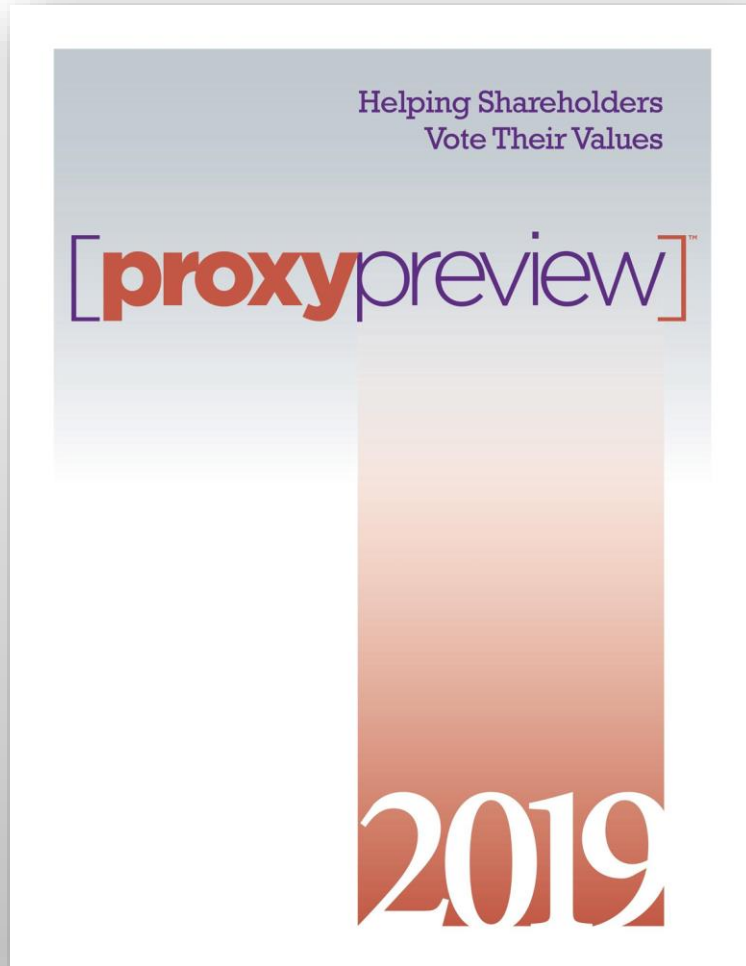




HELPING SHAREHOLDERS VOTE THEIR VALUES

# *Proxy Preview 2019*



Download the full report at  
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***March 12, 2019***

# Featured Speakers

**Heidi Welsh**

Sustainable Investments  
Institute (Si2)



**Michael Passoff**

Proxy Impact



**Timothy Smith**

Walden Asset  
Management

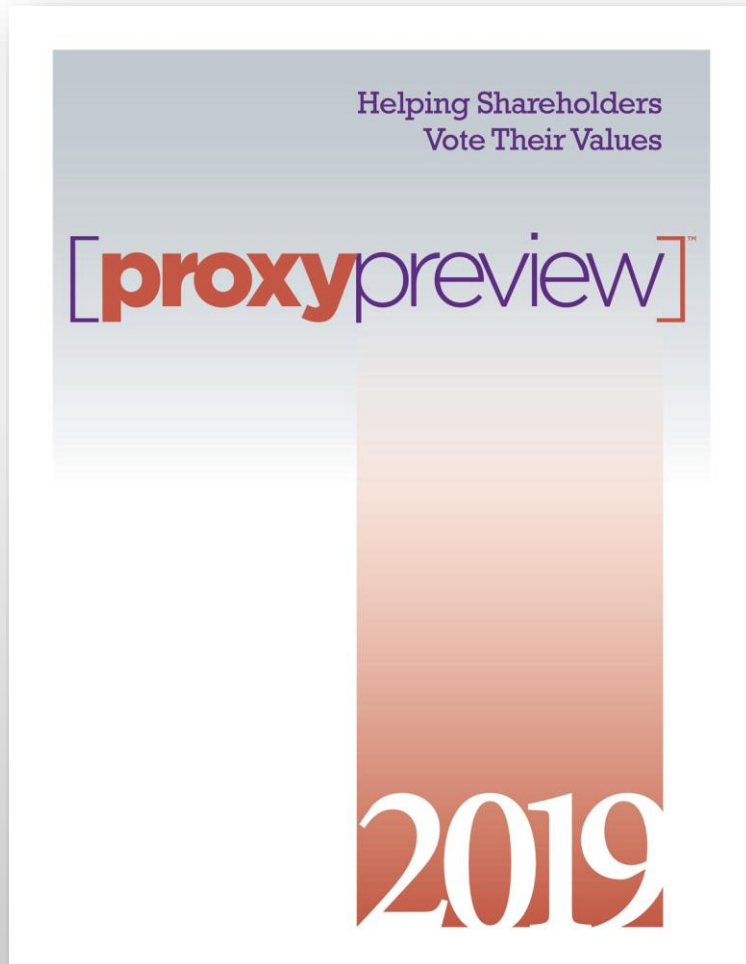


**Andrew Behar**

*As You Sow*



# Agenda



- ✓ **Introduction** (3 min)  
*Andrew Behar, As You Sow*
- ✓ **2019 Proxy Season Overview** (15 min)  
*Heidi Welsh, Si2*
- ✓ **Climate and Energy Proposals** (10 min)  
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*moderated by Andrew Behar*
- ✓ **Closing Remarks** (1.5 min)  
*Heidi Welsh, Michael Passoff, Tim Smith*
- ✓ **Conclusion** (2 min)  
*Andrew Behar*

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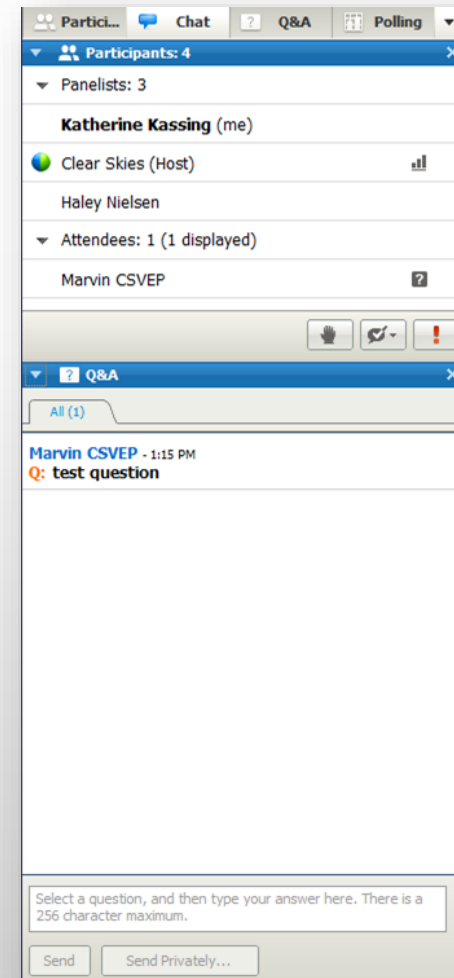


## General Information

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

Q&A Window

Download the full report at  
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# Introduction



**Andrew Behar**

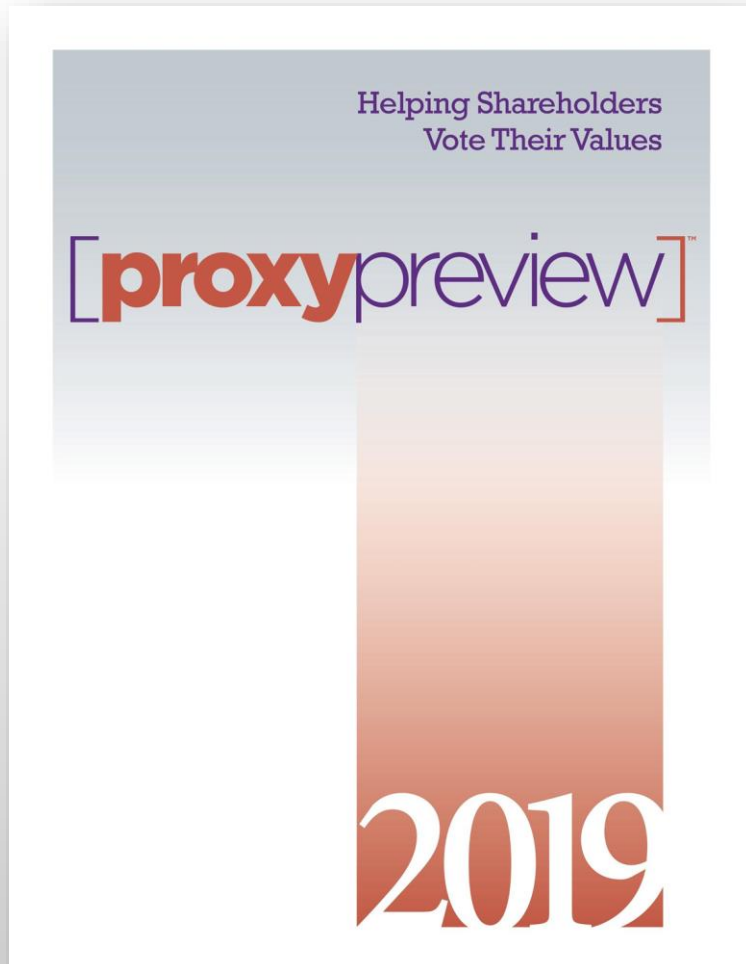
*CEO*

*As You Sow*



AS YOU SOW

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*Andrew Behar*

# 2019 Proxy Season Overview



**Heidi Welsh**

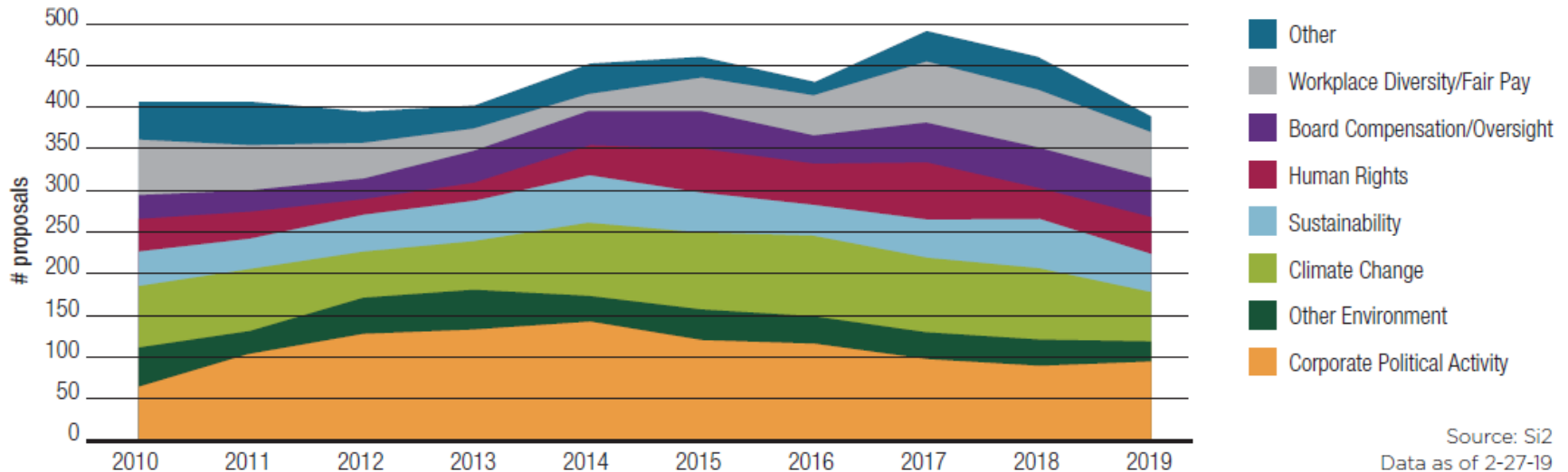
*Executive Director*

Sustainable Investments Institute (Si2)





## Issue Trends, 2010-2019

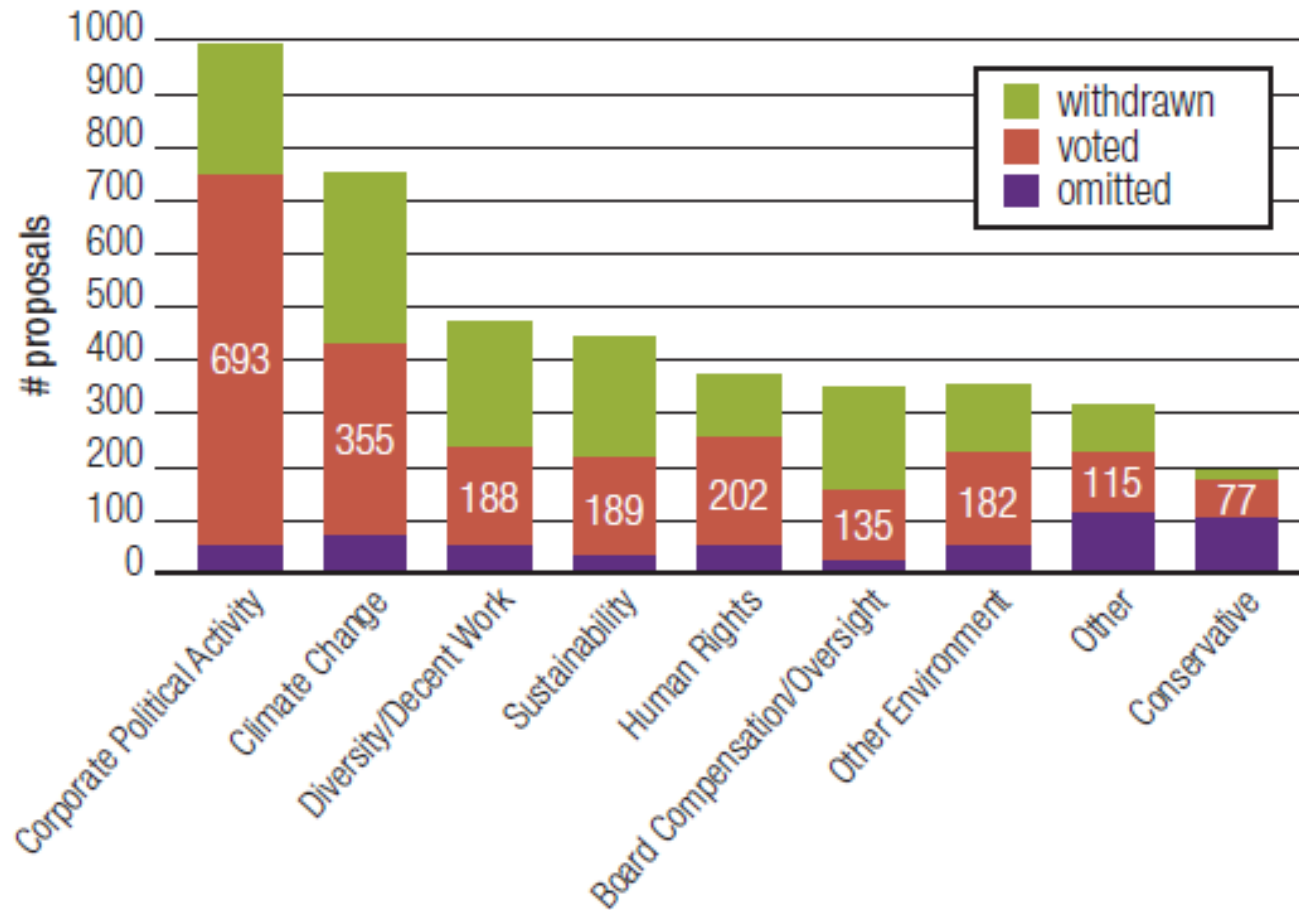


Big picture trend: Three topics have dominated for 10 years:

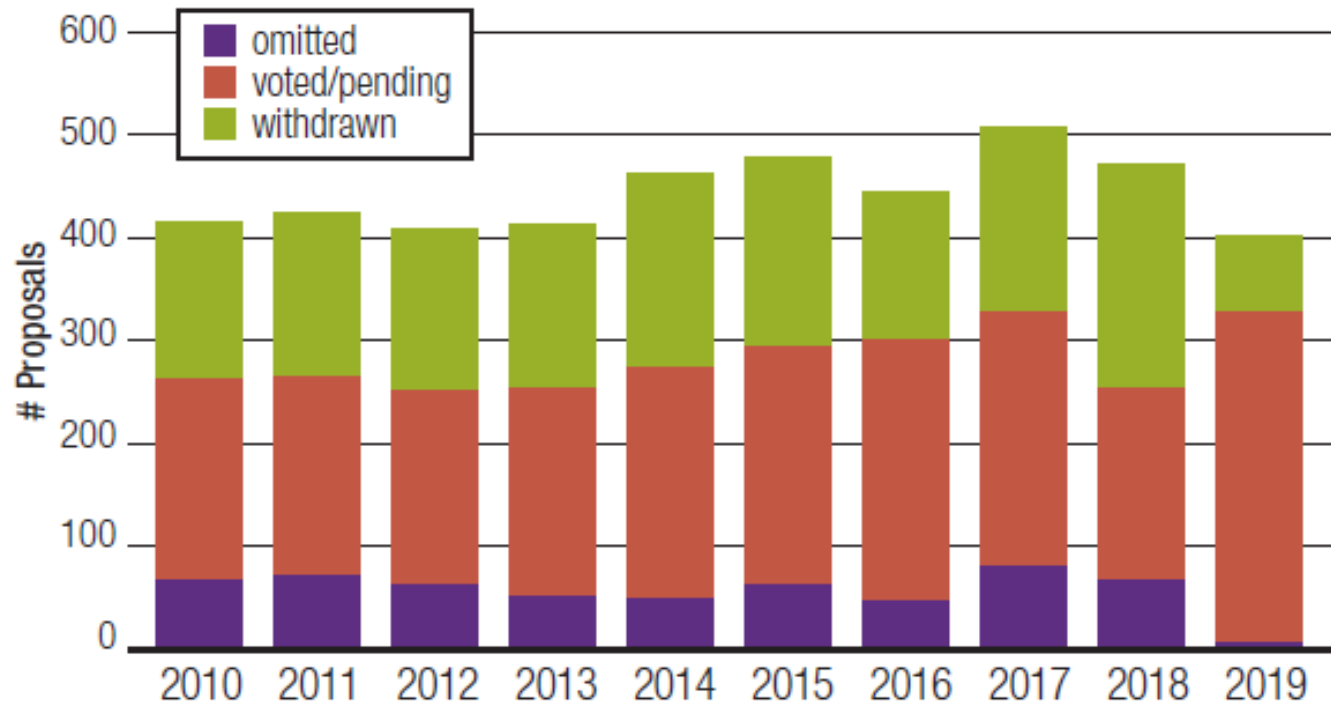
- Climate change,
- Corporate political spending and
- Diversity (on boards, in the workplace and expressed in equal pay)

*2019 data are incomplete.*

## Outcome by Topic, 2010-2019



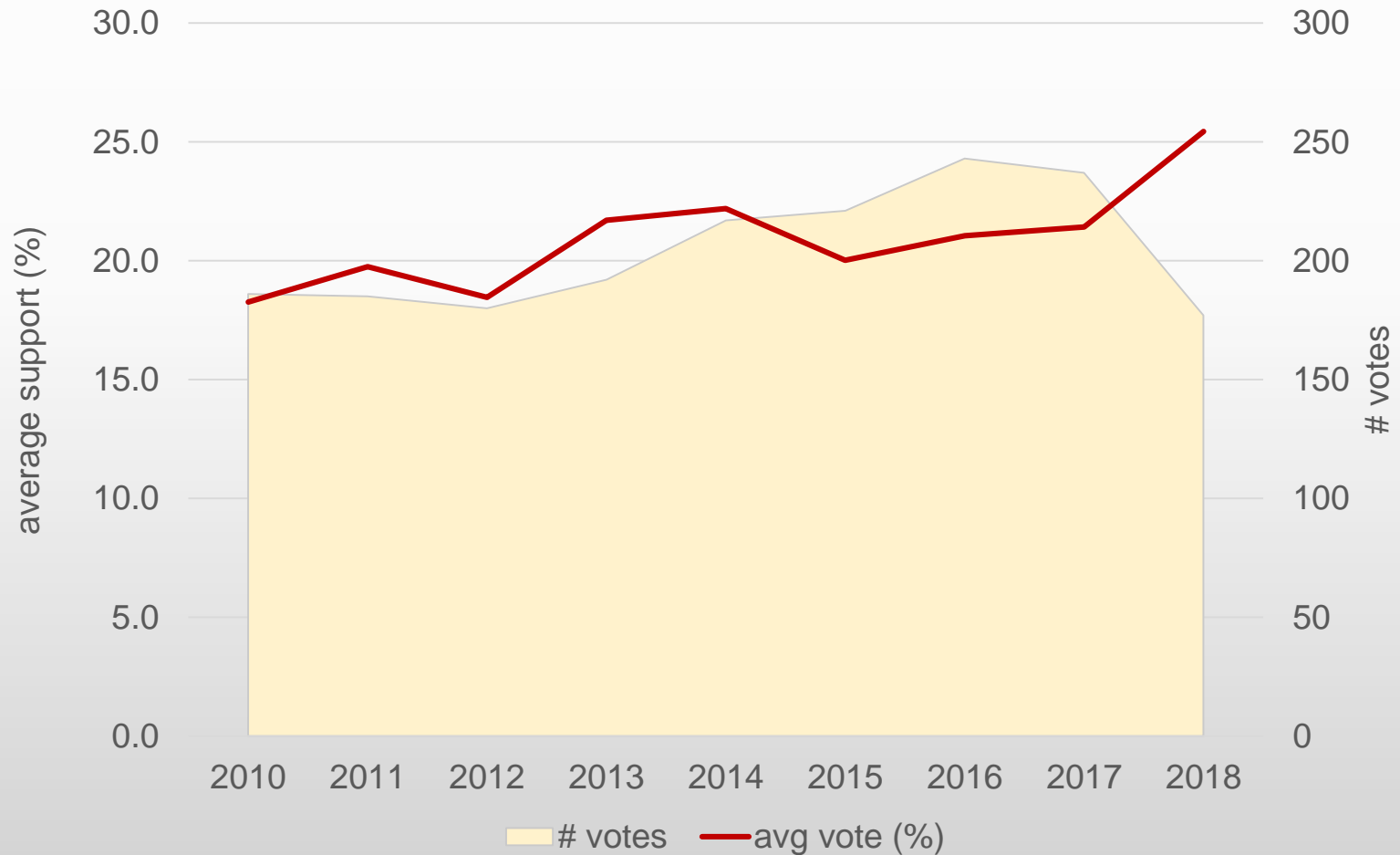
## Environmental, Social & Sustainability Resolutions



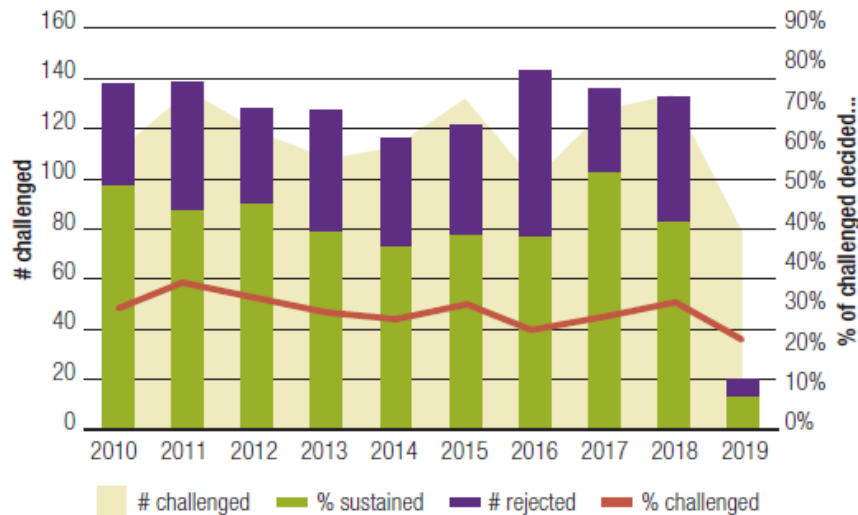
*Excludes 56 not voted for other reasons.*

*As of 2-15-19*

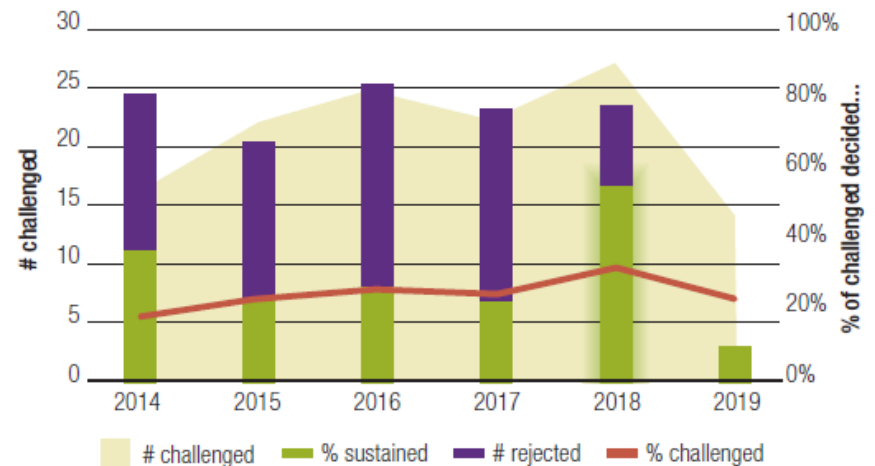
## Votes and Support Trend



## SEC Challenges



## SEC Challenges on Climate Change



Greenhouse gas goals are “ordinary business” at EOG Resources (oil/ gas), J.B. Hunt (trucking) if “time-bound, quantitative”

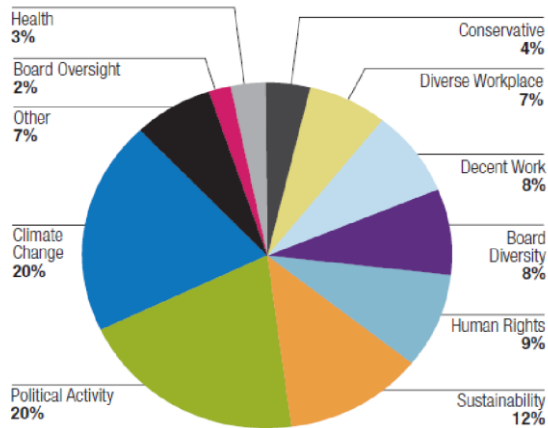
**but not**

at Anadarko Petroleum (oil/gas) if “Paris aligned.”

**Issue remains in question for 2019...**

- **More:** corporate political activity, human rights, decent work
- **Similar:** sustainability, board diversity
- **Less:** climate change, workplace diversity

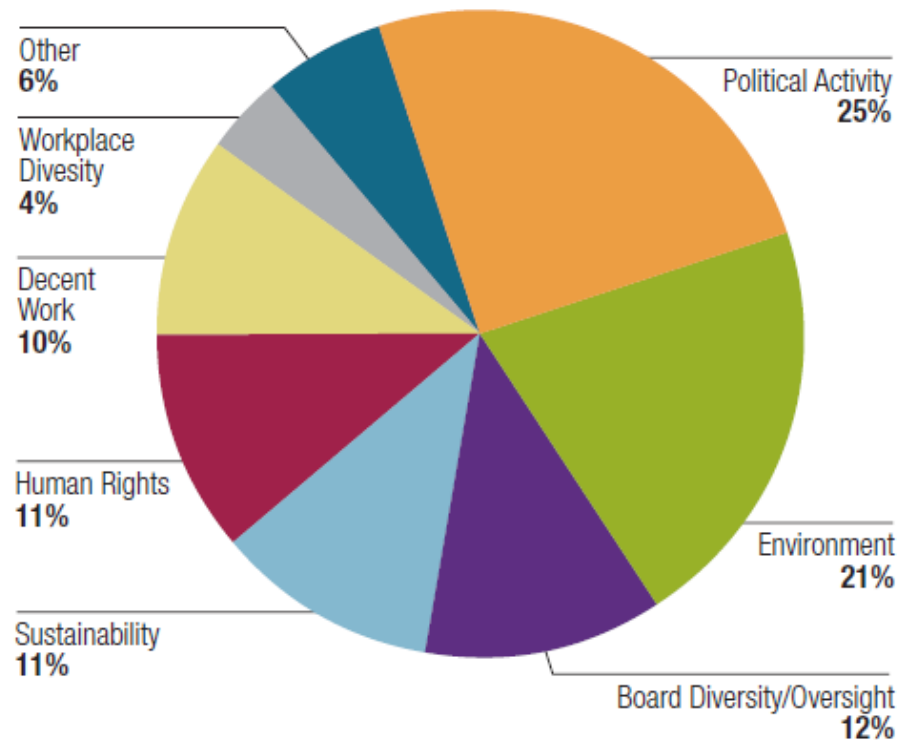
Environmental, Social & Sustainability Resolutions in 2018



n=429, as of 2-16-18

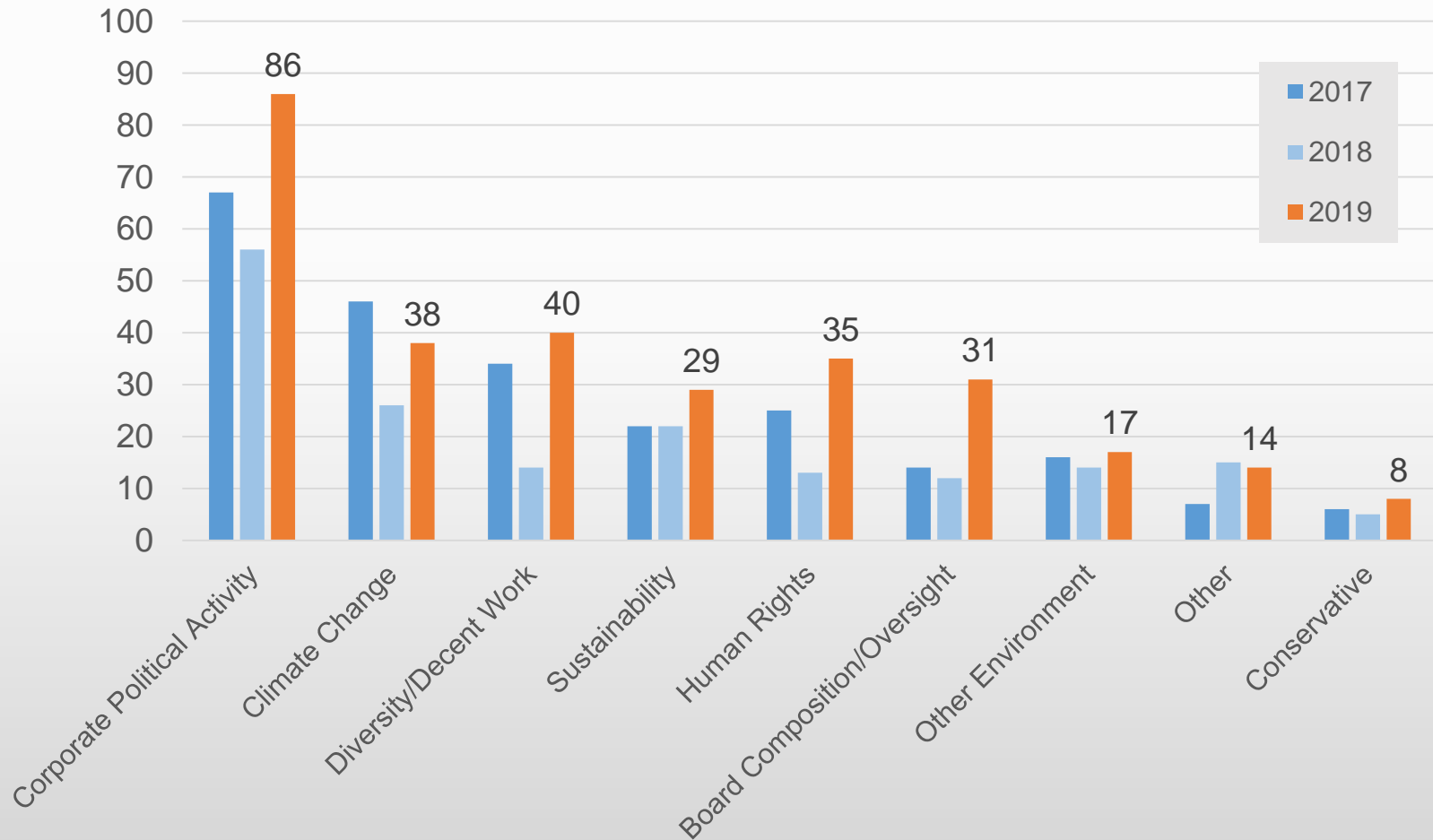


Social, Environmental & Sustainability Shareholder Proposals in 2019



n=386, as of 2-15-19

## Recent & Projected Vote Volume

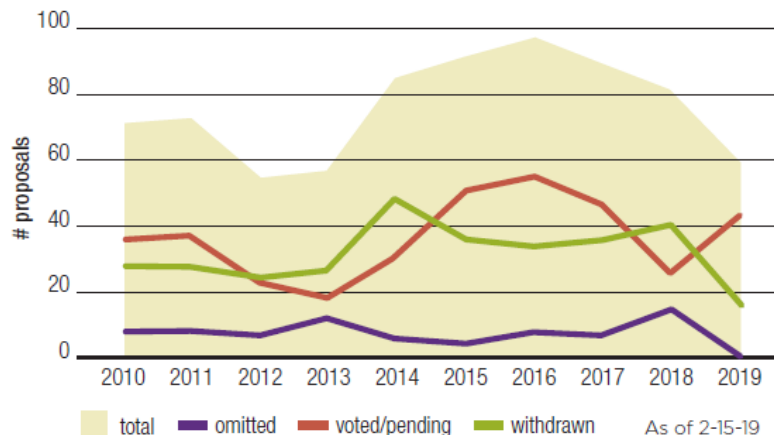


# New Issues, Key Themes in 2019

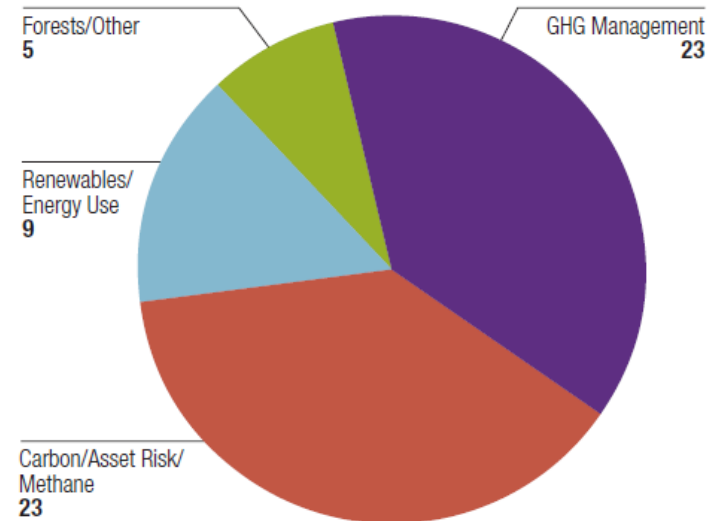
## Environment

- ✓ **Climate Change** (58 proposals, down from 82)
  - GHG emissions (23, down from 27 in '18)
    - **NEW:** goals proposals shift, *below 2°*
  - Carbon asset risk (23, down from 27 in '18)
    - **NEW:** transition plans, extreme weather

### Outcome of Climate Change Proposals



### Climate Change Proposals in 2019



- Renewables (9, down from 15 in '18)
  - Agreements common
- Deforestation (4, compared with 3 in '18)
  - Commodities & supply chains

*(sustainability, lobbying also mention climate)*



## New Issues, Key Themes in 2019

### Environment *(continued)*

- ✓ **Environmental Management**  
(15, down from 19 in '18)
  - **New:** Plastic “nurdles”: **Chevron, DowDupont, ExxonMobil, Phillips 66**
  - Recycling/packaging: **Starbucks, PepsiCo, Yum Brands**
- ✓ **Industrial Agriculture** (8, as in '18)
  - Antibiotics win: **Sanderson Farms** to report (43.1% in 2018)
  - Pesticides in **PepsiCo** supply chain
  - Fur/down at retailers: **Bed Bath & Beyond, Kohl's, TJX.**



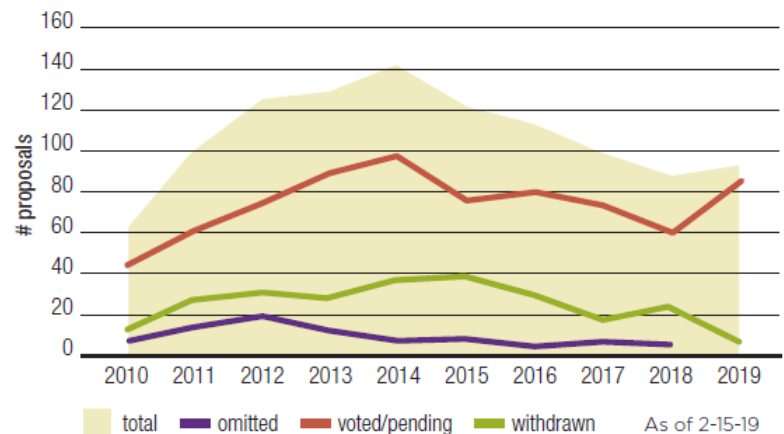
# New Issues, Key Themes in 2019

## Social Policy

- ✓ **Political Activity** (93, up from 80 in '18)
  - Shift: More on elections (58) than lobbying (about 30).
  - Center for Political Accountability oversight/disclosure model – big new push with eye on 2020 elections and “dark money” conduits.
  - Lobbying disclosure effort continues from AFSCME/Walden, some focus on climate change.



Outcome of Political Activity Proposals



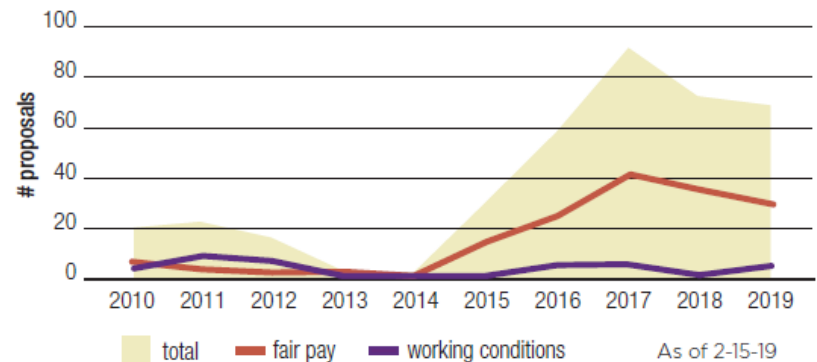
- SEC continues to reject “ordinary business” arguments, cites 20%+ votes as evidence of significance.

# New Issues, Key Themes in 2019

## Social Policy *(continued)*

- ✓ **Decent Work** (37, up from 33 in '18)
  - Emphasis continues on gender pay equity, little focus on people of color
    - **Expansion** to global pay differentials
    - Agreements: **Citigroup, Pfizer**
  - **NEW:** “inequitable employment practices”
    - Mandatory arbitration, non-disclosure & sexual harassment; many omitted.

Decent Work Proposals Since 2010



- ✓ **Diversity at Work** (16, down from 31 in '18)
  - EEO & affirmative action: race/gender/ethnicity
  - **Home Depot** for the 18<sup>th</sup> year.
  - **NEW:** SASB’s view of diversity as a material risk factor
    - **Fastenal, O’Reilly Automotive**
  - **NEW:** Diversity in the executive suite



## New Issues, Key Themes in 2019

### Social Policy (*continued*)

#### ✓ Ethical Finance

- **NEW:** Tax cut report at **Gilead Sciences**: who benefits? (Survived SEC challenge)

#### ✓ Health (7, down from 12; drug pricing links to pay later...)

- Investor for Opioid Accountability (UAW Retirees, ICCR)
  - 2 majorities in '18, 60.5% at **Walgreens** in January for risk reporting
- **NEW:** Sugary products report at **Coca-Cola** (survived SEC challenge)



More than  
**70,000**  
Americans  
died from a  
drug overdose  
in 2017.

[www.cdc.gov](http://www.cdc.gov)



## New Issues, Key Themes in 2019

### Social Policy (*continued*)

✓ **Human Rights** (44, up from 31 in '18)

Context: Global backsliding on key metrics

- Continued focus on risk & impact assessment, using new benchmarking data
  - **Booz Allen Hamilton** work for Saudi Arabia
  - Conflict zone listings at **TripAdvisor**, **Booking Holdings**



- **NEW:** Immigrants & the penal system (all challenged at SEC)
  - Lending to private prisons at **Bank of America**, **Wells Fargo**: agreements
  - Family separation & detention at **CoreCivic**, **GEO Group**
  - Biometric ID systems at **Northrop Grumman**, **Amazon.com**
- **NEW:** Online child sexual exploitation at **Sprint**, **Verizon**



- ✓ **Media** (5): Content management of hate speech, harassment, election meddling
  - **Alphabet/Google**, **Facebook**, **Twitter**



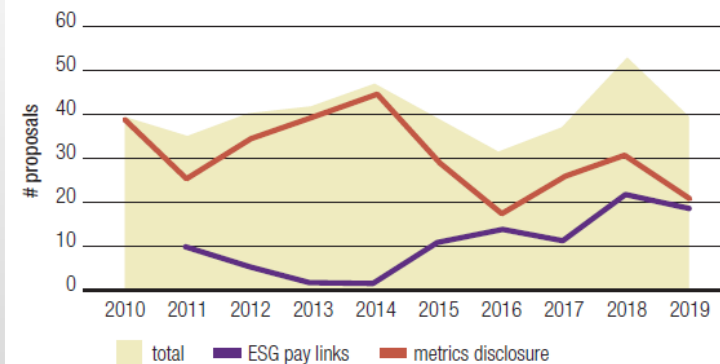
# New Issues, Key Themes in 2019

## Sustainable Governance

- ✓ **Board Diversity** (28+, similar to 34 in '18)
  - Many agreements coming, new targets
  - **NEW:** Sexual orientation, gender identity
  - “Matrix” disclosure at 8 companies from NYC funds
- ✓ **Board Oversight** (13, up from 7 in '18)
  - Specific oversight of environmental, social issues
- ✓ **Metrics Disclosure** (29, similar to 31 in '18)
  - Mostly new recipients; 6 mention GHG goals
  - Agreement at **Kinder Morgan** on disclosure
  - **NEW:** SASB “material” metrics: 4 of 5 pending
  - **NEW:** **Amazon.com** business impacts (challenged)
- ✓ **ESG pay links** (20, similar to 18 in '18)
  - 11 on drug pricing & opioid legal costs
  - 2 on GHG goals
  - SEC appears to view favorably, several challenges rejected



Sustainability Reporting/Pay Links Trend



## 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 4 weeks before annual meetings

### Engagement Monitor

Interactive online database:  
*prospectively* identifies issues,  
tracks *outcomes*

### Proxy Season Analysis

### Contact

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[heidi@siinstitute.org](mailto:heidi@siinstitute.org)

(301) 432-4721

[www.siinstitute.org](http://www.siinstitute.org)

### Special Projects

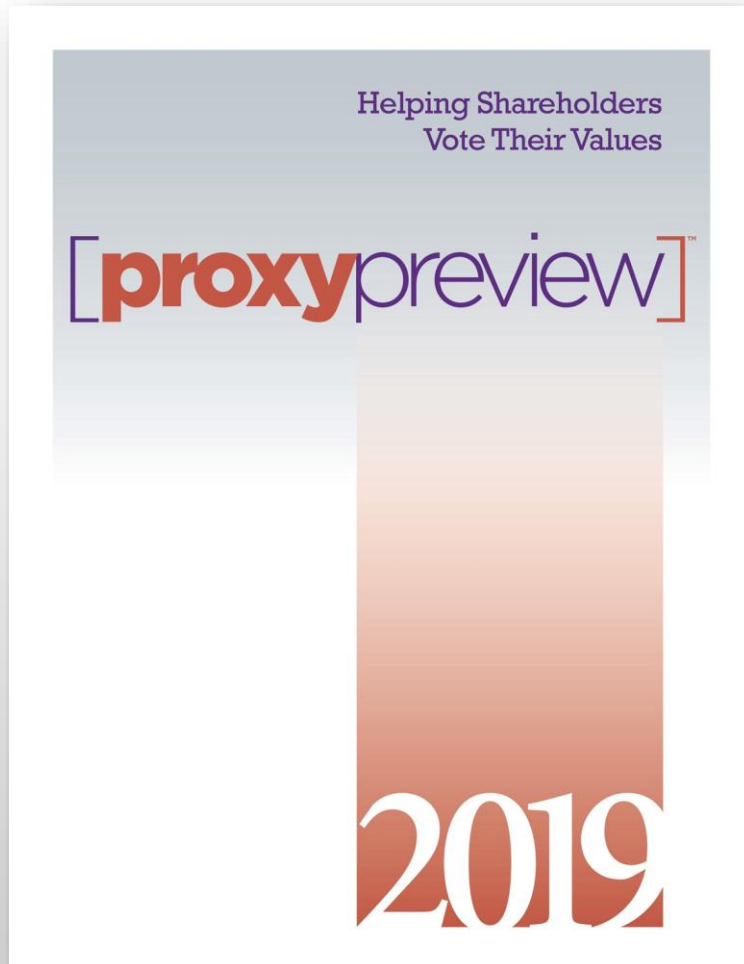
With IRRC Institute, archived at Weinberg Center  
(<https://www.weinberg.udel.edu/irrci/>):

- State of Sustainability, Integrated Reporting (2018)
- 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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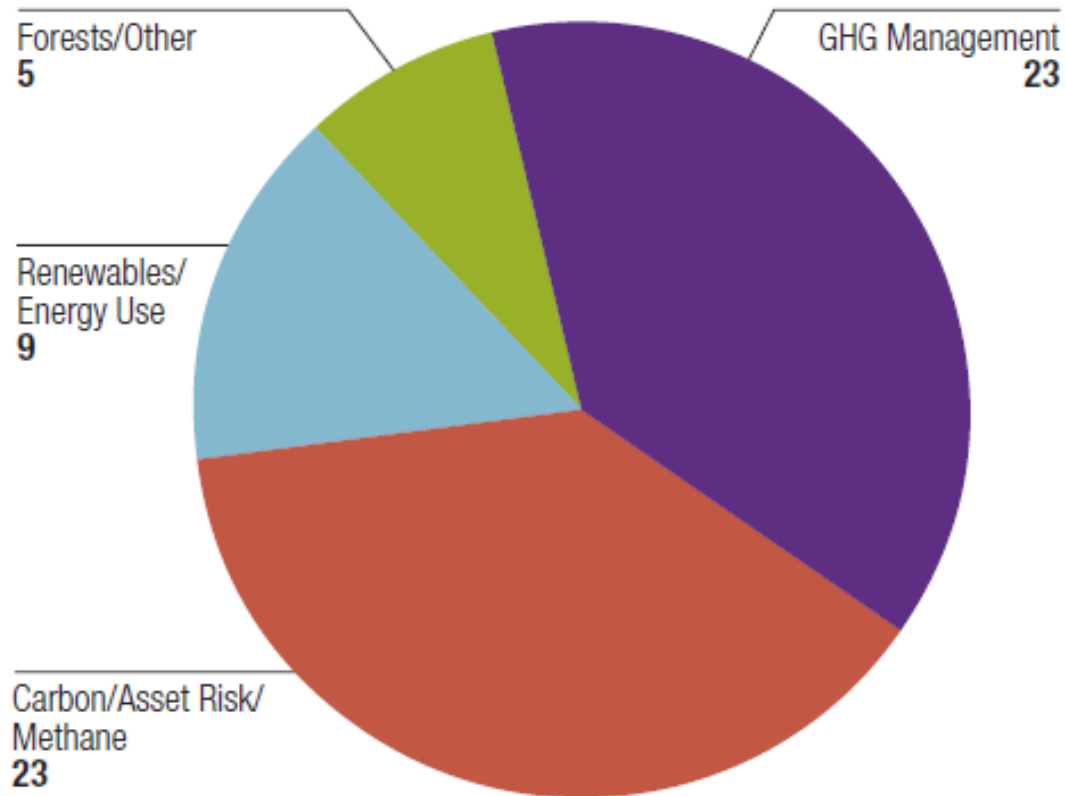


# Climate & Energy Proposals



**Michael Passoff**  
CEO  
Proxy Impact

## Climate Change Proposals in 2019



## Paris Climate Agreement

### Paris Agreement Goals

- GHG emissions *well below* 2°C
- pursue efforts for 1.5°C
- zero emissions by 2030-2050

### 2019 proposals

- **GHG emission reductions**

Company's own carbon footprint

- **Paris Transition Plan**

Risks to shareholder's broader portfolio

- **Carbon Asset Risk**

Business plan for 2 °C warming scenario



## GHG Emission Reduction

### Shareholder proposals

- 23 filed, 19 pending
- Company's own carbon footprint
- Managing, reducing, tracking
- quantitative, company-wide goals for managing GHG emissions
- Meet objectives and timelines of the Paris Climate targets.

### SEC

- EOG Resources – ordinary business
- TransDigm – NYC lawsuit



## Paris Compliant Transition Plan

### **NEW** Shareholder proposal

- Risks to shareholder's broader portfolio
- 8 filed, 7 pending
- Industries that cause outsized impact to climate
- Oil & gas: Anadarko, Chevron, Cooper, ExxonMobil, Hess
- Banks and lending: Goldman Sachs, JPMorgan Chase, Wells Fargo

### **Economic impacts**

- Meeting 1.5°C target vs. 2°C can prevent \$30 trillion in damages

#### Climate change

Hitting toughest climate target will save world \$30tn in damages, analysis shows

Almost all nations would benefit economically from keeping global warming to 1.5C, a new study indicates



## Climate Change Investment Concerns

The New York Times

### *Norway's \$1 Trillion Fund to Dump Oil and Gas Shares*

#### Norges Bank

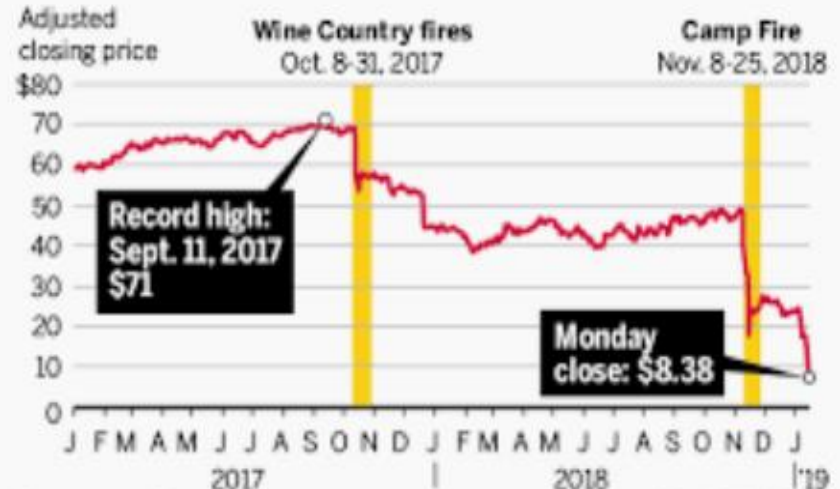
- Govt pension fund
- \$ from oil, diversifying
- “financial decision”
- Hold shares in 9000 companies
- Exploration & production
- Leaders vs laggards: Royal Dutch Shell, BNP Paribas

#### Cost to Business from:

- Extreme weather
- Supply chain disruption
- Resource shortages
- Mass migration / social disruption

#### PG&E'S REVERSAL OF FORTUNE

After reaching its all-time high in September 2017, the utility's stock plummeted 88 percent after being implicated in California's major wildfires in 2017 and 2018.



Source: Yahoo Finance

BAY AREA NEWS GROUP



## Carbon Asset Risk

### Shareholder proposals

- 20 filed, 11 pending
- Business plan for 2 °C warming scenario
- “.. assessment of the long-term portfolio impacts of technological advances and global climate change policies.....”
- ExxonMobil and Oxy majority votes 2017 – tipping point

### Financial Stability Board’s Taskforce on Climate-related Financial Disclosures

- Formed by G20 nations, support from 500+ companies
- 11 recommendations: for all industries re: climate governance, strategy, risk management, metrics and targets

### Climate Action 100

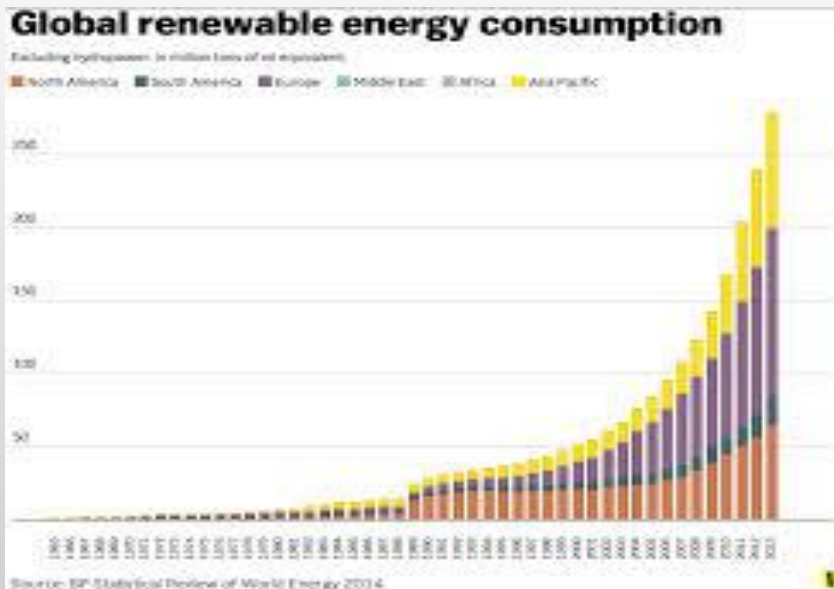
- 300+ institutions / \$32 trillion in assets
- seeks commitments from 160 companies to reduce GHG “well 2 °C goal



## Renewable Energy

### Shareholder proposals

- 9 filed, 5 pending
- Quantitative, time-bound targets for increasing renewable energy
- Distributed Energy
- **Benefits**  
Lower emissions, savings, credits



## Deforestation

### Impacts

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

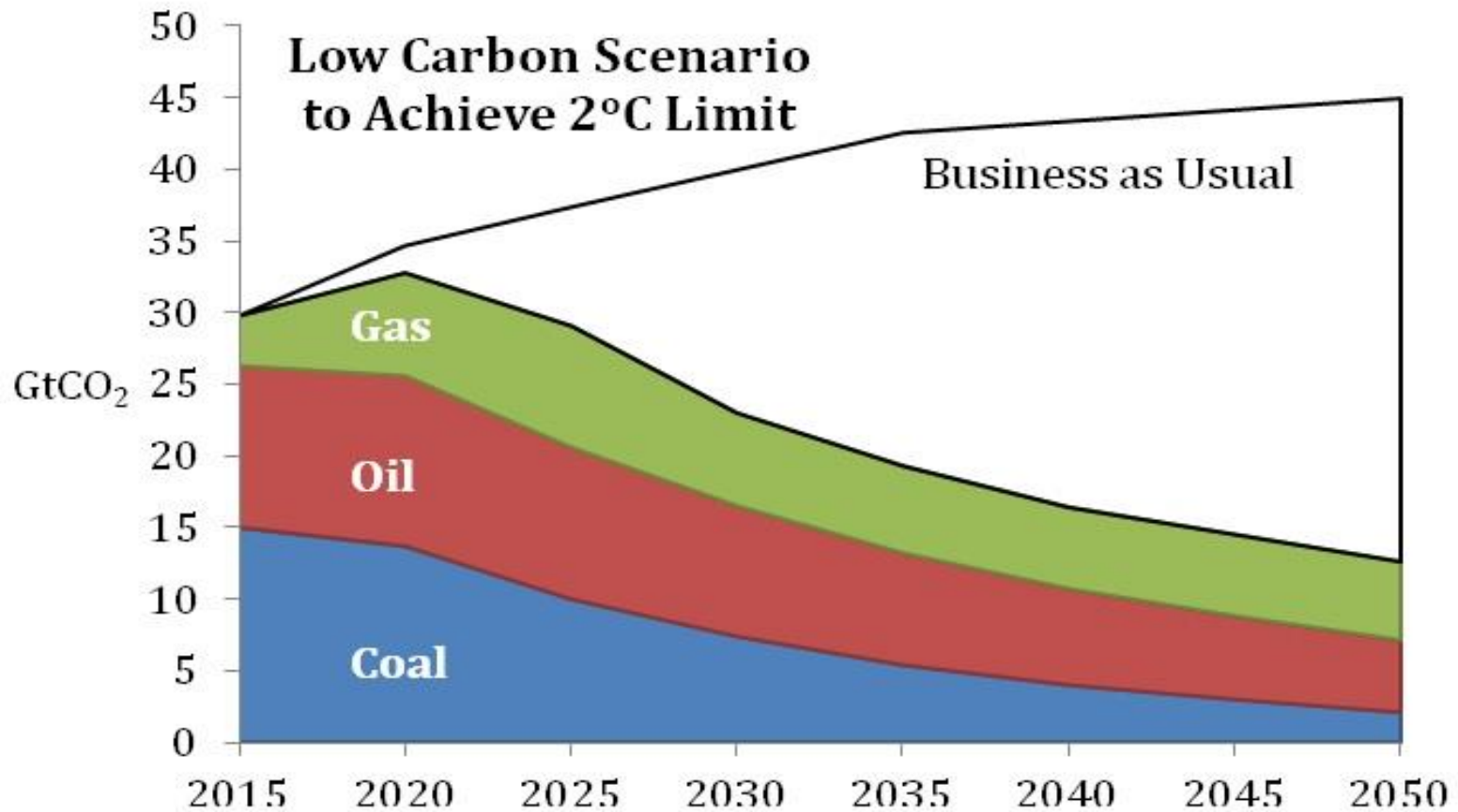
### Shareholder proposals

- 4 proposals filed, 3 pending
- Supply chain policy and plan





## Transitioning to a Low Carbon Economy



# 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

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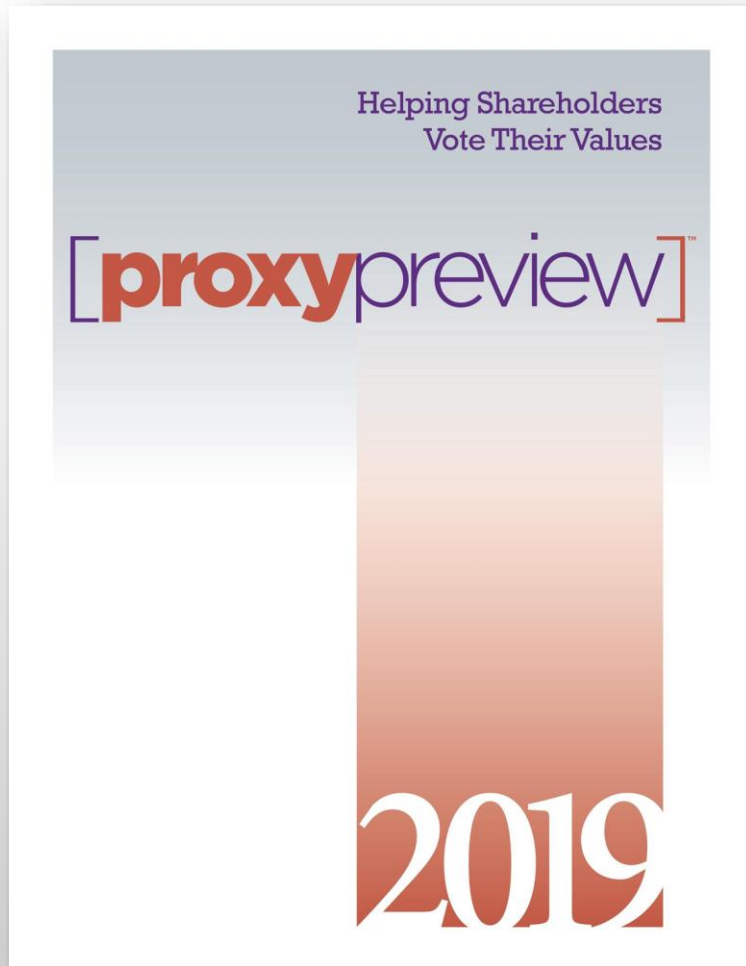
Michael Passoff

(510) 215-2222

[michael@proxyimpact.com](mailto:michael@proxyimpact.com)

[www.proxyimpact.com](http://www.proxyimpact.com)

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# Political Spending & Lobbying Proposals



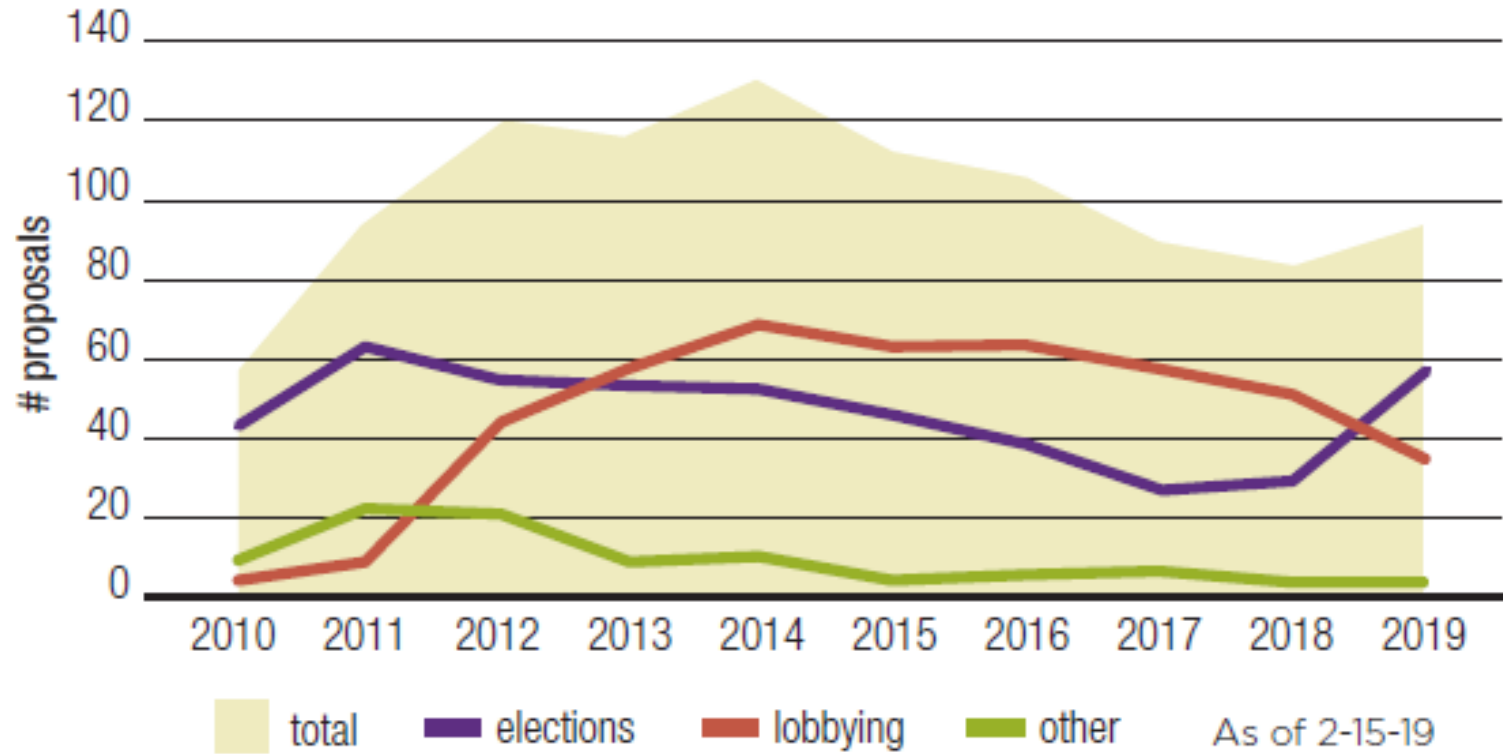
**Timothy Smith**

*Senior VP and Director of ESG Shareowner  
Engagement*

Walden Asset Management



## Political Activity Proposal Types



# Political Spending Overview

- Combined lists of shareholder resolutions on political spending and lobbying again make corporate political influence a top proxy season priority.
- At least 57 resolutions on election spending, 33 on lobbying disclosure.
  - **Exxon Mobil, Chevron, Eli Lilly, Pfizer and UPS** urged to review trade association & ALEC membership, especially on climate change lobbying.
- Expanded election spending disclosure with new agreement at **GE, Hilton**.
- New commitments on lobbying: **AT&T, Bank of America, Emerson Electric, IBM, JPMorgan Chase**.



# Changing Context

- Explosion of interest in political spending and lobbying around past elections - stories about cascading funding of elections, role of Super PACs, money spent via third parties (e.g. U.S. Chamber of Commerce).
- Citizens and investors set record with >1.2 million letters and petition signatures to the SEC supporting call to adopt uniform disclosure requirements for companies.
- U.S. Chamber of Commerce and the National Association of Manufacturers pushing 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 increasing comfort from companies to disclose political spending. Over 150 major companies provide detailed reports, ~300 disclose some/all contributions.
  - *CPA-Zicklin Index* rates company disclosure, stimulates company responsiveness.
- State laws and regulations show emerging disclosure support, 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](http://www.followthemoney.org)).



## Lobbying

- Early votes on lobbying encouraging:  
**39% support disclosure at Walt Disney.**
- Lobbying at federal, state, and local level:  
Extensive state lobbying by telecoms, energy firms, others. State lobbying transparency much more limited than at in Congress.
- Hot controversies with ALEC, Heartland Institute: rollbacks of state renewable energy laws, voter ID requirements — undermining clean energy and civil rights.
  - > 100 companies have withdrawn from ALEC, but not **UPS** or **Pfizer**.
  - Another example of financial support for lobbying organizations potentially harming a company's reputation.

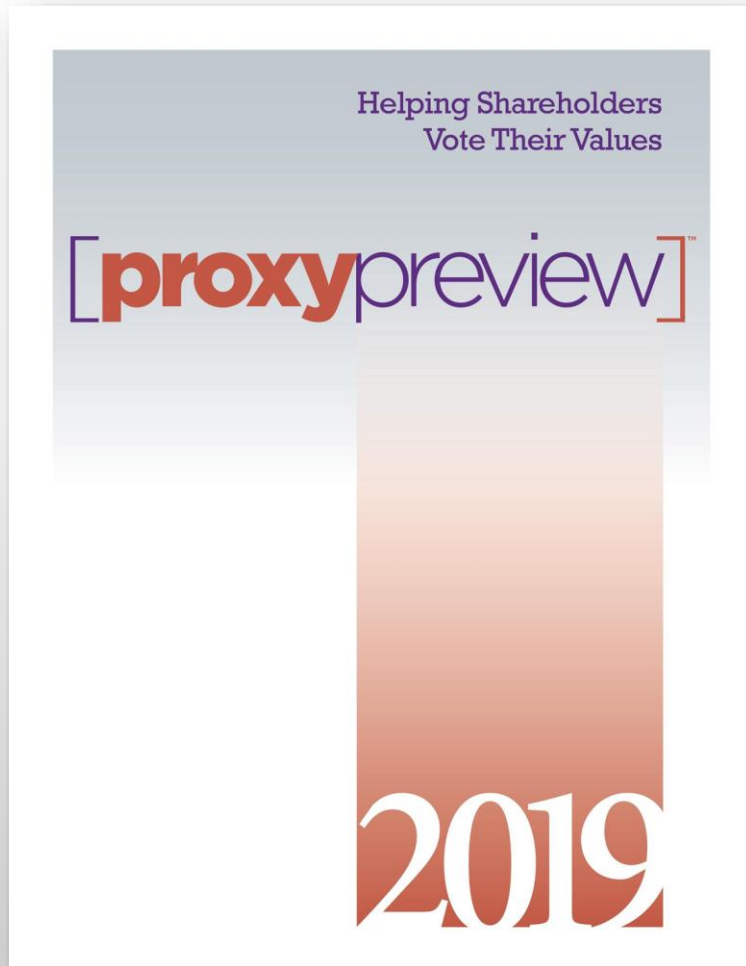


# Lobbying

- **New disclosure comfort:** Longtime recipients of lobbying proposals have reached agreements – **AT&T, IBM, JPMorgan Chase, Verizon, Bank of America.**
- **Leaving ALEC:** A racist speaker at the ALEC conference, anti-climate resolutions passed by members led **Exxon, AT&T, Comcast, Verizon,** others to withdraw.
- **Trade groups & climate policy influence:**  
**Royal Dutch Shell** agreed to make lobbying consistent with Paris Accord climate goals, will evaluate trade associations.
  - Investors engaging with 160+ companies in **Climate Action 100+** on climate lobbying.
- Shareholder rights under attack from Chamber of Commerce, National Assoc. of Manufacturers, Business Roundtable.
  - Companies on these boards face calls to:
    - explain views on shareholder resolution SEC rules
    - oppose trade group push to malign filers' motives
  - Many companies don't support blocking resolutions - responses to letters from NY State, CalSTRS, Walden to 45 companies on NAM board). 80 global investors support



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# Moderator



**Andrew Behar**

*CEO*

*As You Sow*



AS YOU SOW

## Questions and Answers



**Michael Passoff**  
Proxy Impact



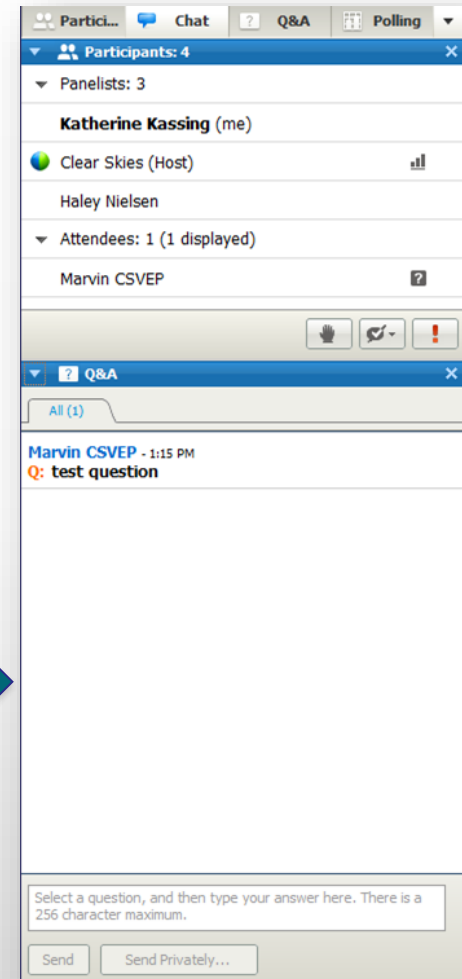
**Heidi Welsh**  
Sustainable  
Investments Institute  
(Si2)



**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**



## Closing Remarks



**Heidi Welsh**  
Sustainable Investments  
Institute (Si2)



**Michael Passoff**  
Proxy Impact



**Timothy Smith**  
Walden Asset Management



**Andrew Behar**  
*As You Sow*

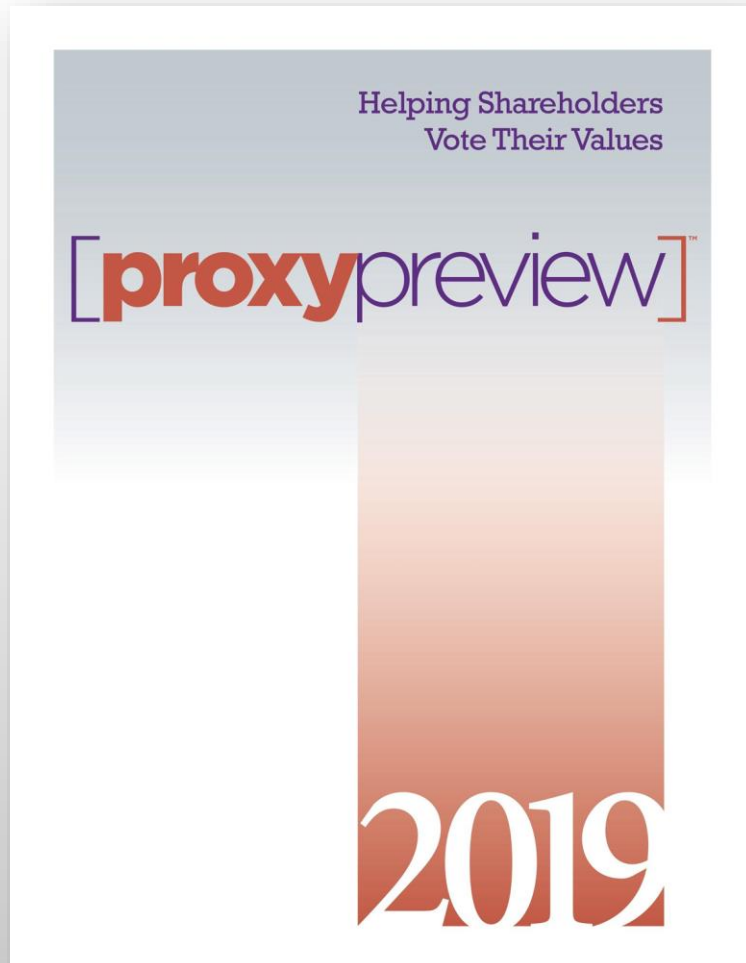


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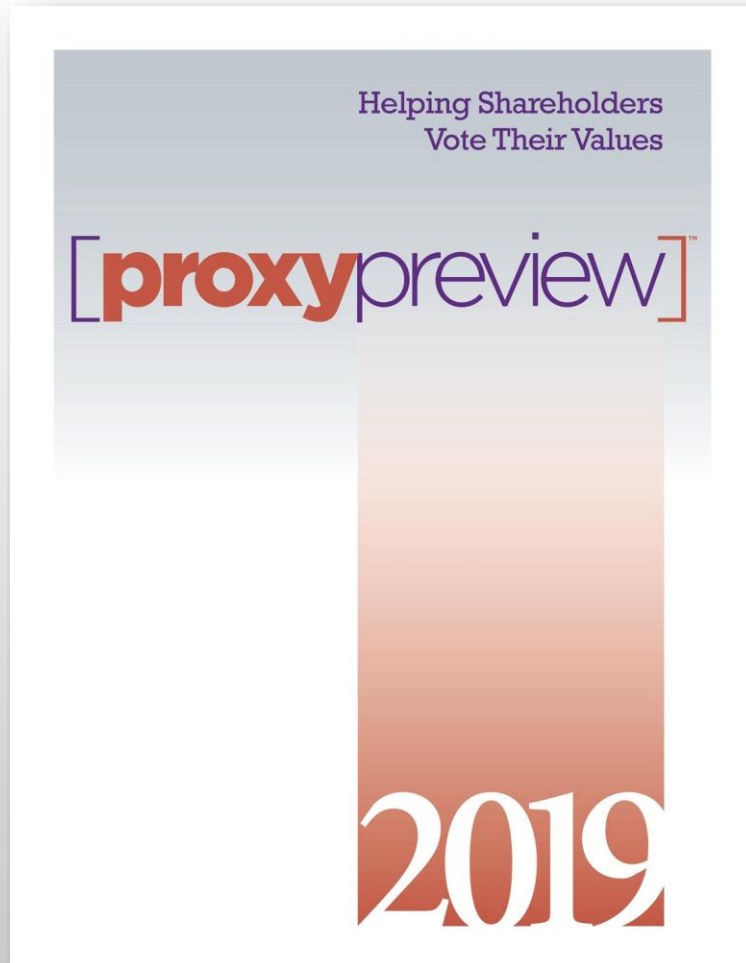


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HELPING SHAREHOLDERS VOTE THEIR VALUES

## Contact Us



### Media/Press Contact

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