓ Health (12, plus more with governance angles)

- **NEW: Opioid epidemic**

- 41.2% for risk reporting at **AmerisourceBergen**
- Governance lens: others focus on boards, pay clawbacks - from UAW Retirees, ICCR



✓ Human Rights (31)

- **NEW: Guns**

- **Chubb** cancels shooters' insurance
- **Dick's Sporting Goods** ends assault weapons sales
- **American Outdoor Brands & Sturm, Ruger** pending
- Supply chain labor & ethical recruitment
 - **NEW: domestic prison labor: Costco** 4.8%, **TJX** change
- **Tesla** risk assessment: workplace problems at issue
- **Citibank** agreement on indigenous rights
- Conflict zones
 - Big drop, nothing on Middle East
 - Rohingya risks at **Chevron**

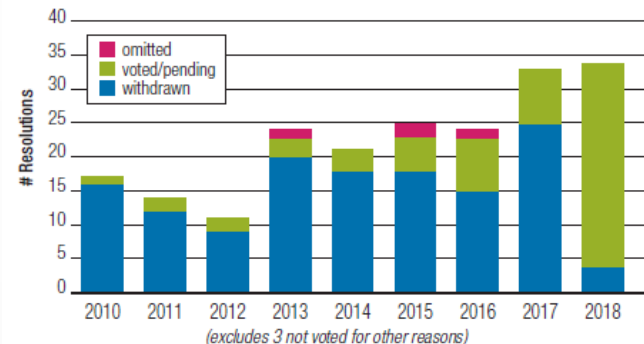


New Issues, Key Themes in 2018

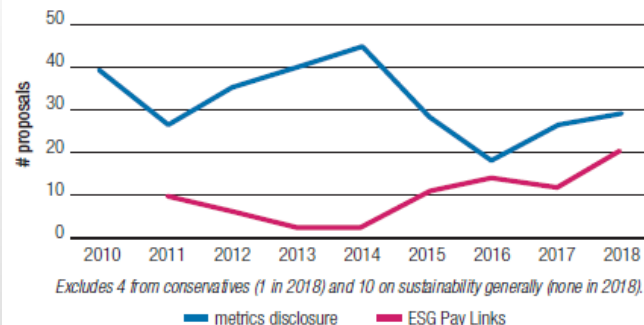
Sustainable Governance

- ✓ **Board Diversity** (34, like last year)
 - Lots of agreements, all but one are new targets
 - **NEW: “matrix” proposal from NYC**
 - Boardroom Accountability Project 2.0
- ✓ **Board Oversight** (10)
- ✓ **Metrics Disclosure** (29, up from 23 last year)
 - High early vote—49.8% at **Acuity Brands**
 - Many new recipients; 10 on GHG goals
 - New and specific angles, 3 of these pending
 - **Amazon.com’s** impact on society (AFL-CIO)
 - Integrated reporting at **Tesla** (Lily Bowles/Calvert)
- ✓ **ESG pay links** (doubled to 20 from 12 last year)
 - **NEW: drug pricing, executive diversity, cyber risk, banking risks**
- ✓ **Proxy voting** (3)
 - Big win with **BlackRock**, others—investors watching...

Board Diversity Proposals Since 2010



Sustainability Reporting & Pay Links Proposals Since 2010



About Si2

- ✓ Funded by colleges, universities, pension funds, asset owners with AUM > \$1 trillion
- ✓ Careful, impartial tracking and analysis of corporate reform campaigns and issues

Briefing Papers

In-depth topic analyses

Action Reports

Company-specific analysis before annual meetings

Engagement Monitor

Interactive online database:
prospectively identifies issues,
tracks outcomes

Proxy Season Analysis

Contact

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(301) 432-4721

www.siinstitute.org

Special Projects

With IRRC Institute (www.irrcinstitute.org):

- State Lobbying (2017)
- Top 25 Utilities: Politics, Boards & Climate (2016)
- Corporate political spending governance & spending disclosure - S&P 500 (2010, 2011)
- Discovering Shale Gas (2012)
- Integrated Reporting - S&P 500 (2013)
- Board Oversight of Sustainability - S&P 500 (2014)
- Nanotechnology (2014)

With 50/50 Climate Project (5050climate.org):

- Utility Climate Change Readiness (2017)
- Spending Against Change (2018)

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Climate & Energy Proposals

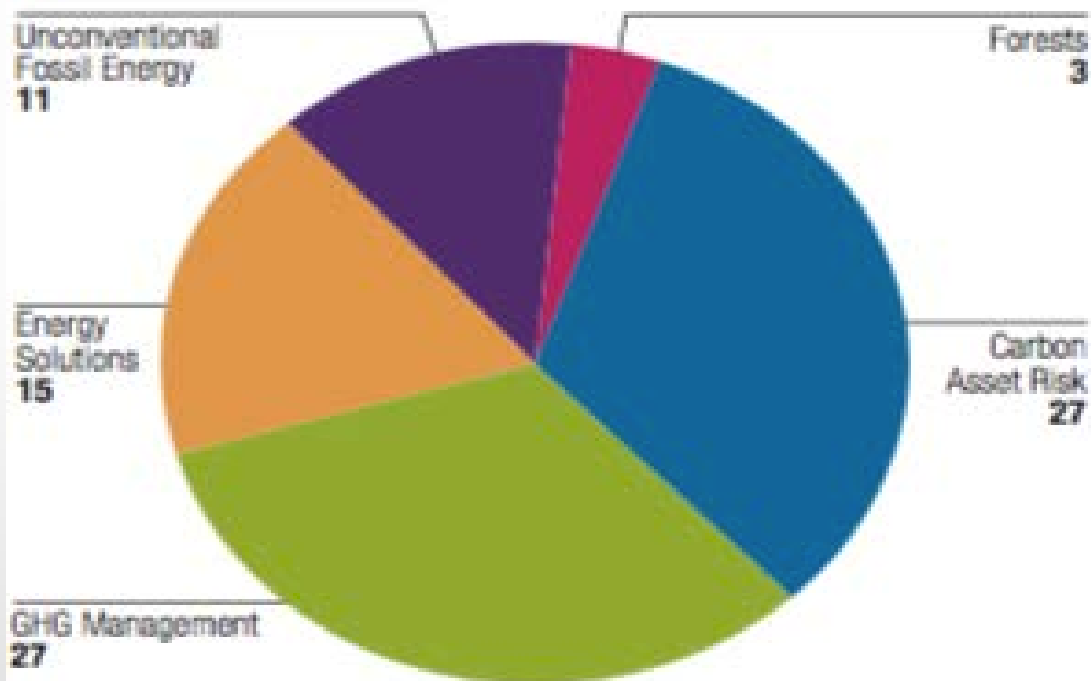


Michael Passoff

CEO

Proxy Impact

Climate Proposals in 2018



Carbon Asset Risk: Business Plan for 2 °C Warming Scenario

Shareholders

- 27 proposals
- “.....annual assessment of the long-term portfolio impacts of technological advances and global climate change policies.....”

Paris Climate Agreement

- “.. well below 2 °C” pursue efforts for 1.5°C - zero emissions by 2030-2050...”
- Financial Stability Board’s Taskforce on Climate-related Financial Disclosures

Harvard
Business
Review

SUSTAINABILITY

ExxonMobil’s Shareholder Vote Is a Tipping Point for Climate Issues

by George Serafeim and Sakis Kotsantonis

JUNE 07, 2017

Stranded Assets / Carbon Bubble

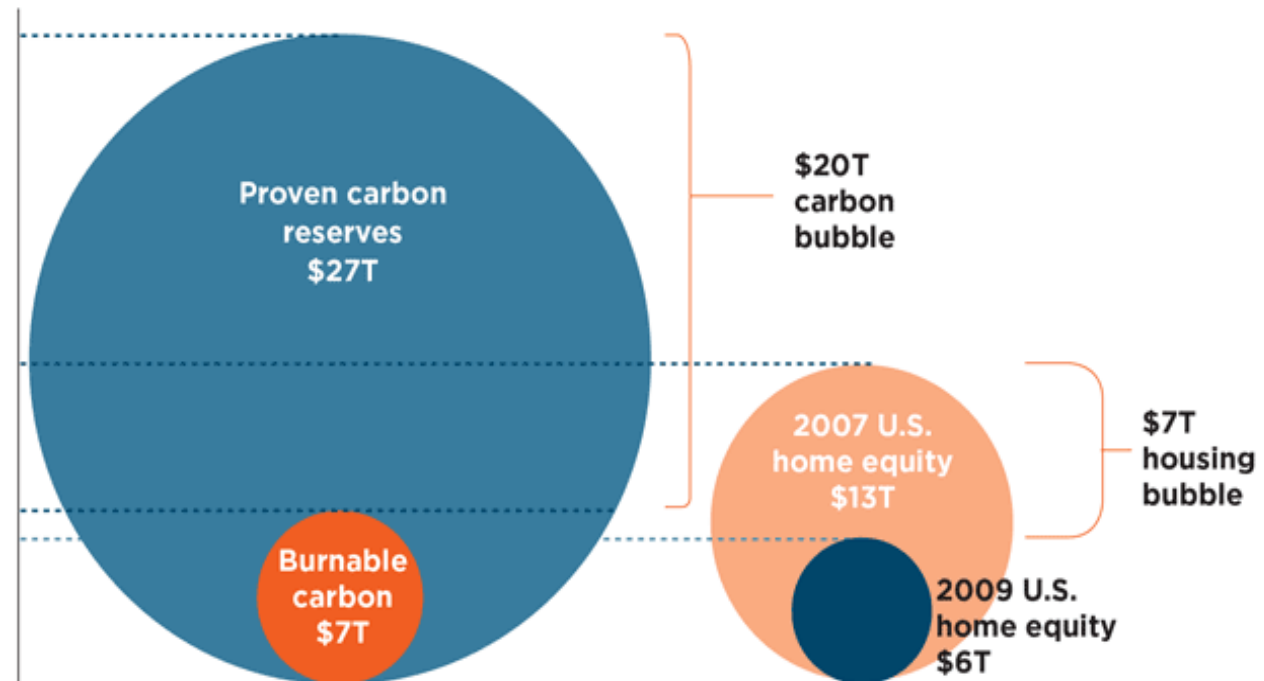
Shareholders

- Stranded assets
“...within the next fifteen years.. low, medium, and high financial risk ..”

International Energy Agency

- No more than one-third can be consumed prior to 2050

FIGURE 2 Potential Carbon Bubble



Sources: Carbon Tracker Initiative, Associated Press, Freddie Mac, and Federal Reserve Flow of Funds Report

GHG Emission Reduction

Shareholders

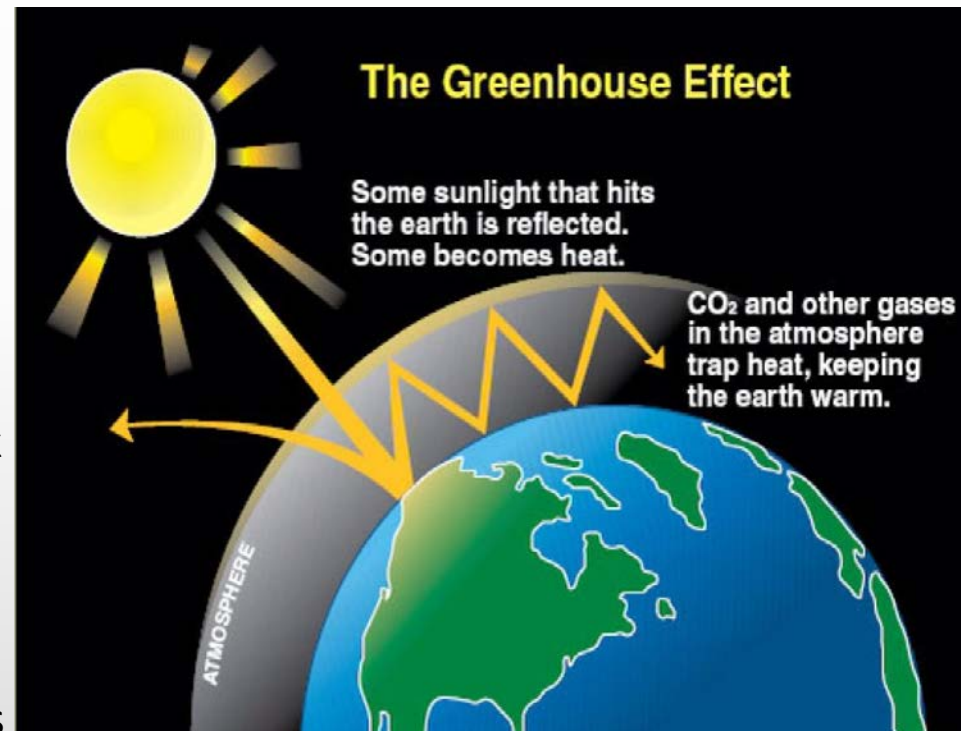
- 27 proposals
- Adopt time-bound, quantitative, company-wide, science-based goals for reducing GHG emissions

Risks

- World Economic Forum: Climate #1 Risk in 2016 & 2017

Benefits

- CDP: 4 of 5 companies earn a higher return on carbon reduction investments
- <15% of 1,000 largest publicly traded companies have science-based targets



Unconventional Fossil Fuels: Methane Emissions

Shareholders

- 11 proposals
- Measure, monitor, mitigate, disclose, set quantitative emissions reduction targets

Impact

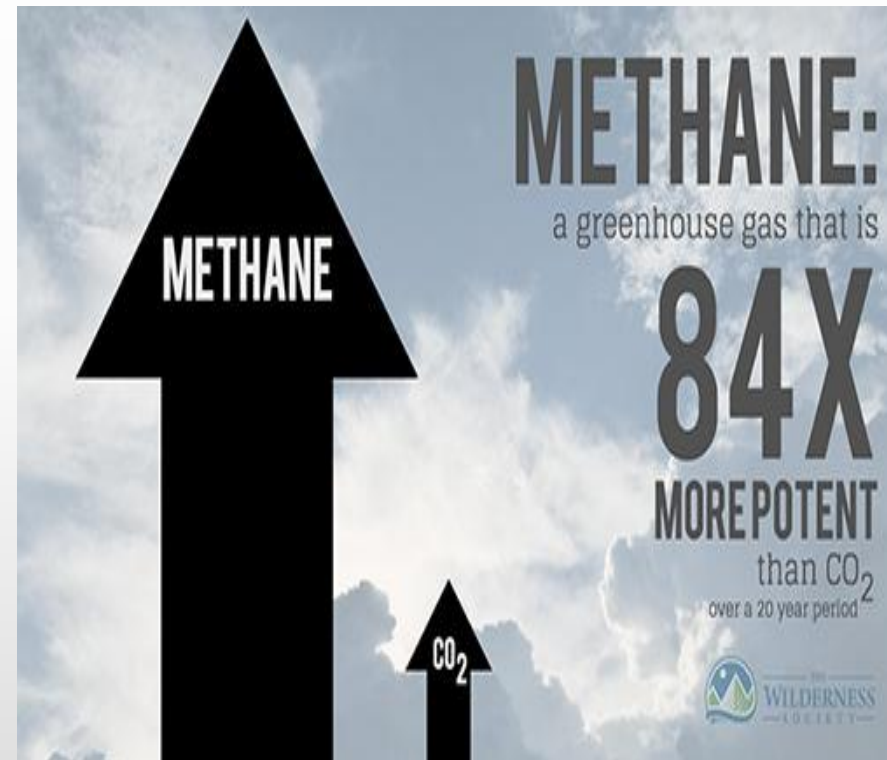
- 2nd most common GHG, after CO₂
- 84x greater impact than CO₂ over a 20-year frame

Oil & gas industry

- One of largest sources of global methane emissions
- Fugitive emissions (leaks) and venting
- Lost revenue
- Transportation and storage

Natural Gas – Not a Bridge Fuel

- Lower CO₂ but higher methane emissions



Unconventional Fossil Fuels: Tar Sands

Fossil Fuel Financing

Shareholders

- 1 proposal
- “..reputational, financial and climate risks of tar sands financing..”

JPMorgan Chase

- Trying to be climate leader
- Largest U.S. lender and underwriter of tar sands and increasing \$

Impacts

- One of dirtiest fuels
- Indigenous Peoples' rights
- Stranded Assets



Energy Solutions

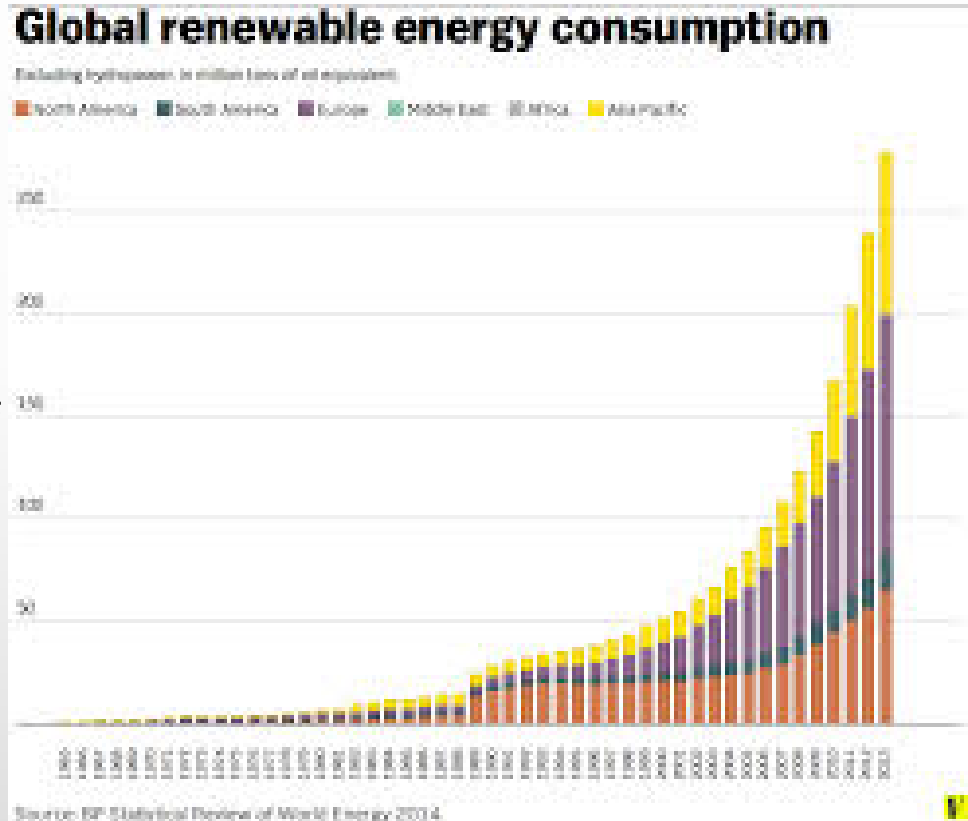
Renewable Energy

Shareholders

- 13 proposals
- “..adopting public, time-bound, quantitative, company-wide goals for increasing energy efficiency and use of renewable energy....within one year
- Retailers, Utilities, Communications firms, others

Benefits

- Lower emissions, savings, credits



Forest

Deforestation

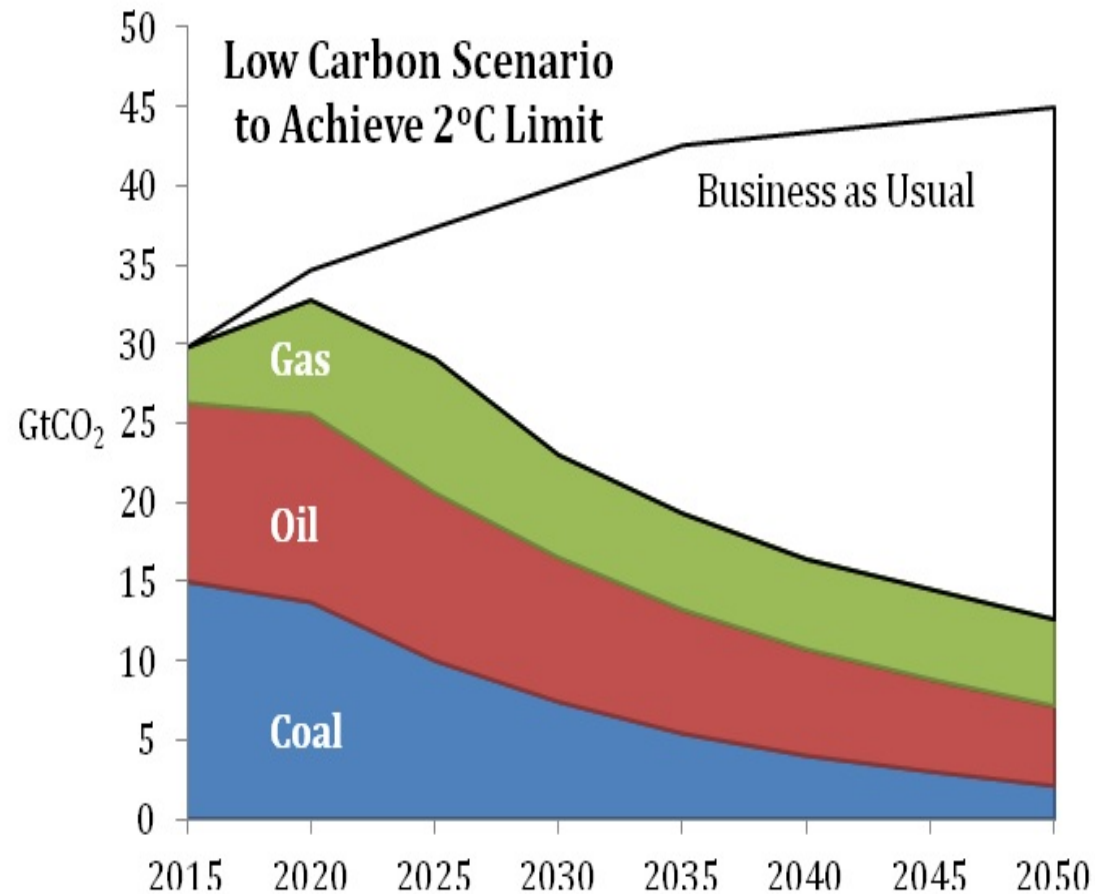
- Deforestation causes 10-20% global GHG, more than transportation sector
- Supply chain: modern slavery and human rights abuses

Shareholders

- 3 proposals
- “..quantitative metrics on supply chain impacts on deforestation ...”
- “...policy and implementation plan to eliminate deforestation and human rights issues from supply chain...”



Transitioning to a Low Carbon Economy



Shareholders

- Long term impacts: 2 °C limit
- Public policies
- Technological advances
- Fluctuating demand

Extractive Energy Outlook

- Less U.S. regulation
- Competition from Renewables
- Increasing cost of production
- Unnecessary exploration

PROXY IMPACT

A proxy voting and shareholder engagement service for sustainable, responsible and impact investors

- ✓ ESG vote guidelines
- ✓ Electronic proxy voting and reporting
- ✓ Shareholder engagement on social & environmental issues

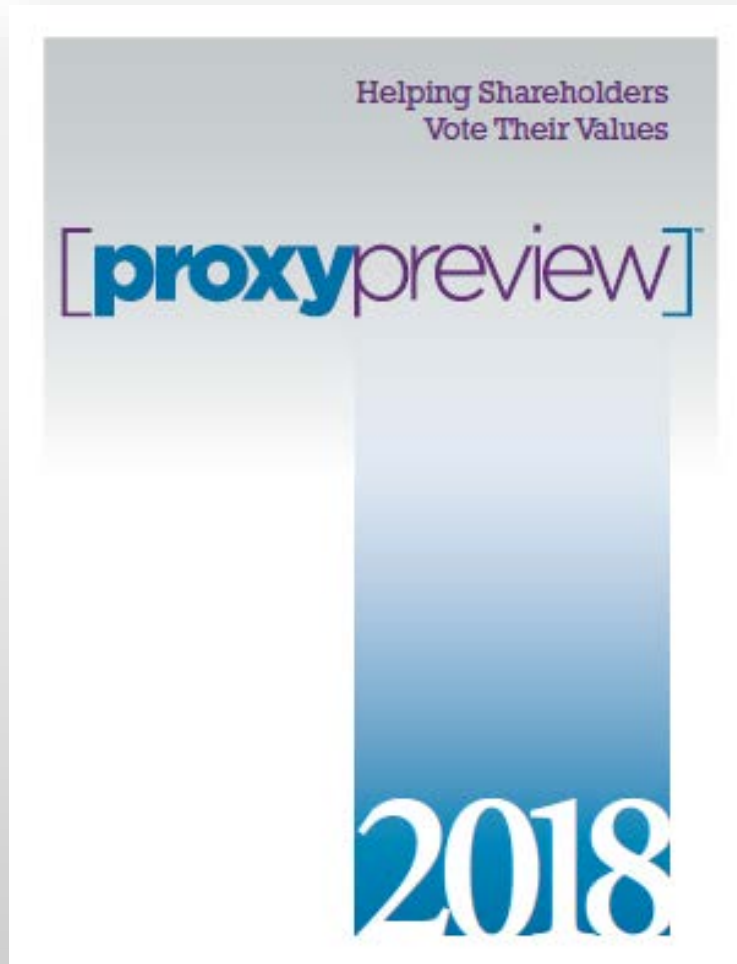
Contact

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2018

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Political Spending & Lobbying Proposals



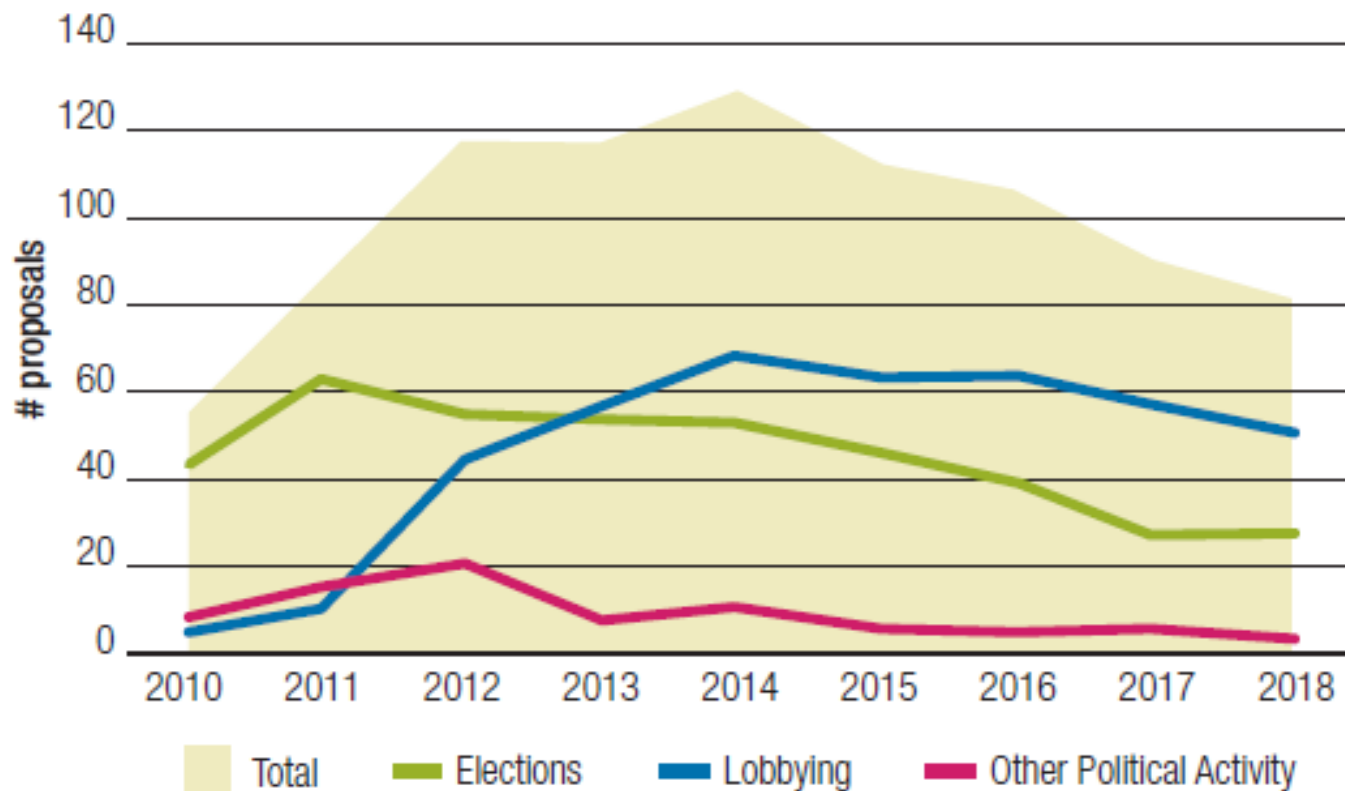
Timothy Smith

*Senior VP and Director of ESG Shareowner
Engagement*

Walden Asset Management



Political Activity Proposals Since 2010



Political Spending Overview

- This year the combined lists of shareholder resolutions on political spending and lobbying make this a top proxy season priority once again.
- At least 27 companies have resolutions on election spending disclosure and close to 50 companies on lobbying disclosure. Specific resolutions to **AT&T**, **Exxon**, **Eli Lilly**, **UPS** urged a review of their trade associations and ALEC membership, especially related to climate change lobbying.
- Already a number of companies have expanded their political spending disclosure (e.g. **Pinnacle West**) and lobbying disclosure (e.g. **Accenture**, **Microsoft**, **American Express**, **Exelon**, **Prudential**, **Qualcom** in response to shareowner initiatives.



The Changing Context

- Explosion of interest in political spending and lobbying around past elections as stories described cascading funding of elections, role of Super PACs, and money spent via third parties (e.g. U.S. Chamber of Commerce).
- Citizens and investors set a record with over 1.2 million letters and petition signatures to the Securities and Exchange Commission calling for it to adopt uniform disclosure requirements for companies.
- U.S. Chamber of Commerce and the National Association of Manufacturers pushes back vigorously arguing for the right of secrecy in corporate political spending.
- Many companies announced they are not making corporate independent expenditures, directly or indirectly, noting it takes considerable time to get into the “election process” – **Wells Fargo, Pfizer, Procter & Gamble, Time Warner Cable, IBM, JPMorgan Chase, Goldman Sachs**





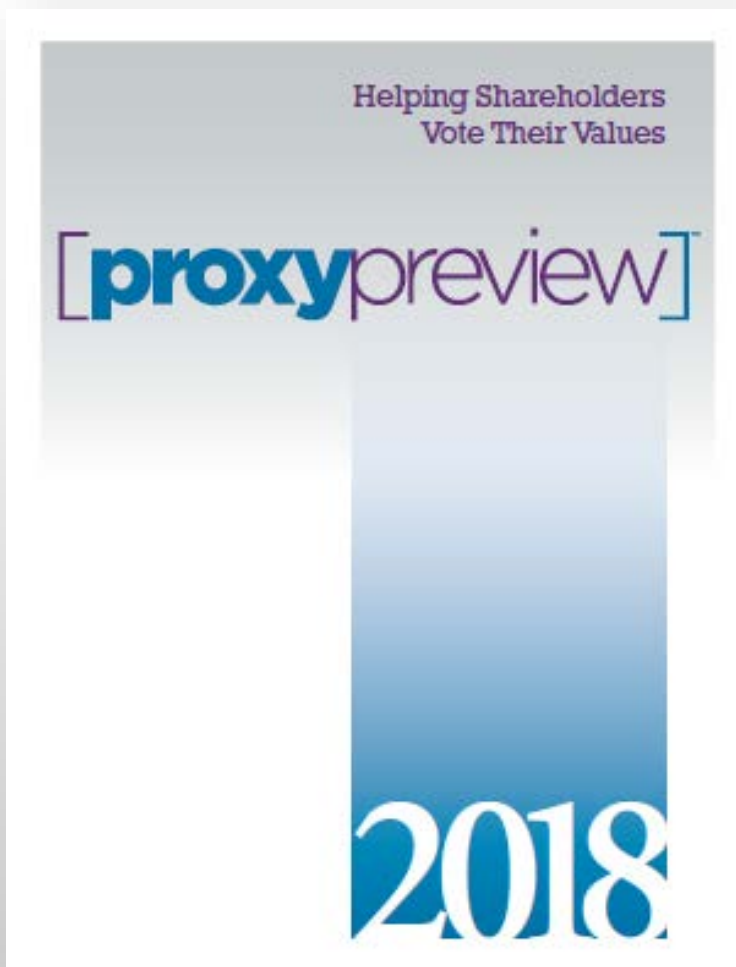
- Center for Political Accountability reports that the comfort level of companies to disclose political spending grows, with over 150 major companies already providing detailed reports, 292 disclosing some or all of contributions.
 - Center for Political Accountability *CPA-Zicklin Index*, which rates a company's disclosure, helps stimulate company responsiveness.
- State laws and regulations are also emerging supporting disclosure, e.g. Connecticut, New York State—on 501(c)4 required disclosures, upheld in court after challenge.
- But nine times more is spent by companies on lobbying than on political spending, for example, trade associations spent over \$100 million in lobbying in 2017.
- New information on state lobbying available from National Institute on Money in State Politics (www.followthemoney.org).

Lobbying

- Early votes on lobbying resolutions are encouraging: **about 40% on election & lobbying disclosure at Emerson.**
- Lobbying at federal, state, and local levels, with some companies, e.g. banks and energy firms, doing extensive state lobbying. Transparency on corporate state lobbying is much more limited.
- Hot controversies with ALEC and the Heartland Institute seeking roll back of state renewable energy laws, more voter ID requirements. They say financial supporters back these campaigns that undermine renewables and civil rights. > 100 companies have withdrawn from ALEC, but not **ExxonMobil, Comcast, UPS**, which defend it.
- Another example of financial support for lobbying organizations potentially harming a company's reputation.



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Questions and Answers



Michael Passoff
Proxy Impact



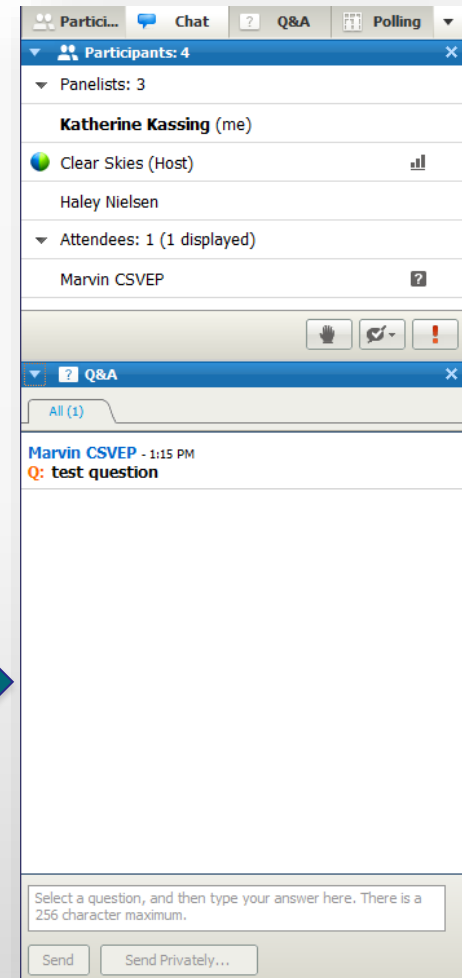
Heidi Welsh
Sustainable
Investments Institute
(Si2)



Timothy Smith
Walden Asset
Management

- For technical support call 1-855-888-6094
- Use the Q&A window to send us your questions

Q&A Window



Questions and Answers, continued:

Q1. Is it an oxymoron to fully expect corporations to behave in any other way than to maximize short term goals with little or no regard for the longer term. Moreover, since our economic models really don't permit proper valuation of negative environmental impacts, how can companies really demonstrate their sustainability or social/environmental responsibility?

There's tension between short- and long-termism, of course. But if companies attend to the ESG risks/opportunities, as they are being asked to do by institutional investors who have long-term investment success horizons, then the results should be positive. This is a long game, not a short one.

Q2. How much can publicly held companies counter balance privately held companies in terms of capital's influence on our elections? I ask this because many privately held companies like Koch Industries are quite aggressive in using legalized bribery to interfere with elections.

This is a problem that can't really be addressed by shareholder advocacy, sadly. Except perhaps in the credit markets? Banks can demand certain things when they decide to extend, or not extend, credit—and private companies need that, too.

Q3. Are larger mutual funds concerned about the trend of companies trying to shut down shareholder engagement?

Unknown. They should be.

Closing Remarks



Heidi Welsh
Sustainable Investments
Institute (Si2)



Michael Passoff
Proxy Impact



Timothy Smith
Walden Asset Management



Andrew Behar
As You Sow



HELPING SHAREHOLDERS VOTE THEIR VALUES

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2018

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Proxy Season Updates to remind you of issues the week of the AGM