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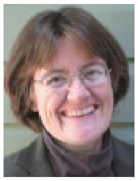
2015

ABOUT THE AUTHORS



Heidi Welsh, the founding executive director of the Sustainable Investments Institute (Si2), has analyzed corporate responsibility issues for 25 years. Welsh started her career at the Investor Responsibility Research Center in 1987. In addition to detailed coverage of shareholder advocacy, she monitored corporate compliance with a fair employment code in Northern Ireland for 16 years. She also co-authored the Carbon Disclosure Project's S&P 500 report in 2007, headed up sustainability research within a unit of RiskMetrics Group, and has consulted on development of sector guidelines for the Global Reporting Initiative. Welsh was the lead author on two Si2 studies in 2010 and 2011 about corporate political spending governance, two of several empirical studies Si2 has published on contentious corporate responsibility issues. Welsh received her B.A. from Carleton College, cum laude, and an M.S. from the Institute for Conflict Analysis and Resolution at George Mason University.

Michael Passoff is the founder and CEO of Proxy Impact, a shareholder advocacy and proxy voting service for sustainable and responsible investors. Michael has over 20 years of experience in corporate responsibility, shareholder advocacy, and philanthropy. For more than a decade Michael served as the Senior Program Director for the As You Sow Foundation's Corporate Social Responsibility Program. In 2005 he founded the Proxy Preview to help shareowners align their investments and values. The *Chicago Tribune* hailed the Preview as the "Bible for socially progressive foundations, religious groups, pension funds and other tax-exempt organizations." Michael has led and participated in more than 300 shareholder dialogues and resolutions on environmental, social and governance issues. His shareholder advocacy work led him to be named as one of 2009's "100 Most Influential People in Business Ethics" by Ethisphere Magazine and he also received the Climate Change Business Journal award for a shareholder campaign that prompted greenhouse gas emission reductions and renewable energy development at public utilities.

SPONSORS

This report was made possible by the generous support of the following sponsors:

Proxy Promoter: Jonathan Scott at Singing Field Foundation.

Proxy Players: Lauren Compere at Boston Common Asset Management; Maryellen Andersen and Rosemary Kelly at Broadridge; Bennett Freeman and Shirley Peoples at Calvert Investments; Adam Kanzer and Robert Scheuch at Domini Social Investments; George R. Gay, Holly A. Testa, and Steven J. Schueth at First Affirmative Financial Network; Tim Smith and Steve Viederman at the Foundation Partnership on Corporate Responsibility; Aaron Bernstein and Stephen Davis at Global Proxy Watch; Alisa Gravitz, Todd Larsen, and Fran Teplitz at Green America; John Harrington at Harrington Investments; Dr. Marcy Murninghan and Joshua Gay at Murninghan Post; Hugh Wheelan, Daniel Brooksbank, and Tony Hay at Responsible Investor; Tim Little at Rose Foundation for Communities and the Environment; Jay Falk and Robert Kropp at Social Funds; and Jonas Kron, Lisa MacKinnon and Matt Patsky at Trillium Asset Management.

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Unless otherwise noted, all charts and graphs are based on research conducted by Si2.

We hope that this publication will help shareholders align their values and investments by facilitating informed engagement. We also believe it will provide the broader investment community and the public at large with a record of how and why shareholder advocates try to influence corporate behavior—and the impact on corporate policy when they do.

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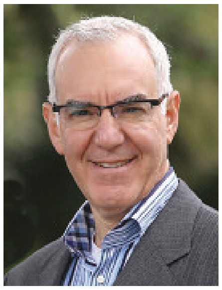
Updates on Information in *Proxy Preview*

Information about the proposals and companies mentioned in the *Proxy Preview* was accurate as of February 17, 2015. Many ongoing negotiations between companies and proponents, plus action at the Securities and Exchange Commission, will change the final tally of proposals that will appear in proxy statements for investors to consider. *Proxy Preview* is unable to provide updates about the ongoing status of all proposals—for updates on proposals at select companies, follow our Proxy Season Updates at www.proxypreview.org.

LETTER FROM THE PUBLISHER



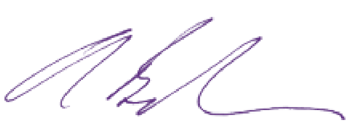
It's been 45 years since the first shareholder engagements at General Motors and the 2015 proxy season is raising the bar ever higher, with a clear focus on boards of directors—this year's zeitgeist. Institutional and individual investors, large and small, are uniting to demand systemic change in how boards are elected and governed. Boards must evolve or elect new directors to consider how companies can better respond to environmental and social challenges.

We see this with the unprecedented 107 "proxy access" resolutions to enable shareholders to nominate board candidates. We see this, following investor outrage, with the Securities and Exchange Commission's reconsideration of its interpretation of a rule about conflicts between board and shareholder proposals. We see this with proposals seeking CEO pay links to sustainability and climate targets, and in challenges to spiraling CEO pay and growing income inequality. We see demands for more independent board candidates with environmental and climate risk expertise, and more corporate commitments to address these issues in board committees. All this demonstrates a basic shift in shareholder views: a policy change on a specific issue is good, but it is clearly not enough. Instead, company governance must become generally more diverse, transparent and accountable. Pension funds, foundations, endowments, and individual shareholders across the globe are clearly saying it's time for board of directors to fundamentally change.

Now in our 11th year, *Proxy Preview* continues to support the idea that shareholders must "Own What They Own" and "Activate Their Portfolios" to align with their values. This concept has become the new normal and we see it since foundations that once separated program and investment teams into isolated silos now have them working in tandem to support the core mission.

This year once again breaks the previous record for the number of resolutions filed, and companies are having less success than ever in knocking out proposals under SEC rules. We hope this signals a change in the pattern of automatic corporate legal challenges that will evolve into meaningful engagement with shareholders about truly sustainable long-term value and success.

Once again this year, we also see shareholders proposing to deepen the connections between high corporate political spending, inadequate energy policy, the dangers of our changing climate and its damaging impact on water and agriculture, toxic hazards, and how this all intersects with human rights. *Proxy Preview* continues to spotlight how corporate policies affect our planet and our lives every day, and how shareholder resolve can lead to long-term change. *Proxy Preview* is proud to continue its central role documenting this journey as shareowners work with their companies to solve the most difficult issues of our time.



Andrew Behar
CEO, As You Sow

EXECUTIVE SUMMARY

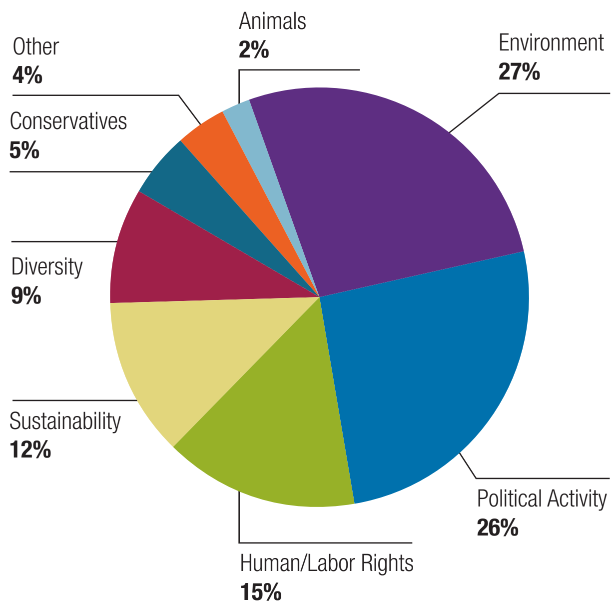
Investors are poised to break further records in 2015 in the number of shareholder proposals they have filed seeking corporate disclosure and action on a wide range of environmental and social issues. Si2 has identified 433 resolutions filed so far—up from 417 at this point last year. Corporate political activity of all sorts and environmental matters—predominantly climate change—continue to vie for top billing with 26 percent and 27 percent of the total, respectively; increasingly these are linked by investors who seek corporate action to bypass some of the vitriol that stymies government solutions. All told, environmental and sustainable governance resolutions combined represent 39 percent of the total so far, as in 2014, while political activity accounts for just over one-quarter of the total—down 4 percentage points from last year's mid-February share.

The proportion of resolutions about human and labor rights is boosted this year to 15 percent of the total by a surge of requests for reports on pay disparity, which are grounded in concerns about the damaging effects of growing income inequality in the United States. On the other hand, workplace diversity proposals (which mostly concern rights for lesbian, gay, bisexual and transgender people) and those seeking more diversity among corporate board members—account for 9 percent of the total, as in 2014.

A significant change in the last two years has been a surge of proposals—some two dozen—largely filed or coordinated by the National Center for Public Policy Research (NCPPR), a conservative Capitol Hill think tank; these account for 5 percent of the total this year and held 4 percent last year. New this year are those asking companies to protect political free speech rights, but all of those that have been challenged at the SEC have been omitted.

The final 6 percent include two new proposals on foreign military sales, which won't go to votes and some on drug pricing, which may, with another few about animals.

Proposals Filed in 2015



n=433, as of 2-17-15

Fully 334 resolutions are now pending; comparable mid-February figures were 324 in 2014 and 284 in 2013. (A few more are likely to surface.) Companies have lodged challenges seeking to omit a total of 113 proposals at the Securities and Exchange Commission (SEC), which so far has rejected eight objections and sustained 22. The SEC still must decide another 62 (up from only 49 pending challenges at this time in 2014 and just 41 in 2013). Proponents have withdrawn 21 of the challenged resolutions—about what they had last year—sometimes after agreements with the companies and sometimes for tactical reasons because they have concluded that they are likely to be omitted and wish to avoid unwanted precedent. All told, this seems to document increased corporate legal resistance to shareholder resolutions—but decreasing success for these company challenges.

New developments in a nutshell: New climate change and energy proposals include one that raises questions about transporting oil and gas by train and several taking up different angles on deforestation that connect ecological and human rights impacts. Investors also want more information from companies about the impact of neonicotinoids on bees and other organisms, in a new resolution. On political spending, the volume of lobbying resolutions has clearly surpassed those on election spending. For health, new this year are proposals about the high price of specialty drugs. Regarding human rights, religious investors are newly asking for an end to fees levied on migrant tobacco workers—although the voting outlook is uncertain—while three proposals on a set of fair employment principles for Israel-Palestine will go to votes for the first time. In addition, the New York State Common Retirement System (NYSCRF) is inquiring about lethal injection drugs at two companies, an issue not raised in the past. Religious groups are leading an expanded campaign to persuade companies to report on pay disparity. Finally, a proposition about more board oversight of gun sales may reach **Walmart's** proxy statement, after a U.S. District Court ruled in favor of its inclusion after an SEC omission last year, although the case is on appeal.

Contributors to this report: Si2 is grateful to all the shareholder proponents who provided detailed information about their plans for the upcoming proxy season, in particular the Interfaith Center on Corporate Responsibility, the Ceres coalition, the Center for Political Accountability and AFSCME. This report would not have been possible without the cooperation of all proponents. Si2's Research Director, Robin Young, provided critical supporting research and assistance and Carolyn Mathiasen edited an earlier version of this report.

Overview and New Issues in 2015

This section provides an overview of the upcoming proxy season, paying particular attention to new issues and how ongoing campaigns are evolving. The main body of the report, starting on p. 14, gives a detailed analysis for each category listed here. In an effort to mirror the broader discussion about "ESG"—environmental, social and governance issues—the bulk of the report is divided into these categories. For the governance areas, we use the term "sustainable governance" to describe resolutions about how companies address a wide variety of sustainability concerns at the board level (through membership as well as committee structures and responsibilities) and in their overall reporting to investors. There are just two proposals relating to equity in financial services. Finally, the report describes proposals on disparate issues from investors worried about what they think are excessively liberal corporate tendencies; some two dozen filed this year seeking free speech protections represent a significant increase. But conservative proponents have had trouble writing resolutions that pass scrutiny under the SEC's shareholder proposal rule, and few votes are likely.

Environment

Climate change and energy: Last year's big increase in the number of resolutions focused on climate change is continuing in 2015, with 76 resolutions about carbon accounting, energy production and related risk management disclosures. In addition to continued demands for disclosing greenhouse gas emissions and setting targets to cut these emissions, investors want to hear more from companies about measuring and managing methane releases from expanded U.S. domestic oil and gas operations. Proponents also want companies to share information about how they will handle a future where demand for fossil fuel may be lower, and how they justify the high capital expenditures needed for unconventional fossil fuel extraction. These investors contend more robust action is needed from companies and that carbon assets are likely to become stranded as energy-related laws and regulations tighten and more storms and higher ocean levels challenge long global supply chains. A new proposal is raising questions about trains that transport oil and gas, as well, a problem highlighted by the spectacular West Virginia derailment of a train carrying oil from the Bakken Shale in North Dakota, just as this report was finalized.

Domestic shale energy production using hydraulic fracturing remains an investor concern and proponents still think companies should disclose more to become accountable to their many stakeholders; they have filed six proposals this year. Deforestation comes up in several proposals, with proponents increasingly drawing linkages between ecological and human rights concerns. New this year are more explicit resolutions asking for reporting on key performance indicators and goals so investors can better assess corporate behavior. The deforestation resolutions concern palm oil production, along with other agricultural commodities—with 10 proposals in all.

Environmental management and toxics: Fifteen resolutions ask for more corporate attention to the use of recycled materials in packaging and recycling; they also seek action on toxic materials including lead, as well as reporting on the range of unknowns associated with nanomaterials in a resubmitted proposal to **Dunkin' Brands**, which was withdrawn. Calvert Investments withdrew at **Dow Chemical** once it agreed to continue discussions about the long legacy of the 1984 Bhopal disaster.

Industrial agriculture: Two brand new resolutions underscore widespread scientific concern about the impact neonicotinoids are having on bees and other organisms and ask for disclosures about their sales at **Lowe's** and use in **PepsiCo's** supply chain. Just three resolutions ask for reports on genetically modified organisms (GMOs), regarding labeling and risks, fewer than in recent years after low previous votes. There are no new developments in the resolutions from People for the Ethical Treatment of Animals (PETA), which is continuing to advocate about farm animal welfare, but a relatively high vote of 18.6 percent already occurred for a Humane Society of the United States (HSUS) proposal about pig gestation crates at **Hormel Foods**. In addition, four faith-based investors want **McDonald's** to limit antibiotic use in its food animal supply chain, raising this issue for the first time since 2010 in a shareholder resolution—although they have been engaged in continued dialogue since then.

Social Issues

Animals in testing: One proposal about animal testing was included in the **Becton**, **Dickinson** proxy statement but it did not go to a vote and PETA has not made public any other resolutions to date, although some are in the pipeline.

Corporate political activity: Slightly fewer proposals have been filed so far on corporate political activity this year—113 so far compared with 126 in mid-February 2014. Proponents of more disclosure about election spending and lobbying have yet to see any substantive response from the SEC on a proposed formal rulemaking that could compel more transparency. The key sticking point in the debate remains contributions to and spending by intermediary groups such as trade associations, which is a central focus of all the proposals. A total of 64 proposals ask for more information about how and why companies are lobbying to influence elected officials and regulators, while 44 seek more oversight and disclosure of campaign spending by companies using the model championed by the Center for Political Accountability. Six address other sorts of corporate political involvement—but just one this year seeks a ban on election spending—at **Chevron**, which spent $3 million on three failed candidates for city council in Richmond, California.

Diversity in the workplace: Seventeen resolutions seek formal protections for lesbian, gay, bisexual and transgender (LGBT) employees but half already have been withdrawn as companies have agreed to the requests. After more than a dozen years, **ExxonMobil** joined the ranks of the convinced and changed its policy, citing changes in national law. Three more proposals from the New York City Comptroller's Office ask about disclosing the racial makeup of workforces.

Health: The UAW Retiree Medical Benefits Trust is asking four specialty pharmaceutical companies to report on how they price expensive drugs, but pending SEC challenges make it unclear if the proposals will go to votes. Just one child obesity resolution is pending, at **Dine Equity,** while only one of three tobacco proposals (about educating vulnerable smoking populations) seems likely to go to a vote.

Human rights: Members of the Interfaith Center on Corporate Responsibility (ICCR) and trade unions are continuing to ask companies to conduct and report on human rights risk assessments, having gained traction last year with this approach; 10 resolutions are pending. A new angle on human trafficking is raised in proposals at six tobacco companies, asking them to address recruitment fees required of migrants working in U.S. tobacco fields. Going to a vote for the first time at three companies is a resolution about the Holy Land Principles, a new fair employment code of conduct for companies operating in Israel-Palestine. Also new is a resolution from the New York State Common Retirement Fund (NYSCRF) asking two drug makers about their policy on supplying drugs used in executions.

Labor rights and pay disparity: Religious investors have filed resolutions at 15 companies asking for a report on pay disparity, in a significant expansion of previous efforts. Equal pay for women is also on proxy agendas, potentially, at two companies.

Media and privacy: Just two resolutions before companies raise questions about media issues—one regarding privacy and data security filed at six financial services firms, and the other filed by the Nathan Cummings Foundation about net neutrality.

Sustainable Governance

Board diversity: Investors have already withdrawn six of the 15 proposals filed seeking greater board diversity in the campaign being coordinated by the Thirty Percent Coalition, and more withdrawals are likely as the season progresses.

Board oversight: The 14 proposals about board oversight include those asking eight companies to make commitments and set up board committees for supervision of human rights and sustainability; six are still pending. Trinity Church Wall Street, which was turned back by the SEC in its request to have **Walmart's** board examine gun sales, is engaged in a lawsuit that may allow a vote on the subject—but it is facing the company's appeal of a lower court ruling in its favor. Faith-based tobacco activists are using the same approach to propose more board oversight of tobacco sales, as well. Finally, NYSCRF has three pending resolutions asking companies to nominate environmental experts to their boards.

Sustainability oversight and reporting: Proponents have filed 30 resolutions asking for sustainability reports, with more emphasis this year than last on climate action, while another 11 request executive pay links to sustainability metrics. Early proof of the continuing appeal these resolutions have for investors were votes in January—46.5 percent vote at **Commercial Metals** and 39.3 percent at **Emerson Electric**. The volume of filings is about where it has been at this time of year for the last several years. Twice as many of the reporting resolutions are resubmissions this year (14), as proponents pursue reform at companies that in some cases have not responded despite high levels of previous support. To date there have been five withdrawals, all reached after disclosure agreements. Last year's focus on supply chains has largely evaporated, with just one proposal at **Dollar General** that already has been withdrawn—down from a dozen proposals last year.

The SEC has turned back an attempt to get mutual fund company stockholders to weigh in on the wisdom of reviewing proxy voting policies and linking them to these companies' corporate responsibility commitments.

Economic (Equitable Finance)

A proposal about addressing "moral hazard" in **Citigroup's** operations has been challenged at the SEC and Domini Social Investments has withdrawn its proposal about reporting on a set of fair tax principles at **Google**.

Conservatives

A new effort to get companies to enshrine in their policies the right to political free speech is being turned back by a skeptical SEC, but up to two dozen resolutions on the subject were filed by the National Center for Public Policy Research (NCPPR). Its proposals last year about "free market health care principles" have not been resubmitted, though. Conservative activists also are questioning the wisdom of investing in renewable energy and seek to turn back corporate support for LGBT rights, but as in the past few if any of these will make it onto proxy statements. An exception is a proposal that will go to a vote at **Apple's** March 10 annual meeting, regarding the risks posed by the potential rollback of climate change regulations.

INTRODUCTION

Types of Proposals

Investors vote on shareholder proposals (also referred to as resolutions) from both management and shareholders about issues that raise environmental, social and corporate governance issues.

Environmental and social proposals focus on a wide variety of issues. These proposals generally call for reports or policy changes on key issues that can impact a company's bottom line, often through posing reputational risks. Managements in nearly all cases voice opposition to these proposals, with some rare exceptions, yet these proposals have been steadily gaining much greater support among large, mainstream institutional investors. Social proposals often serve a "canary in the coal mine" role, as they historically have identified many areas of financial risks—including climate change and the sub-prime mortgage crisis—years before companies begin to address (or in some cases, even acknowledge) these issues.

Governance proposals focus on the management of the corporation. Proxy statement agenda items from management include the election of directors, appointment of auditors, and approval of company stock plans, among others. Proposals raised by shareholders commonly include board structure, such as calls for more independent board members or for the separation of the board Chair and CEO position; compensation concerns, such as linking executive compensation to performance, or short- and long-term incentive plans and golden parachute arrangements; improved voter access via cumulative or supermajority voting; and anti-takeover measures such as poison pill provisions. Several hundred governance proposals are filed every year and numerous sources of information on these are publically available. *Proxy Preview* only includes a small subset of governance proposals that overlap with social and environmental issues, including board diversity, linking executive compensation to social criteria or setting up specialized board committees or designated experts to oversee sustainability concerns. We include in the report a section on "Sustainable Governance" that encompasses sustainability reporting and board oversight issues, since these issues relate to fundamental strategy and company accountability to investors.

Proposals listed in this publication are up to date as of February 17, 2015. At that time proponents had filed, or had firm plans to file, 433 shareholder proposals; all are discussed in *Proxy Preview*. Some proposals described here will not appear on your proxy statement because they will be *withdrawn* by the filers in exchange for company dialogues or because companies changed their policies; more than 10 percent are likely to be *omitted* from proxy statements by the company in accordance with SEC rules. The number of proposals *filed* indicates how broad a shareholder campaign is and/or a growing or waning shareholder interest in the different issue areas. *Pending* proposals are those that appear in the proxy statement and will go to a vote unless they are withdrawn or omitted.

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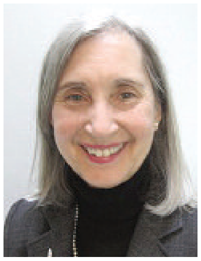


SHAREHOLDER PROPOSALS UNDER FIRE

NELL MINOW

Co-founder GMI Ratings (The Corporate Library); former Principal, LENS Fund; former President, Institutional Shareholder Services

Over the door of the old Securities and Exchange Commission (SEC) building were the words "The Investor's Advocate." Too often, today's SEC acts like the advocate of the entity it refers to as "the issuer" and the rest of us refer to as "the corporation." But the sign over the door of Commissioner Daniel M. Gallagher's office might as well read "The CEO's Advocate," as his statements appear to come straight from the wish list of the most over-paid, under-performing executives, the very people who love to rhapsodize about the purity of the free market as long as they themselves never have to be subjected to it.

In March of 2014, Commissioner Gallagher gave his views on shareholder proposals at Tulane University's Corporate Law Institute. He claimed that "Activist investors and corporate gadflies have used these loose rules to hijack the shareholder proposal system," and called for a cost-benefit analysis of the shareholding and substantive threshold requirements for filing a shareholder proposal. His complaint is that proposals are filed by a very small number of shareholders, including small shareholders he considers less legitimate than hedge funds, based on the assumptions that proposals are expensive for corporations and that there is no benefit to shareholders who neither submit nor support such proposals. Both are wrong. The cost to a corporation to include a non-binding shareholder proposal on a proxy is negligible. The benefit to shareholders in having the opportunity to raise significant issues beyond the scope of the "ordinary business" decisions that must be left to the discretion of executives and the board is not only enormous, it is an essential component of market credibility and efficiency. To suggest that only the "other avenues" available to hedge funds are the optimal form of market response is to leave shareholder oversight to one small segment of providers of capital who operate in secret and, unlike proxy proposals, are not subject to a majority vote of all shareholders.

Even more outrageous was the draft article Gallagher co-authored with former SEC Commissioner Joseph Grundfest, which some experts, including 34 senior corporate and securities law professors, have found to be not just wrong on the merits but a possible violation of SEC ethics rules. Grundfest and Gallagher say that shareholder proposals drafted by Harvard Law School's Shareholder Rights Project and submitted by shareholders fail to accurately describe the current state of the academic literature, which can be characterized as a material omission that violates Rule 14a-9. It posits that not just the shareholder proponents but Harvard itself might be liable for this violation. As noted in The New York Times, Robert J. Jackson Jr., a professor at Columbia Law School, said he was shocked when he read the paper. "All should agree that it is wildly inappropriate for a sitting S.E.C. commissioner to issue a law review paper accusing a private party of violating federal securities law without any investigation or due process of any kind. This is a striking, and as far as I know unprecedented, departure from longstanding S.E.C. practice." Of course, he does not suggest that companies should be similarly required to argue both sides for their own proposals. Investors must be vigilant about this insidious incursion on shareholder rights, with strong comment letters to the Chairman in support of the rights of shareholders to submit proposals and to advocate for their support.

Understanding Shareholder Votes

Most proxy votes are dominated by company management and a few dozen large financial institutions, which often automatically vote with management and hold the majority of a company's shares.

Consequently, it is difficult and extremely rare to see a majority vote on a shareholder-initiated proposal, although votes have been rising steady and a majority vote is not as unusual as it once was. Recognizing this, the SEC requirement for a proposal to receive enough votes to be re-filed for the following year is 3 percent for the first year, 6 percent the second year, and 10 percent the third year and each subsequent year. While these votes would be negligible in the political arena, even relatively modest shareholder votes can serve as the impetus for significant corporate policy changes. In most cases, an investor with 3 percent ownership in a company would be one of the top shareholders, and thus even single digit votes may gain considerable attention from company management. Social proposal votes above 10 percent are virtually impossible to ignore and often—but not always—result in some action by the company to address the shareholder's concerns.

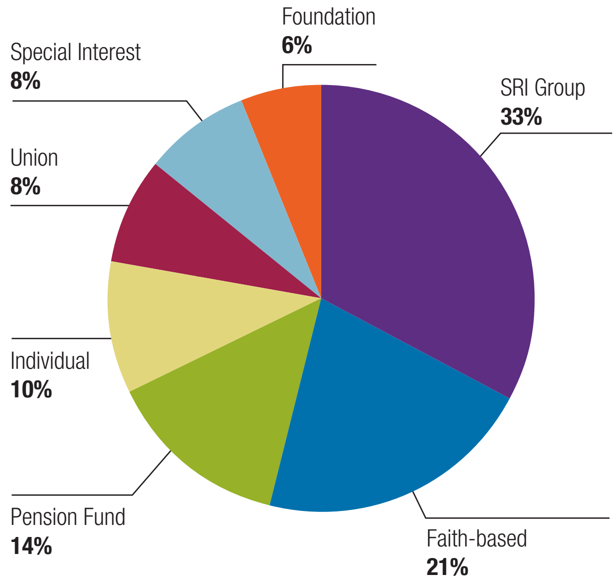
MORE ON THE WEB:
More information on what happens when companies challenge proposals at the Securities and Exchange Commission using the Shareholder Proposal Rule provisions is available at **www.proxypreview.org**.

Major Players

Proposals often have many co-filers with one lead or primary filer. The following is based on the primary filers for this year's social, environmental and sustainable governance resolutions.

Socially responsible investors (SRIs) make investment decisions based on a company's social, environmental, and governance performance, as well as its financial returns. Over the last few years, SRIs have gradually become the largest filers of shareholder resolutions. This year they are the primary filers of 144 resolutions representing 33 percent of filings, up from 31 percent in 2014. Leading this year's effort are Calvert Investments (primary filer on 33 proposals), Walden Asset Management (28), Trillium Asset Management (18) and Domini Social Investments (eight)—in addition to six proposals each from Arjuna Capital, Clean Yield Asset Management, Green Century Capital, Northstar Asset Management and Harrington Investments. Many SRI firms, like other types of proponents, work in concert with others and regularly co-file proposals.

Primary Filers in 2015



Faith-based institutions set up the Interfaith Center on Corporate Responsibility (ICCR) in 1971 and pioneered the shareholder advocacy movement for social change. For four decades, faith-based investors were the most prolific resolution filers; they continue to play a crucial role both as innovators and coordinators of shareholder networks today but now are involved in more dialogues than shareholder resolutions. They are the primary filers of 21 percent of 2015 resolutions, up from 17 percent in 2014, and co-file many more. The most active institutions are Mercy Investment Services (17 proposals), the Midwest Capuchins (Capuchin Franciscans, St. Joseph Province) (12), the Unitarian Universalists (eight), the Congregation of Sisters of St. Agnes (six) and the Presbyterian Church (USA) (six). ICCR publishes an annual book detailing the proxy season activity of its members and making recommendations on how to vote; the 2015 edition is available on its website.

Pension funds hold a unique role as active shareholders. On the one hand, they are among the largest filers of social and governance resolutions, yet, simultaneously, they often work behind the scenes to develop initiatives and benchmarks that help set standards for corporate behavior. Pension funds account for 14 percent of resolutions covered in *Proxy Preview*, down from 24 percent in 2013. The New York State Common Retirement Fund and the New York City pension funds between them have filed the most, with dozens of proposals each; the California State Teachers Retirements System is also an important player. (The big push on proxy access by the New York City funds has reduced number of pension fund proposals included here—see sidebar p. 58.)

Individual proponents have increased their share to 9 percent in 2015, up from 6 percent last year. While a small number of very active individual investors mostly have been filing corporate governance resolutions for years, the number of individual proponents of social and environmental resolutions jumped significantly this year, with 35 sponsoring proposals in 2015, up from two dozen last year.

Labor unions have played a key role in the development of the shareholder advocacy movement, particularly with regard to corporate governance issues such as executive compensation and shareholder access to the proxy statement. Union concerns on labor rights, worker safety and political spending account for 8 percent of the social and environmental resolutions filed this year, the same as in 2014. The American Federation of State, County and Municipal Employees (AFSCME) and the UAW Retiree Medical Benefits Trust (primary filers of eight each), along with the Laborers' International Union (six) and the AFL-CIO (four).

Special interest groups have used shareholder resolutions to promote their own specific issues. Their resolutions often get low votes but in some cases—such as animal welfare—they still can be part of effective corporate reform initiatives. Special interest groups account for 8 percent of this year's resolutions, up from 6 percent last year—dominated by the conservative National Center for Public Policy Research (at least 16 proposals), the Pride Foundation (eight) and People for the Ethical Treatment of Animals (seven—not all of which are publicly named).

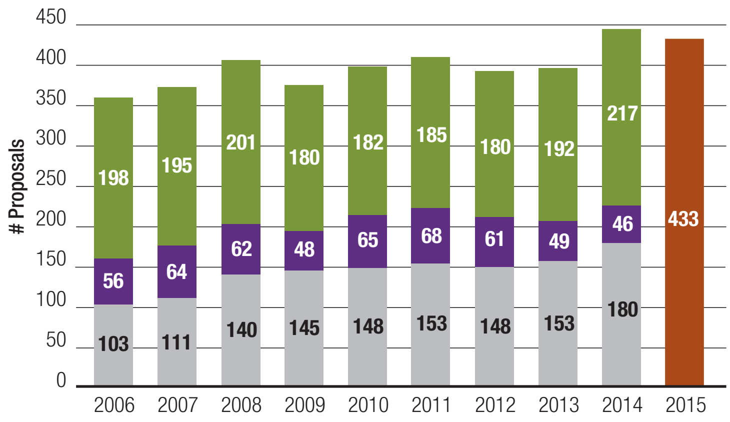
Foundations have discovered that shareholder advocacy can support their missions and strengthen financial management of their investments *(see sidebar, p. 63)*. As You Sow has been a leader among foundations in using proxy voting and shareholder advocacy, filing more than 180 resolutions since 1998. Foundations as primary filers account for 6 percent of resolutions in 2015, down slightly from 2014, again led by As You Sow (primary filer of 18 of the proposals in *Proxy Preview*) and the Nathan Cummings Foundation (four). Additional foundations serve as co-filers on many proposals.

Universities: While institutions of higher education—notably Loyola University of Chicago, Swarthmore College and Wesleyan University—have filed proposals in the last few years, they are not primary filers on any resolutions this year. Most of the biggest endowed schools vote their proxies, although the proportion of directly held stock has shrunk dramatically given changes in endowment management practice, prompting a reexamination of options for engagement at some institutions. This is coming even as many grapple with increasingly insistent student demands to sell fossil fuel stock. Some school endowments have formed the Intentional Endowments Network *(See sidebar, p. 64)*, which is convening meetings for those responsible for endowment management and other stakeholders, as part of an effort begun last year as a project of Second Nature, which coordinates the American College and University Presidents' Climate Commitment.

Shareholder Proposal Trends

The number of shareholder proposals on social and environmental issues has climbed steadily upwards, with a big jump between 2013 and 2014 that shows no sign of stopping this year. Investor support also is increasing. The number of proposals voted has not climbed as steeply, though, given an increase in withdrawn proposals—which reached an all-time high proportion in 2014 of 40 percent. From 2006 to 2011, the proportion of proposals that were omitted because they did not conform to the Shareholder Proposal Rule stayed about the same overall, despite important changes in the SEC's interpretation of the rule, before dropping to a new low of just 10 percent in 2014. The biggest change in shareholder proposal results in the last decade has been the doubling of average support, reaching 21.9 percent in 2014.

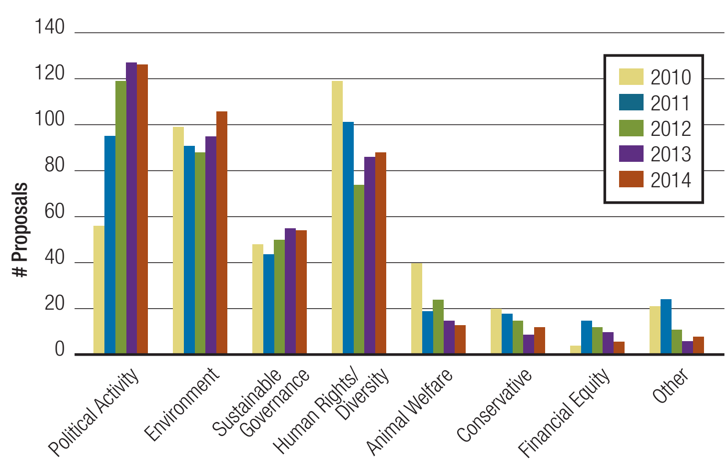
Proposals Filed, 2006-2015



Sources: IRRC, ISS, Si2. Data as of 2-17-15

Overall trends: Four categories of proposals stand out from the others *(see Proposals Filed, 2010-2014)*. The flood of political activity resolutions has continued, unabated, with nearly 130 proposals in 2013 and 2014. The second largest current category of proposals has focused on the environment, with most taking up some aspect of climate change and energy production; these proposals increased to more than 100 in 2014 for the first time. Sustainable governance concerns, including board oversight of environmental and social issues and reporting on a wide range of often cross-cutting sustainability concerns, was about the same in 2014 and 2013. Proposals about human rights and decent working conditions, combined with a mix of diversity topics (for board representation as well as among employees) picked up in 2013 and 2014, although their overall total is still below the 2010 level. The mix in 2014 included resolutions focused on human rights risk assessments, in an expansion of a 2013 initiative.

Proposals Filed, 2010-2014

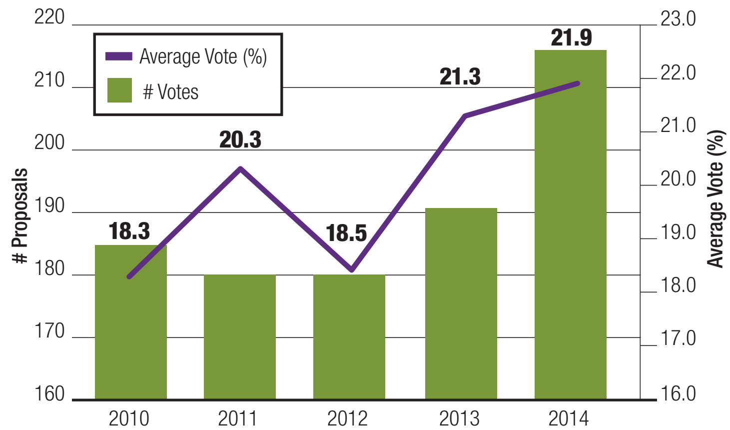


Proposals about animal welfare in industrial agriculture production as well as in medical laboratories have dropped considerably over the last several years; while they garner little investor support proponents nonetheless have successfully achieved some reforms. Also of note is a small but persistent set from political groups on the right, which increased in 2014 and has now doubled in 2015. Outside these categories, the total number of other resolutions is limited.

Votes: The bar chart at right illustrates the overall volume of votes and level of support for environmental and social shareholder proposals in the last five years. *(These figures exclude three management-supported proposals.)*

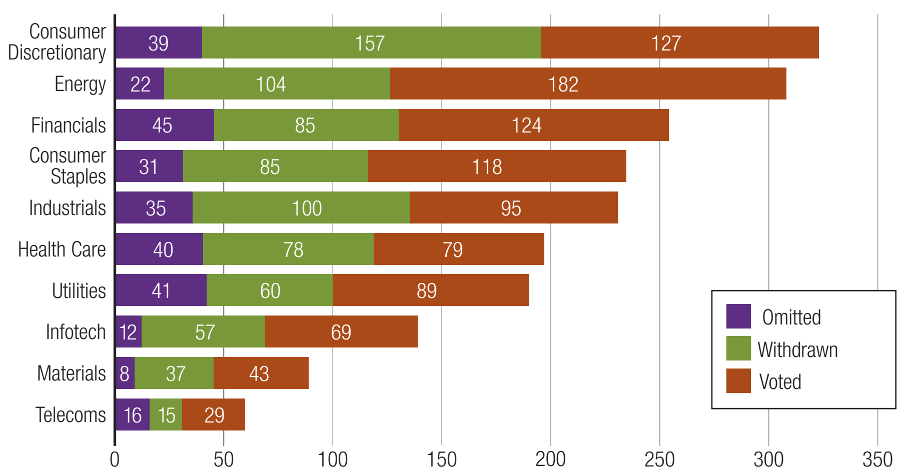
Withdrawals and omissions: About four in 10 of all filed proposals end up getting withdrawn each year, a proportion that has gradually increased. Proposals on issues that receive high levels of support are the least likely to be struck from proxy statements after company challenges at the SEC. Generally they are the most amenable to negotiated withdrawals as well. Proposals on diversity, corporate political activity and sustainable governance average more than 20 percent support, while climate and energy resolutions also have crossed this threshold. These issues have low rates of omission and—except for political activity—have high withdrawal rates. These withdrawals have come in most cases after proponents and companies agreed to either discuss the issues further or take specific actions.

U.S. Environmental and Social Shareholder Proposal Votes, 2010-2014



Sector trends: Energy and Consumer Discretionary sector companies are the most likely to receive proposals, with more than 300 filed in each of these sectors in the last five years. Further, while overall only about half the proposals filed went to votes, Energy company proposals were much more likely to see votes (59 percent of filings voted on) than those at Consumer Discretionary firms (only 40 percent voted on). Energy companies were the least likely to win omissions at the SEC (just 7 percent of filed proposals omitted for the sector), while Telecoms and Utilities had the most luck (27 percent and 22 percent of filings omitted, respectively). At the same time, proponents withdrew just one-quarter of Telecom company proposals, but did so for nearly half of Consumer Discretionary filings, generally after company agreements.

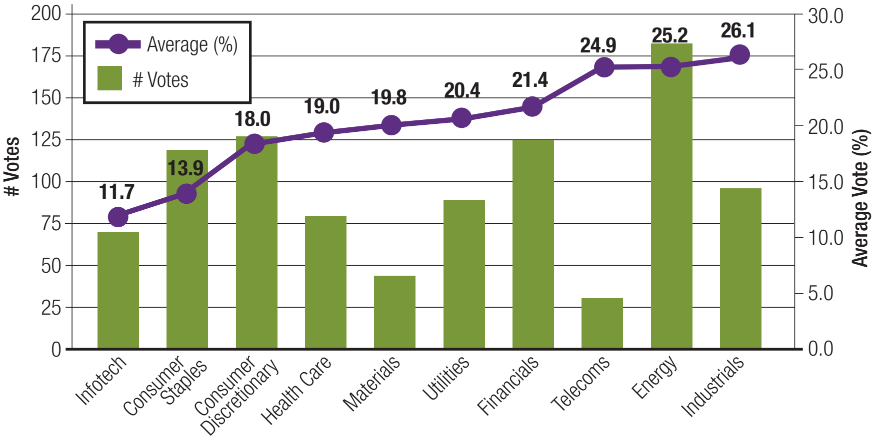
Environmental and Social Proposals Filed by Sector, 2014



Excludes 37 not voted on for other reasons.

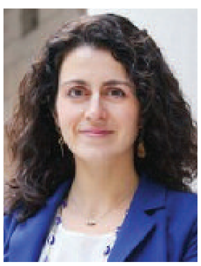
High volume and support in the Energy sector: Resolutions voted on at Industrials companies earned the highest average support (26.1 percent for 95 resolutions), but the Energy sector has seen twice as many votes with average support more than 25 percent support. The Telecoms average support of 24.9 percent was close behind, but there were only 29 votes.

Social and Environmental Proposal Average Votes by Sector, 2010-2014



expertinsight

TRACKING THE IMPACT OF SHAREHOLDER ENGAGEMENT



CHRISTI ELECTRIS
Senior Associate, Croatan Institute

BECKY JOHNSON
Associate, Croatan Institute

Even as a growing number of investors raise ESG issues with public companies, and more companies respond by changing their policies and practices, data and reporting on shareholder engagement has remained largely anecdotal.

The Impact of Equity Engagement (IE2) is a multi-stakeholder initiative seeking to understand the nature of impact within public equities—where investors' engagement activities have generated meaningful social and environmental impacts. In November 2014, the initiative released a comprehensive report highlighting the multiple ways investors can and have engaged with publicly listed companies, including eight case studies and dozens of additional examples of impactful equity engagement.

The IE2 initiative classified over 40 types of shareholder engagement activities into four major categories:

- **Proxy process:** Shareholder resolution filing and proxy voting.
- **Dialogue:** Communicating directly or indirectly with a company to demand changes in practices that affect ESG issues (often following a shareholder resolution).
- **Policy:** Attempting to influence government regulation to require companies to improve their ESG impacts.
- **Assertive action:** Taking legal action or campaigning to force or pressure a change in company behavior.

Initial studies suggest that impactful engagement is characterized by 1) **collaboration**, with other investors or grassroots campaigns and civil society stakeholders; and 2) **escalation**, or deepening engagement over time. However, because most efforts to document the impact of engagement have been anecdotal rather than analytical, a major objective of this initiative is to develop new, standardized ways to track and report engagement activities, their outcomes and impacts.

The IE2 initiative has developed a reporting framework to improve the way that public equity engagement activities are tracked and reported across this landscape. Thirteen investors have committed to alpha-testing the framework by using it to track their engagements during the 2015 proxy season, leading into the development of a beta version for wider use. IE2 hopes this tool will eventually aggregate anonymized data from multiple investors, helping to identify what factors lead to successful shareholder engagements in general, and allowing investors to track and evaluate their own activities so they can allocate their resources more effectively.

IE2's work will help investors understand how they can affect companies in their portfolios. It highlights for Principles for Responsible Investment signatories and other active owners a fuller menu of options for being engaged investors. And IE2 can demonstrate how investor-company engagements can be in the long-term best interests of companies, shareholders, and the stakeholders affected by corporate activities.

THE 2015 PROXY SEASON

This section of the report presents information on all the social and environmental proposals that investors have filed for the 2015 proxy season according to Si2 research—a total of 433 resolutions as of February 17, up from 417 resolutions at this time last year. Additional proposals for spring votes will surface as the season progresses, and a handful more are likely to be filed for meetings that occur after June, making it likely that 2015 will break new records in the volume of filings.

Some of the proposals included in the aggregate totals at the beginning of this report have yet to be made public. Si2 is aware of just nine resolutions that are not described in detail because proponents have not yet made them public.

Structure of the report: Information is presented in four main areas, as noted above—Environment, Social, Sustainable Governance and Financial Equity—plus Conservatives. Discussions of the proposals note how many have been filed in all, which of these remain pending, how many have been withdrawn for tactical or substantive reasons after negotiated agreements with companies, and the disposition of challenges to the proposals at the Securities and Exchange Commission (SEC), which issues opinions on the admissibility of resolutions under the Shareholder Proposal Rule (14a-8). The analysis focuses on the resolved clause requests and how these are different or the same compared with previous proposals. The report notes the levels of support that can be expected based on previous trends, and how much support resubmitted proposals received in the past. It takes particular note of new developments.

Key information—Within each section, at-a-glance information is presented in tables that provide the name of each company, a short description of each resolution, the primary sponsor of the proposal, and the month in which the company annual meeting date is likely to occur; investors can expect to see proxy statements with specific meeting dates four to six weeks before the meetings occur.

Voting eligibility—To vote on proposals, investors must own the stock as of the "record date" set by the company and disclosed in the proxy statement, usually about eight weeks before the annual meeting.

Environment

Last year's resurgent focus on climate change disclosure resolutions is continuing, and overwhelms all the other environmentally focused proposals. The climate conversation is still all about carbon accounting and risk management disclosure—with 83 resolutions on these topics (about the same as in 2014). Other environmental management topics account for another 35 resolutions. These cover packaging, deforestation and water, as well as industrial agricultural matters and toxic materials used in products.

(The section on Sustainable Governance, p. 48, examines 44 more related proposals, most of which also request more transparency from companies about environmental management at their own operations and in their supply chains, in conjunction with reporting on social and other issues.)

CLIMATE CHANGE

Continuing the full court press for more corporate action to curb emissions that are warming the planet, investors are asking companies to set specific goals to cut back. Carbon accounting predominates, both in requests about greenhouse gas emissions disclosure and target setting and also specifically with regard to measurement of methane leaks from expanded domestic U.S. oil and gas production. Other concerns investors are raising this year in new ways are questions about how companies would respond to low fossil fuel demand scenarios, handle stranded carbon assets and contend with the risks associated with shifting regulatory and physical conditions. A few resolutions also ask banks to take carbon asset risks into account in lending.

Additional climate and energy proposals ask for hard data from companies that use hydraulic fracturing to unlock domestic U.S. energy resources, seeking information on chemicals used and the impacts on water, waste, air and communities. Only one proposal takes up risks from coal. But a new resolution poses questions about risks posed by transporting oil and gas via rail. Finally, the California State Teachers' Retirement System (CalSTRS) this year has turned to property companies with its energy management push, although few if any votes there are likely.

Deforestation proposals, concerning palm oil and other commodities, suggest companies need to attend to their far-flung global supply chains to nurture carbon sinks that absorb carbon dioxide—while at the same time ensuring that human rights are protected in the process. Continued skepticism about the adequacy of the Roundtable on Sustainable Palm Oil has prompted about half a dozen resolutions asking for data that would show companies are mitigating any negative impacts.

The Ceres coalition coordinates nearly all these proposals, working with the Investor Network on Climate Risk (INCR) and a broad coalition of institutional investors and some individuals. Both Ceres and a growing chorus of investors suggest that any new regulatory regimes that require lower-carbon fuel sources may leave stranded carbon assets that account for a large part of the market value claimed on the balance sheets of oil, gas and coal companies. An ongoing push from students, faith-based groups and some foundations and cities to divest from fossil fuel companies and reinvest in more sustainable, renewable energy continues to prompt vigorous debate among investors and their institutional stakeholders, although this is largely not reflected in shareholder resolutions since investors must hold fossil fuel stocks to make these proposals.

(Sections below on Environmental Management, p. 24 and Sustainable Governance, p. 48, contain information on proposals about these related topics that touch on both climate change and additional environmental and social matters.)

GHG Emissions Accounting

Setting reduction targets: The 22 requests for companies to set greenhouse gas emissions (GHG) reduction targets make up the lion's share of climate resolutions in 2015, with some variations; 16 of these are still pending.

The biggest group contains the familiar proposal that asks simply for each company "to adopt quantitative goals, based on current technologies, for reducing total greenhouse gas emissions." At nine companies—**Berkshire Hathaway** (for its utility subsidiary), **Costco**, **Dominion Resources**, **FirstEnergy**, **Great Plains Energy**, **Phillips 66**, **Qualcomm**, **Southern** and **Time Warner**—the request is for company operations. At a further 12 firms the request encompasses both operations and products—**AGL Resources**, **Chevron**, **Cleco**, **Dillard's**, **ExxonMobil**, **HB Fuller**, **HD Supply Holdings**, **J.B. Hunt**, **Marathon Petroleum**, **Sensient Technologies**, **SouthWest Gas** and **Valero Energy**.

A variant at **Walmart** asks specifically for goals regarding "the international marine shipping of products sold in Walmart's stores and clubs." Three of the resolutions reference either the Intergovernmental Panel on Climate Change (IPCC)—at **Qualcomm** and **Time Warner**—or the Copenhagen Accord's call for limiting global temperature increases to no more than 2 degrees Celsius—at **Chevron**.

BRITISH PETROLEUM AND ROYAL DUTCH SHELL ENDORSE SHAREHOLDER RESOLUTION ON CLIMATE CHANGE

As U.S. investors gear up for voting on the wide range of climate change proposals, faith-based investors in the United Kingdom celebrated what they see as a significant achievement with two of the largest energy companies in the world—**BP** and **Royal Dutch Shell**. In unusual moves at the end of January and start of February, both companies announced their endorsement of a shareholder proposal submitted by a coalition of investors that includes U.S. and U.K. institutional investors in the "Aiming for A" campaign. The proposal asks that more information be included in the companies' routine annual reporting, including:

> ongoing operational emissions management; asset portfolio resilience to the International Energy Agency's (IEA's) scenarios; low-carbon energy research and development (R&D) and investment strategies; relevant strategic key performance indicators (KPIs) and executive incentives; and public policy positions relating to climate change. This additional ongoing annual reporting could build on the disclosures already made to CDP (formerly the Carbon Disclosure Project) and/or those already made within the Company's Energy Outlook, Sustainability Review and Annual Report.

The proposal will likely prompt more scrutiny of expensive oil exploration projects such as those in the Arctic, which the campaigners say may become stranded assets if climate change regulations are put in place. In similar fashion to U.S. shareholder campaigns, the U.K. effort wants companies to consider the implications of a low-carbon future, and how this will affect investors. Andrew Logan of the Ceres oil and gas program concluded after the announcements, "It is going to make it much harder for other companies to take a less than cooperative approach. It is a real validation that these concerns are important."

Carbon Accounting Proposals

Company	Proposal	Lead Filer	Status
AGL Resources	Adopt GHG reduction targets	Calvert Investment Mgt.	April
Berkshire Hathaway	Adopt GHG reduction targets	Investor Voice	Withdrawn
Chevron	Adopt GHG reduction targets	Tri-State Coalition	May
Cleco	Adopt GHG reduction targets	Calvert Investment Mgt.	April
Costco Wholesale	Adopt GHG reduction targets	Mercy Investment Services	Withdrawn
Dillard's	Adopt GHG reduction targets	Calvert Investment Mgt.	May
Dominion Resources	Adopt GHG reduction targets	Mercy Investment Services	May
Dominion Resources	Report on methane and reduction targets	Robert Vanderhye	May
Energen	Report on methane and reduction targets	Miller/Howard Investments	April
EOG Resources	Report on methane and reduction targets	Trillium Asset Mgt.	May
ExxonMobil	Adopt GHG reduction targets	Tri-State Coalition	May
FirstEnergy	Adopt GHG reduction targets	Calvert Investment Mgt.	May
Great Plains Energy	Adopt GHG reduction targets	As You Sow	May
HB Fuller	Adopt GHG reduction targets	Calvert Investment Mgt.	Withdrawn
HD Supply Holdings	Adopt GHG reduction targets	Sonen Capital	May
Hess	Report on methane and reduction targets	Arjuna Capital	May
J.B. Hunt	Adopt GHG reduction targets	Calvert Investment Mgt.	April
Kinder Morgan	Report on methane and reduction targets	Miller/Howard Investments	May
Marathon Oil	Report on methane and reduction targets	Nathan Cummings Fndn	April
Marathon Petroleum	Adopt GHG reduction targets	Mercy Investment Services	April
Occidental Petroleum	Report on methane and reduction targets	Arjuna Capital	May
OGE Energy	Report on GHG emissions targets	NYSCRF	May
Phillips 66	Adopt GHG reduction targets	Presbyterian Church (USA)	May
PPL	Report on GHG emissions targets	NYSCRF	May
Precision Castparts	Adopt GHG reduction targets	Presbyterian Church (USA)	June
Qualcomm	Adopt GHG reduction targets	Walden Asset Mgt.	Withdrawn
Sensient Technologies	Adopt GHG reduction targets	Calvert Investment Mgt.	Withdrawn
Southern	Adopt GHG reduction targets	Srs. of Charity of St. Eliz.	May
SouthWest Gas	Adopt GHG reduction targets	Calvert Investment Mgt.	Withdrawn
Southwestern Energy	Report on methane and reduction targets	Arjuna Capital	May
Targa Resources	Report on methane and reduction targets	Arjuna Capital	May
Time Warner	Adopt GHG reduction targets	Srs. of Charity of St. Eliz.	June
Valero Energy	Adopt GHG reduction targets	Mercy Investment Services	May
Walmart	Adopt GHG reduction targets	Mary Patt Tifft	June
Wisconsin Energy	Report on GHG emissions targets	NYSCRF	May

Withdrawals and SEC challenge—Proponents have withdrawn five of the proposals after reaching agreements at companies considering the request for the first time (**Costco Wholesale**, **HB Fuller**, **Qualcomm**, **Sensient Technologies** and **SouthWest Gas**). The proponent also withdrew at **Berkshire Hathaway**, but only because a previous similar proposal had missed the resubmission threshold last year and the SEC seemed likely to approve exclusion of the proposal. There are three other SEC challenges, but the commission has rejected **J.B. Hunt's** contention that the resolution concerns ordinary business. Still outstanding are two other ordinary business challenges at **FirstEnergy** and **Great Plains Energy**; First Energy also contends the proposal is moot.

Regulatory risks: The New York State Common Retirement Fund (NYSCRF) has a proposal pending at three energy companies—**OGE Energy**, **PPL** and **Wisconsin Energy**—asking for a report on how each "can fulfill medium and long-term greenhouse gas emission reduction scenarios consistent with national and international GHG goals, and the implications of those scenarios for regulatory risk and operational costs." OGE is contending at the SEC that the resolution is moot and contains false and misleading information but the commission has yet to respond.

METHANE: THE POTENT GREENHOUSE GAS ACCELERATING CLIMATE CHANGE

LUAN STEINHILBER

Director of Operations and Shareholder Advocacy, Miller/Howard Investments

Methane is the primary component of natural gas and accounts for approximately 9 percent of total U.S. greenhouse gas (GHG) emissions; by contrast, carbon dioxide accounts for nearly 80 percent of GHG emissions. However, methane absorbs and traps heat up to 84 times more than carbon dioxide.

According to the Environmental Protection Agency (EPA), methane emissions from the oil and gas industries account for 29 percent of U.S. methane emissions. Methane from oil and gas production is emitted across the value chain: upstream (drilling site and gas processing plants) and downstream (pipelines and storage systems). A recent study by the University of Texas found that when escape rates from methane sources across operations factor in leaks across the entire value chain, emissions are actually higher than the EPA estimates.

Consequently, curbing methane emissions is an important component of slowing climate change, and investors have a key role to play by encouraging companies to raise their standard of operations and adopt best practices, including disclosure.

In January 2015, the Obama Administration unveiled its first regulations targeting methane emissions from industrial sources, underpinning a new goal to cut methane emissions from the oil and gas sector by 45 percent by 2025 from 2012 levels. Initially these rules will apply only to new and modified oil and gas systems.

Miller/Howard believes these new rules are a step in the right direction but meaningful reduction should include existing systems. Investors are asking oil and gas companies to take leadership roles in disclosure, which is necessary for investors to analyze a company's response to climate change. Public disclosure helps influence the industry by allowing investors, policymakers, and the public to see how companies are implementing technologies to measure, monitor and reduce methane emissions. Although **Energen** has invested in emissions-reduction technology measures as part of the EPA Natural Gas Star program, Miller/Howard asks the company to increase disclosures before regulations are implemented.

We have also requested that **Kinder Morgan** issue a report on its operations, including efforts to measure, disclose and set quantitative reduction targets for methane emissions. We would like to see Kinder Morgan become a leader in midstream distribution with quantifiable methane emission disclosure and goals for further reduction.

Disclosure of this type is not only good for the environment, it is good business.

Methane releases: For companies using unconventional methods (usually involving hydraulic fracturing) to extract either natural gas or petroleum liquids from shale deposits, the focus is on methane, where the critical question is how much of this carbon-intensive gas escapes from the production and subsequent transportation process. Slight variations asks for reports on "actions and plans to measure, mitigate, disclose and set quantitative reduction targets for methane emissions resulting from all operations under the Company's financial or operational control." The proposal is pending at 10 companies—one that has yet to be made public plus **Dominion Resources**, **Energen**, **EOG Resources**, **Hess**, **Kinder Morgan**, **Marathon Oil**, **Occidental Petroleum**, **Southwestern Energy** and **Targa Resources**.

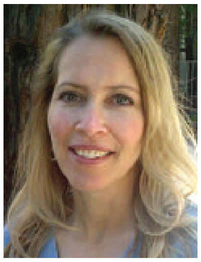
SEC action—The SEC so far has rejected the sole challenge lodged, in which **EOG Resources** said it already had implemented the disclosure request. The SEC disagreed, saying that its "public disclosures [do not] compare favorably with the guidelines of the proposal."

Reporting on climate risks: Fifteen resolutions ask for reports about climate change and how it will affect companies.

Low demand and high capital expenditures—The recent drop in oil prices may have helped prompt questions about the risks of long-term investments in expensive production equipment. One proposal asks **Newfield Exploration**, **Chesapeake Energy**, **Energen**, **Kinder Morgan** and **Marathon Oil** for a report "analyzing the consistency of company capital expenditure strategies with policymakers' goals to limit climate change, including analysis of long- and short-term financial risks to the company associated with high-cost projects in low-demand scenarios, as well as analysis of options to mitigate related risk." A slightly different proposal along the same lines asks **Noble Energy** for a report on whether its business plans "align with the global goal of limiting global warming to below 2 degrees, including an analysis of the impact that such a policy would have upon demand for and pricing of the company's products and options for aligning company goals with such policy, demand, and pricing trends."

advocacyposition

IN THE FACE OF CARBON ASSET RISK, SHAREHOLDERS LOOK TO RECLAIM AT-RISK CAPITAL




DANIELLE FUGERE
President and Chief Counsel, As You Sow

NATASHA LAMB
Director of Equity Research and Shareholder Engagement, Arjuna Capital

Climate change represents the biggest risk that oil companies face this century—for two fundamental reasons: There is only so much easy oil we can extract from the ground and only so much carbon we can pump into the air while retaining a livable planet. These physical constraints will define the energy business in the 21st century, and have already begun to do so.

Since the era of easy-to-extract oil has come to a close, the steepening cost profile of unconventional oil projects (i.e. expensive and hard-to-get oil) is placing investor capital at risk—at a time when the industry is also at its most vulnerable to climate change.

Over the last 10 years, the oil industry has doubled capital spending to grow crude oil supply a mere 3 percent. Last year, companies spent north of $650 billion dollars to find and develop increasingly remote and carbon-intensive "frontier" fuels in deep waters, tar sands and the arctic.

At the same time, companies are not adequately preparing for a "low carbon" scenario in which governments take dramatic action to avoid catastrophic climate change, including cutting allowable carbon emissions or increasing the price of carbon. However accomplished, a majority of fossil fuel reserves will become stranded or significantly devalued as a result.

Last year, shareholders asked 10 oil companies to disclose the risk that vast amounts of their firms' oil reserves will be left "stranded" and unburnable due to climate change. Arjuna Capital and As You Sow's 2014 engagement with **ExxonMobil** yielded the first public response to this concern by way of a 30-page report.

This was an exercise in transparency—Exxon revealed that it is not preparing for the biggest fundamental business risk the company faces this century. While important to have on record, it is not enough.

This year, shareholders have asked Exxon and **Chevron**, in lieu of placing additional investor capital at risk by breaking ground on more high-cost, high-carbon projects, to increase capital distributions to shareholders through dividends—the first "climate change" proposals to address a firm's capital allocation strategy as a means of risk reduction.

Oil companies are in a tight spot—spending is up, production is flat, revenue is down and profitability is suffering. Climate change and carbon asset risk will only exacerbate these fundamental challenges, further constraining future demand. It's time shareholders vote to reclaim at-risk capital.

Stranded assets—As You Sow is proposing that **Anadarko Petroleum**, **Consol Energy** and **Hess** each report on its "strategy to address the risk of stranded assets presented by global climate change and associated demand reductions for oil and gas, including analysis of long and short term financial and operational risks to the company." All three are still pending.

NYSCRF has withdrawn a proposal that asked **Alliant Energy** and **Alliant Techsystems**—which both had lodged challenges at the SEC—to explain how each "can fulfill medium and long-term greenhouse gas emission reduction scenarios consistent with national and international GHG goals, and the implications of those scenarios for regulatory risk and operational costs." The fund withdrew following company commitments, including that Alliant Energy will report about GHG reduction scenarios to investors, but the proposal is still pending at **Martin Marietta**, which told the SEC the proposal relates to ordinary business (the SEC has yet to issue a view on this). A slightly different version is also pending at **Devon Energy**, asking how it will address global warming given the implications of fossil fuel use.

Combining the low demand and stranded assets arguments are two other proposals to oil majors. As You Sow wants **Chevron** "to adopt and issue a dividend policy increasing the amount authorized for capital distribution to shareholders in light of the growing potential for stranded assets and decreasing profitability associated with capital expenditures on high cost, unconventional projects." For its part, proponent Arjuna Capital says, "[i]n light of the climate change related risks of decreasing profitability and stranded asset risk associated with planned capital expenditures on high cost carbon projects," **ExxonMobil** should "commit to increasing the amount authorized for capital distributions to shareholders through dividends or share buy backs." Exxon contends the resolution is too vague, relates to ordinary business and already has been implemented—and that it constitutes more than one proposal. Chevron also has mounted a challenged. The SEC has yet to issue a decision in either case.

Storms and rising seas—Pamela Morgan, part of the group of Sierra Club members that has many proposals before **Dominion Resources**, wants the utility to describe "the financial risks…posed by climate change and resulting impacts on share value, specifically including the impact of more frequent and more intense storms" and how the company will respond. At **Phillips 66**, Calvert Investments wants "specific disclosure regarding the company's awareness of and preparation for physical impacts and risks related to climate change including storm surges and sea level rise."

Financing GHG emissions: The Sisters of the Holy Names, a member of ICCR, and Trillium Asset Management are continuing an effort to get banks to consider GHG emissions in financing activities. The Sisters have refiled their 2014 proposal at **Bank of America**, asking for a report on the firm's "assessment of the greenhouse gas emissions resulting from its financing portfolio and its exposure to climate change risk in its lending, investing, and financing activities." It earned 24 percent last year. It also is pending for the first time at **Umpqua Holdings**. Trillium notes that bank has joined the Oregon Business Climate Declaration and wants to know about risk assessment and exposure in its "lending, investing and financing activities."

Carbon Risk Proposals

Company	Proposal	Lead Filer	Status
Alliant Energy	Report on climate change	NYSCRF	Withdrawn
Alliant Techsystems	Report on climate change	NYSCRF	Withdrawn
Anadarko Petroleum	Report on climate change	As You Sow	May
Bank of America	Report on GHG emissions and finance	Srs. of the Holy Names	May
Chesapeake Energy	Report on climate change	Unitarian Universalists	June
Chevron	Report on hydraulic fracturing/shale risks	Srs. of St. Francis of Phila.	May
Chevron	Increase authorized dividend (stranded assets)	As You Sow	May
Chevron	Report on offshore oil wells	James B. Hoy	May
ConocoPhillips	Report on oil and gas transport risks	Sch. Srs. N. Dame, St. Louis	May
Consol Energy	Report on climate change	As You Sow	May
Devon Energy	Report on climate change	NYSCRF	June
Dominion Resources	Report on climate change	Pamela Morgan	May
Dominion Resources	Report on coal ash risks	Ruth Amundsen	May
Energen	Report on climate change	CT Retirement Plans	April
ExxonMobil	Report on hydraulic fracturing/shale risks	As You Sow	May
ExxonMobil	Report on oil and gas transport risks	Srs. of Charity of St. Eliz.	May
ExxonMobil	Increase authorized dividend (stranded assets)	Arjuna Capital	May
Hess	Report on climate change	As You Sow	May
Kinder Morgan	Report on climate change	FAFN	May
Kinder Morgan	Report on oil and gas transport risks	Trinity Health	May
Marathon Oil	Report on climate change	Unitarian Universalists	April
Martin Marietta	Report on climate change	NYSCRF	May
National Fuel Gas	Report on hydraulic fracturing/shale risks	Miller/Howard Investments	Withdrawn
Newfield Exploration	Report on climate change	Unitarian Universalists	May
Noble Energy	Report on climate change	Presbyterian Church (USA)	April
Phillips 66	Report on climate change	Calvert Investment Mgt.	May
QEP Resources	Report on hydraulic fracturing/shale risks	Calvert Investment Mgt.	May
SM Energy	Report on hydraulic fracturing/shale risks	Calvert Investment Mgt.	May
Umpqua Holdings	Report on GHG emissions and finance	Trillium Asset Mgt.	April
Union Pacific	Report on oil and gas transport risks	Friends Fiduciary	Withdrawn
WPX Energy	Report on hydraulic fracturing/shale risks	Green Century	May

Other Climate and Energy Proposals

Shale energy: Intense public debate about the recent significant expansion of domestic gas and oil production, made possible by the use of hydraulic fracturing, has been a key concern of investors who worry that the "bridge to a clean energy future" promised by cleaner-burning gas developers has many pitfalls. In recent years, quite a few of the shareholder resolutions on the subject have been withdrawn after companies have agreed to more disclosure, after high shareholder proposal votes. But a report from the Investors Environmental Health Network and its partners (As You Sow, Green Century and Boston Common Asset Management) released in December 2014, *Disclosing the Facts: Transparency and Risk in Hydraulic Fracturing Operations*, remains skeptical. It found that most of the 30 companies it assessed do not release enough information to allow investors to accurately gauge their key risk management practices about chemicals, water use and quality, waste management, air emissions and community impacts.

Previous Action at 2015 Shale Energy Proposal Recipients

Company	2010	2011	2012	2013	2014
Chevron	–	40.5%	27.9%	30.2%	26.6%
ExxonMobil	26.3%	28.5%	29.6%	30.2%	Withdrawn
SM Energy	–	Withdrawn	–	–	–

(No earlier proposals at National Fuel Gas, QEP Resources or WPX Energy)

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NY STATE BAN AND GLOBAL SHAREHOLDER CAMPAIGN HIGHLIGHT NEW CONCERNS OVER FRACKING

STEVEN HEIM

Managing Director and Director of ESG Research and Shareholder Engagement, Boston Common Asset Management

2014 was a pivotal year for investors concerned about the risks of hydraulic fracturing for their investments. Key developments included: major legal and policy decisions in New York State, seven shareholder proposals, a new investor report that revealed weak company disclosure on hydraulic fracturing risks and a new global investor initiative on fracking.

New York State was the nexus of two major legal and policy decisions in 2014. Following years of debate and study, New York's precedent-setting decision to ban hydraulic fracturing may have an immediate national impact on other states that are considering fracking. New York's Attorney General reached groundbreaking agreements with **EOG Resources** and **Anadarko Petroleum** whereby they committed to provide publicly accessible information on the financial effects of regulation, litigation and environmental impacts of their fracking operations.

As a sign of rising global investor interest, in 2014 a group of nearly 40 investor signatories to the UN backed-Principles for Responsible Investment launched a three-year collaborative engagement on hydraulic fracturing with over 50 oil & gas and energy services companies worldwide. The investors, with a combined $6 trillion in assets under management, aim to improve disclosure and practices in the sector.

In *Disclosing the Facts 2014: Transparency and Risk in Hydraulic Fracturing Operations*, **Chevron**, **ExxonMobil**, **QEP** and **WPX** ranked among the weakest for disclosure by oil and gas companies. This is an annual investor scorecard analyzing whether companies report their practices and progress in reducing risks of their fracking operations and is published by As You Sow, Boston Common Asset Management, Green Century Capital Management and the Investor Environmental Health Network.

A number of the 30 largest oil and gas companies engaged in hydraulic fracturing improved their scores over the previous year. The top five in the 2014 were **BHP Billiton**, **Hess**, **EQT**, **Encana** and **Apache**. However, the majority of oil and gas companies continue to receive failing scores, preventing investors from accurately assessing how, or whether, these companies manage key risks of fracking, such as the use of toxic chemicals, water consumption and water quality, waste management, air emissions and community impacts.

Beyond improving disclosure, investor engagement has stimulated new ideas that are helping companies survive low oil prices, such as at Apache. Apache lowered costs with innovative, "green" practices that use less chemicals, water and diesel fuel.

Trends in 2014 show industry needs to disclose how it is managing fracking risks. Insufficient disclosure will invite increased regulatory and legal opposition and further ignite concern.

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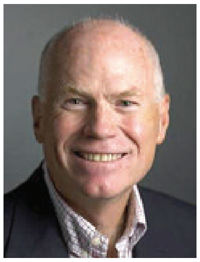


EXPLOSIVE GROWTH IN CRUDE OIL BY RAIL

FRANCIS X. SHERMAN
Associate Director, Wisconsin, Iowa, & Minnesota Coalition for Responsible Investment

The boom in unconventional oil production from oil sands and shale oil has resulted in the U.S. becoming the world's top petroleum and natural gas producer. This has challenged the infrastructure to transport the heavy crude, which must be shipped over 1,000 miles to refineries on the Gulf Coast. As Congress debates adding more pipeline capacity, the safety risk presented by transporting crude oil by rail has been magnified by increasing volumes and hazards.

Rail shipment of crude has grown 4,000 percent over the last six years, so it is no coincidence that more crude oil was spilled in rail incidents in 2013 than in the previous 37 years combined. Moreover, the U.S. Department of Transportation (USDOT) determined that crude oil from the North Dakota Bakken region is more volatile and flammable than other crudes. This was evidenced on July 6, 2013 when a train carrying Bakken crude oil through Lac-Mégantic, Quebec derailed, spilling 1.5 million gallons of crude and leveling the town center in an oil-fueled inferno, killing 47 people.

Commenting on these rail catastrophes, James Beardsley, global rail practice leader for **Marsh & McLennan** insurance brokerage unit, stated: "There is not currently enough available coverage in the commercial insurance market anywhere in the world to cover the worst-case scenario."

The USDOT proposed rules last June that required testing of crude oil, create new standards for tank car, restricted speeds, train routing analysis and comprehensive spill response plans. In addition, the North Dakota Industrial Commission decided to require oil companies to remove volatile gaseous compounds before shipping their crude on railroads. This issue brought the previously alienated oil and railroad industries together to work with the USDOT to share best practices. Although the industry claimed to be cooperating with the regulators, *The Wall Street Journal* reported that "oil companies and railroads have united to fight some proposed federal rules on oil-train safety after a year of pointing fingers at each other over explosive accidents." The rail companies expressed fear that the proposed lower speed limits could cause delays for the entire rail network, while oil companies don't want to invest in new equipment.

The USDOT expects to publish the final rule in May 2015. Meanwhile, shareholders plan to expand our engagement with more industry players.

The six resolutions filed to date in 2015 ask, in varying formulations, for reports using quantitative and/or qualitative indicators about environmental and social impacts. The resolution to **Chevron** and **National Fuel Gas** highlights "adverse water resource and community impacts," while the one to **QEP Resources** and **SM Energy** requests more information about "water and emissions management." At **ExxonMobil** and **WPX Energy**, the proponents want annual reports on "company procedures and practices, above and beyond regulatory requirements, to minimize the adverse environmental and community impacts" of hydraulic fracturing. *(The table above shows the fate of previously filed resolutions at these firms.)*

SEC action and a withdrawal—Miller/Howard Investments has withdrawn at **National Fuel Gas** given what it says are commitments from the company, but **ExxonMobil** has challenged at the SEC, arguing the proposal from As You Sow is moot. (Last year, As You Sow withdrew a similar resolution, as it noted in a press release, but the group is back with more questions this year.)

Coal: Just one resolution looks at coal, asking **Dominion Resources** to report on "efforts to reduce environmental hazards associated with its coal ash disposal and storage operations, and how those efforts may reduce legal, reputational and other risks to the company's finances." Earlier proposals to the company on coal risks and mountaintop renewal practices have earned between 6 percent and 9 percent support. Dominion has challenged at the SEC, contending it relates to ordinary business and is moot but the commission has not yet responded.

Oil and gas risks: For the first time, investors are raising concerns specifically about oil and gas transportation risks—an unsurprising development given the high-profile oil train accidents in the last few years. Faith-based investors associated with ICCR are asking **ConocoPhillips**, **ExxonMobil** and **Union Pacific** to conduct "a comprehensive review and analysis of the risks (especially fiscal and reputational) linked to various kinds of disasters resulting from shipping crude oil and natural gas by rail and report." All three have challenged at the SEC, arguing this is an ordinary business matter; Friend Fiduciary withdrew at Union Pacific after discussions with the company but the other challenges are pending.

A similar proposal to **Kinder Morgan**, which to date has not filed an SEC challenge, picks up the language of climate risk proposals noted above and says the requested report should analyze

> the consistency of company capital expenditure strategies with policymakers' goals to limit climate change, including analysis of long- and short- term financial risks to the company associated with transporting high production-cost fossil fuels in low-demand scenarios, as well as analysis of options to mitigate related risk and harm to society.

One more proposal from individual James Hoy at **Chevron**, about reporting on offshore oil wells, seems unlikely to go to a vote since the company says it was filed too late. Hoy, who has pressed for more disclosure on this topic at Chevron for several years, asks for a report that would describe:

a) The numbers of all offshore oil wells (exploratory, production and out-of production) that Chevron Corp. owns or has partnership in

b) Current and projected expenditures for remedial maintenance and inspection of out-of-production wells

c) Cost of research to find effective containment and reclamation following marine oil spills.

Energy management and renewables: New this year are a few resolutions asking companies to set renewable energy use targets. Trillium Asset Management has asked **3M** and **Home Depot** (and one other company yet to be made public) to "set company-wide quantitative targets by October 2015 to increase renewable energy sourcing and/or production." Separately, individual investor Judy Haight has asked **MGE Energy** to "adopt a policy to take the steps necessary to provide customers with 25 percent of electricity from renewable sources by the year 2025." Trillium withdrew at 3M after the company agreed to set quantitative goals for the sourcing and/or production of renewable energy. The other proposals are still pending.

Also new from NYSCRF is a resolution that asks **DTE Energy** to assess how it "is adapting (or could adapt) its business model to enable increased deployment of distributed low-carbon electricity generation resources as a means to reduce societal greenhouse gas emissions and protect shareholder value," and report by September. The SEC turned back a challenge from the company, and said the issue did not concern "ordinary business," so it will go to a vote if the parties do not reach an accord.

Marion Edey, one of the **Dominion Resources** filer group, has resubmitted her resolution asking the company to assess "the environmental and climate change impacts of the company using biomass as a key renewable energy and climate mitigation strategy, including an assessment of risks to the company's finances and operations posed by emerging public policies on biomass energy and climate change." The proposal earned 21.6 percent last year.

The California State Teachers' Retirement System (CalSTRS) this year has taken its energy management effort to (mostly) fairly small real estate investment trusts. It is asking **Annaly Capital**, **Crown Castle International**, **Essex Property Trust** and **Federal Realty Trust** to "issue an energy efficiency report describing the company's short- and long-term strategies on energy use management….includ[ing] a company-wide review of the policies, practices, and metrics related to [the company's] energy management strategy." CalSTRS withdrew at Federal Realty Trust, after the firm agreed to work with consultants and develop an energy efficiency strategy. The others seem likely to be withdrawn, as well, given the pension fund's track record of success on the issue.

Renewables and Energy Management Proposals

Company	Proposal	Lead Filer	Status
3M Co	Set energy use reduction targets	Trillium Asset Mgt.	Withdrawn
Annaly Capital Management	Report on energy management	CalSTRS	May
Crown Castle International	Report on energy management	CalSTRS	May
Dominion Resources	Report on biomass and renewables	Marion Edey	May
DTE Energy	Report on energy efficiency/renewables	NYSCRF	May
Entergy	Stop development of nuclear power	March S. Gallagher	Omitted
Essex Property Trust	Report on energy management	CalSTRS	June
Federal Realty Inv. Trust	Report on energy management	CalSTRS	Withdrawn
Home Depot	Set renewable energy targets	Trillium Asset Mgt.	May
MGE Energy	Offer renewable energy purchasing options	Judy Haight	May

advocacyposition

SUSTAINABLE PALM OIL OPENS DOOR TO DEFORESTATION-FREE AGRICULTURE

ROB BERRIDGE
Director, Shareholder Engagement, Ceres

More than 20 major companies have now committed to deforestation-free palm oil, including suppliers representing over 90 percent of global palm oil supply. These commitments have the potential to be dramatically transformative, not only for the palm oil industry, but for the prevention of deforestation more broadly.

When pressed initially for improved palm oil policies, agricultural giants **Cargill** and **Wilmar** both ultimately adopted no-deforestation policies (that also protect human rights) *for all commodities they sell*. The New York Times called Cargill's new policy "one of the most sweeping environmental pledges ever made by a large agricultural company."

Palm oil and broader deforestation shareholder resolutions ask companies to, in essence, follow Cargill's lead because:

- Deforestation and human rights abuses lead to major reputational risk for companies as NGO campaigns continue to ramp up and harness social media.
- Deforestation causes 10-20 percent of annual greenhouse gas emissions, and climate change could reduce average yields by 25 percent between 2030 and 2049.
- Deforestation is not necessary to meet global demand for agricultural commodities.

Deforestation-free agriculture is both necessary and feasible:

- A recent study identified 125 million hectares of non-forest land suitable for agricultural expansion in the tropics alone, enough to accommodate projected increases in commercial agriculture for 25-50 years.
- Growing more food on existing farms is also feasible—yield increases of 45 percent to 70 percent are attainable for most crops. Over the last 15 years, crop production has increased while land under cultivation has decreased and more progress is possible.
- Only 55 percent of food crops are grown to feed people, the rest are for livestock and biofuel. 100 calories of livestock feed produces only 10 calories of pork and 3 calories of beef. The USDA is considering changing its dietary recommendations ("the food pyramid") to include environmental impact, possibly resulting in less meat-heavy dietary guidelines.
- An estimated 50 percent of all food calories are disposed of prior to consumption. If food waste was a country, its emissions would rank third, just behind China and U.S.

Yet deforestation remains a significant threat. By amplifying droughts, heat waves, and other extreme weather phenomena, deforestation's contribution to climate change could undermine efforts to increase agricultural production.

We believe investors will push more companies to follow Cargill's lead and also request third-party verification to ensure implementation on the ground. We are inspired by the hard work and leadership of many investors and companies on reducing deforestation. But much work remains to build on the momentum of recent historic deforestation commitments.

Deforestation

Ecological impacts and human rights link: Longstanding concerns about sustainable forestry voiced by investors have begun noting the ecological as well as human rights effects of deforestation—from the direct impacts of corporate actions as well as those in commodities supply chains. They are encouraging companies to cooperate with a survey on forests from CDP (formerly the Carbon Disclosure Project), and have noted that the Consumer Goods Forum, an industry network, has concluded companies drive deforestation through demands for commodity crops and food packaging materials. In 2014, proponents ended up withdrawing at food companies **J.M. Smucker** and **PepsiCo**—after discussions and corporate commitments—and at **Mondelez International** after it lodged an SEC challenge.

In a new 2015 resolution, NYSCRF is asking **Archer-Daniels-Midland** to "set quantitative goals for reducing its supply chain impacts on deforestation, and report annually against key performance indicators and metrics that demonstrate progress against these goals." Green Century has added human rights to the mix, asking **Bunge** to "set quantitative, time-bound goals for reducing its supply chain impacts on deforestation and related human rights, and report annually against key performance indicators and metrics that demonstrate progress against these goals." Both proposals are pending.

The other two deforestation proposals this year emphasize disclosure. Domini Social Investments also added human rights to its pending proposal asking **Kraft Foods Group** to describe how it "is assessing the company's supply chain impact on deforestation and associated human rights issues, and its plans to mitigate these risks." Clean Yield Asset Management requested only that **Du Pont** explain how it "is assessing the company's supply chain impact on deforestation and the company's plans to mitigate these risks," but had to withdraw after problems proving its stock ownership. (The Kraft resolution is a resubmission that proponents failed to present in 2014, so no vote was recorded for it and therefore under SEC rules the company doesn't have to bring it to a vote this year, but a similar proposal in 2012 earned about 8 percent support.)

Palm oil: When investors have raised concerns about palm oil production, they largely have ended up withdrawing them after negotiations.

Activists are concerned about negative environmental impacts and contributions to global warming from palm oil production and related labor and human rights violations, similar to the other deforestation proposals noted above. After some critics became disenchanted by the multi-stakeholder Roundtable on Sustainable Palm Oil (RSPO), the group beefed up its certification efforts. But proponents this year want reports on how companies are following through to mitigate any problems. Four of seven filed proposals are still pending at major food and personal products purveyors—**Avon Products**, **McDonald's**, **Target** and **Yum Brands**. With a few minor variations, the proposal asks for a report on "metrics and key performance indicators demonstrating the extent to which the company is curtailing the actual impact of its palm oil supply chain on deforestation and human rights." Calvert Investments and Walden Asset Management withdrew at **International Flavors & Fragrances** after an agreement; the company explained it views supplying "conflict-free" palm oil to be a competitive advantage.

Deforestation Proposals

Company	Proposal	Lead Filer	Status
Archer-Daniels-Midland	Report on supply chain deforestation impacts	NYSCRF	May
Avon Products	Report on palm oil supply chain	Domini Social Investments	May
Bunge Limited	Report on supply chain deforestation impacts	Green Century	May
Du Pont	Report on supply chain deforestation impacts	Clean Yield Asset Mgt.	Withdrawn
Energizer Holdings	Adopt palm oil policy	Srs. of the Presentation BVM	29.0%
Intl Flavors & Fragrances	Report on palm oil supply chain	Calvert Investment Mgt.	Withdrawn
Kraft Foods Group	Report on supply chain deforestation impacts	Domini Social Investments	May
McDonald's	Report on palm oil supply chain	Green Century	May
Target	Report on palm oil supply chain	NYSCRF	June
Tyson Foods	Report on palm oil supply chain	NYSCRF	9.7%
Yum Brands	Report on palm oil supply chain	Trillium Asset Mgt.	May

Votes—The reporting proposal noted above went to a vote in January, at **Tyson Foods**, earning 9.7 percent, an unusually high vote for a management-opposed proposal at the closely held company. A different proposal also has gone to a vote at first-time recipient **Energizer Holdings** (which makes not just batteries but also shaving, skin care and tanning products). It asked the company to "develop and implement a comprehensive sustainable palm oil sourcing policy." While Energizer said it is sufficiently addressing these concerns, it has provided little detail on its efforts and investors gave the proposal 29.0 percent support in late January.

Nuclear Power

Individual proponent March Gallagher has been proposing for several years that **Entergy** decommission its nuclear power generation facilities but has experienced repeated procedural problems. His resolution in 2014 earned just over 3 percent, enough for resubmission, but this year it has been omitted after an SEC challenge about stock ownership proof, which also shot down the resolution in 2013 and 2012.

ENVIRONMENTAL MANAGEMENT

Shareholder proponents are raising some additional environmental concerns outside the direct climate and energy umbrella—concerning packaging and recycling, water and toxic materials.

Packaging and Recycling

Packaging and Recycling Proposals

Company	Proposal	Lead Filer	Status
Costco Wholesale	Report on electronics recycling strategy	As You Sow	Withdrawn
Dr Pepper Snapple	Report on recycling strategy	As You Sow	May
Kraft Foods Group	Report on packaging	As You Sow	May
Kroger	Report on packaging	As You Sow	June
Mondelez International	Report on packaging	As You Sow	May
Procter & Gamble	Report on packaging	Clean Yield Asset Mgt.	October

FEW LEADERS, MANY LAGGARDS IN FOOD, BEVERAGE AND CONSUMER GOODS PACKAGING

CONRAD MACKERRON
Senior Program Director, As You Sow

As You Sow recently published a report analyzing leaders and laggards in packaging sustainability. The report follows the expansion of our engagement from the beverage sector to newer outreach to the fast food, consumer goods and grocery sectors.

Plastic packaging is the fastest growing form of packaging in the U.S. due partly to the popularity of fast food and consumer beverages, yet only 14 percent is recycled. That contributes to a waste of $11.4 billion in potential recycling revenue annually. The report, issued in partnership with the Natural Resources Defense Council, reviews the packaging practices of 47 fast food chains, beverage companies and consumer goods/grocery companies.

Waste and Opportunity 2015: Environmental Progress and Challenges in Food, Beverage, and Consumer Goods Packaging finds few companies have robust environmental packaging policies or system-wide programs to recycle packaging. Far more brand leadership is needed to boost lagging U.S. recycling rates. In addition to wasting valuable material, failure to recycle packaging contributes to pollution of oceans, lakes, and rivers, and misses opportunities to create new recycling jobs.

Growing interest by investors in packaging waste is demonstrated by substantial vote results for packaging waste proposals in recent years: **Dr Pepper Snapple** 30 percent, **Mondelez** 28 percent and **Procter & Gamble** 25 percent in 2014; **Kraft** 25 percent in 2013; Dr Pepper Snapple 32 percent in 2012; and **McDonald's** 29 percent in 2011.

Packaging practices in each industry sector were analyzed based on type of materials used; recyclability or compostability, use of recycled content; and actions to boost recycling of packaging. None of the companies attained the report's highest "Best Practices" status. Leading companies in the fast food area were **Starbucks** and McDonald's; leaders in beverage were **New Belgium Brewing**, **Coca-Cola**, **Nestlé Waters NA** and **PepsiCo**. Most companies ranked received a "Poor" rating.

The report found that most brands analyzed are coming up significantly short of where they should on the environmental aspects of packaging. Single-use food and beverage packaging is a prime component of plastic pollution found in oceans, which kills and injures marine life and poses a potential threat to human health. Companies have an opportunity and an obligation to curb this pollution. Brands have not sufficiently prioritized source reduction, recyclability, compostability, recycled content and recycling policies. Increased attention to these key attributes would result in more efficient utilization of postconsumer packaging, higher recycling rates, reduced ocean plastic pollution and new recycling jobs.

The report also found that a far smaller portion of the population has convenient access to curbside recycling than previously believed; a technical glitch prevents vast amounts of black plastic containers from being recycled; and that while significant amounts of packaging are compostable, composting service is not widely available in many U.S. communities.

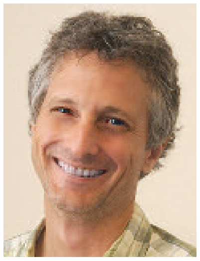
As You Sow is moving forward with its multi-year campaign to persuade consumer packaged goods companies and grocers to use more recycled packaging materials. It has resubmitted last year's proposal on the subject to **Kraft Foods Group**, **Kroger** (where it earned about 12 percent in 2014), **Mondelez International** (28.4 percent) and **Procter & Gamble** (24.9 percent). It asks for a report "assessing the environmental impacts of continuing to use non-recyclable brand packaging." (The 2014 Kraft proposal was not presented at the annual meeting and therefore no vote was recorded.)

Another resubmission is before **Dr Pepper Snapple Group**, a third-year resubmission that earned above 30 percent in both 2014 and 2012. It asks the company to take action and

> adopt a comprehensive recycling strategy for beverage containers sold by the company and prepare a report by September 1, 2015 on the company's efforts to implement the strategy. The strategy should include aggressive quantitative recycled content goals, and container recovery goals for plastic, glass and metal containers.

Withdrawal: As You Sow has withdrawn a proposal at **Costco Wholesale** that asked for a report "on the company's policy options to reduce potential pollution and public health problems from electronic waste generated as a result of its sales to consumers, and to increase the safe recycling of such wastes." The group reports that Costco agreed to meet three times in 2015 to discuss collecting and recycling electronics, with an eye to developing a policy on the subject and setting up "store-based take-back pilot projects."

expertinsight



NEW INITIATIVE BENCHMARKS CHEMICALS RISKS

DR. MARK S. ROSSI
Co-Director, Clean Production Action;
Founder and Chair, BizNGO

"You can't manage what you don't measure." To date investors, companies and purchasers have lacked a common metric for measuring and benchmarking corporate performance in avoiding toxic chemicals and using safer alternatives. While carbon, water and waste footprints abound, no similar metric exists for chemicals. The Chemical Footprint Project finally establishes a meaningful measurement of overall progress towards using safer chemicals in products and supply chains.

Toxic chemicals are an increasing problem in today's marketplace, leading not only to adverse human health and environmental impacts, but also to a slew of hidden business liabilities and risks. Managed incorrectly, those costs can be quite high in terms of fines, lost market share and tarnished brand reputation.

A recent report by the United Nations Environment Programme, *The Business Case for Knowing Chemicals in Products and Supply Chains*, detailed the "chemical risks" companies face. Consider these examples:

- Over a three-year period, **Walmart**, **Target**, **Walgreens**, **CVS Health** and **Costco** paid a total of $138 million in fines levied by regulators in the U.S. for failure to appropriately manage products that become hazardous waste when they break or are returned by customers.
- **Sony** and **Mattel** incurred spectacular costs after recalling products containing toxic chemicals. Cadmium in PlayStations cost Sony $150 million in lost sales and product reformulation costs. Lead in its toys cost Mattel $110 million in recall expenses and pushed its stock price down 18 percent in 2007.

The Chemical Footprint Project provides the first-ever common metric for benchmarking companies on their chemicals management. What this means for responsible investors is more sustainability data at your fingertips and better investment decisions. The project:

- Identifies potential chemical risks and associated health and reputational risks of companies.
- Fills a missing gap in sustainability as investors currently lack knowledge and metrics on corporate chemicals management performance.
- Provides data that enables quick, insightful comparisons of companies on their Chemical Footprint.
- Highlights corporate investment needs by identifying gaps and opportunities in corporate chemical management policies, programs, and procedures.
- Empowers investors to demand Chemical Footprints and enhances the value of companies with better scores.

The Chemical Footprint Project will take responsible investing to the next level. It's the right thing to do because it protects human health and the environment, and creates shared value for consumers, communities and companies.

Toxics

Proponents have filed five resolutions that raise questions about what has or will happen if companies include potentially toxic materials in their products.

Bhopal: Calvert Investments went back to **Dow Chemical** with its request that it report using "quantitative metrics of impacts related to Dow's relationship to the legacy of the Bhopal disaster on the Company's reputation, investments and social license for the preceding five years." (In 1999, Dow had acquired Union Carbide, the company in control at the time of the 1984 Bhopal toxic gas leak.) The company lodged a procedural challenge at the SEC but, before a decision, Calvert withdrew after a commitment from Dow to continue dialogue and set up a meeting with senior executives later this year. The resolution was highlighted in an article in the *International Business Times* in London. The SEC agreed in 2014 that a similar proposal was moot.

Lead: ICCR members have withdrawn two of three resolutions about lead in paint or batteries; one remains pending. At **PPG Industries** and **Sherwin-Williams**, the resolution asks for a report "on options for policies and practices [the company] can adopt to reduce occupational and community health hazards by eliminating the use of lead in paint and coatings by a specified date." While Sherwin-Williams met with the proponents and agreed to communicate with UN agencies about the Global Alliance to Eliminate Lead in Paint, prompting a withdrawal, PPG did not and still faces a vote on the proposal. But Dignity Health has withdrawn its resolution at **Amazon.com**, which asked for report on "options for policies and practices Amazon can adopt to reduce the occupational and community health hazards in the company's supply chain from the manufacture and recycling of lead batteries used in its data centers." Amazon met with the proponents and has agreed to set up an enterprise-wide sustainability program and continue stakeholder discussions.

Toxics Proposals

Company	Proposal	Lead Filer	Status
Amazon.com	Report on toxic materials risks/phase out	Dignity Health	Withdrawn
Dow Chemical	Report on Bhopal accident legacy	Calvert Investment Mgt.	Withdrawn
Dunkin' Brands Group	Report on nanomaterials	As You Sow	Withdrawn
PPG Industries	Report on lead paint	Trillium Asset Mgt.	April
Sherwin-Williams	Report on lead paint	Friends Fiduciary	Withdrawn

Nanomaterials: Investors will not get a chance to vote again on As You Sow's resolution that asked **Dunkin' Brands** about its use of nanomaterials in food products or packaging. The resolution was withdrawn after Dunkin' agreed to avoid use of a common source of nanoparticles, titanium dioxide, in its donuts. The 2014 proposal earned 18.7 percent support.

Examining how companies in general approach the issue, Si2 released *Nanotechnology and the S&P 500: Small Sizes, Big Questions* in October 2014, in collaboration with the IRRC Institute, documenting the limited extent to which S&P 500 companies discuss their use of nanomaterials. The report notes that companies have begun capitalizing on what could become a $3 trillion global market that presents tremendous opportunities as well as undefined environmental, health and safety risks. As You Sow also released *Slipping Through the Cracks* in 2014, presenting the results of its survey of companies and concluding that more disclosure and research is needed.

Water

It is not clear if any more water-related proposals will go to votes in 2015, but in January investors at **Tyson Foods** gave 11.1 percent to a resolution from the American Baptist Church that asked it to "adopt and implement a water stewardship policy that outlines leading practices to improve water quality for all company-owned facilities, facilities under contract to Tyson, and suppliers." Separately, Calvert Investments wants **Dean Foods** to report on how it is "assessing water risk in its supply chain and planned actions to mitigate the impacts of water scarcity on long-term shareholder value," but the company is contending at the SEC that the resolution relates to ordinary business.

A proposal to utility **Exelon** from an individual wanted it to "adopt strategies and quantitative goals to reduce water use and thermal impacts on receiving waterways from the Company's power generation and operations" and report—but it turned out he had not held enough stock to submit a proposal and he withdrew after an SEC challenge.

Water Proposals

Company	Proposal	Lead Filer	Status
Dean Foods	Report on water use risks	Calvert Investment Mgt.	May
Exelon	Reduce water use and report	Eric Epstein	Withdrawn
Tyson Foods	Report on water use and policy	American Baptist Church	11.10%

INDUSTRIAL AGRICULTURE

Just a few resolutions raise issues about the use of chemicals, bioengineering and animals in the industrial food system, and only a handful of votes is likely.

Pesticides and Genetically Modified Organisms

Pesticides: Two brand new resolutions that are pending ask **Lowe's** and **PepsiCo** about the use of neonicotinoids in products sold or used in the agricultural supply chain, underscoring recent significant concerns about the impact on honeybees, other beneficial insects and animals and the environment at large. At Lowe's, Domini Social Investments cites a report from the international scientific collaborative, the Task Force on Systemic Pesticides, which concludes neonicotinoids pose serious harms. It notes that the White House set up a task force in June 2014 to study the issue and that the U.S. Fish and Wildlife Service announced plans last year to restrict neonic use across the National Wildlife Refuge System. In the proposal, Domini argues that Lowe's should emulate its competitors and work to eliminate neonics from its products. Further, it says, the company should

> conduct a risk assessment of Lowe's environmental protection policies and practices to determine whether Lowe's current practices regarding the sale of neonicotinoid-containing products are in the best interests of the company, its consumers and its shareholders, and to recommend any changes to policy or practice the Committee deems to be appropriate.

At **PepsiCo**, The Sustainability Group at Loring, Wolcott and Trillium Asset Management ask simply for a report "that discusses the Company's options for policies, above and beyond legal compliance, to minimize impacts of neonics in its supply chain."

Taking up an old issue, ICCR members have asked **Du Pont** and **Dow Chemical** to report on how they are "monitoring herbicide utilization and grower compliance with best practices and adherence to 'technology use agreements' (TUAs) with its seed products." The Adrian Dominican Sisters withdrew at Dow, which had challenged the proposal on ordinary business grounds. But the company also agreed to annually disclose on its website information about grower compliance with its Enlist Weed Control system. No similar agreement has been reached to date at Du Pont, however.

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PESTICIDE POLLUTION AND POLLINATORS


LARISA RUOFF
Director of Shareholder Advocacy & Corporate Engagement, The Sustainability Group, Loring, Wolcott & Coolidge

SUSAN BAKER
Vice President, Trillium Asset Management, LLC

Bees and other pollinators play a significant role in global food systems. About one out of every three bites we eat comes from plants pollinated by honeybees. According to the USDA, "bee-pollinated commodities account for $20 billion in annual U.S. agricultural production and $217 billion worldwide." However, pollinator populations have declined significantly in recent years, posing potentially serious risks to a number of companies. While multiple factors have contributed to this decline, evidence has emerged that neonicotinoids ("neonics"), a class of neuro-active insecticides, are a major cause.

Given the environmental and potential financial implications of this decline, investors approached 19 companies to determine how they were addressing these risks. We found few were taking adequate steps.

In 2015, shareholders have filed the following proposals, the first to address the impacts of pesticides on bee health:

- **PepsiCo** procures a number of crops, including apples, and oranges, that are dependent on pollinators. Therefore, it faces significant risks if the cost of pollination rises. Pepsi also contributes to the problem of pollinator decline because it is a major purchaser of corn and other crops that are routinely pretreated with neonics. Prolific use of neonics in agriculture has led to widespread contamination of surface and ground water according to the U.S. Geological Survey. Finally, Pepsi fails to provide any disclosure on this issue. Therefore, shareholders are requesting the company assess the use of, and reduce the risks associated with neonics, in its supply chain.
- **Lowe's** sells insecticides containing neonics and plants whose seeds have been pre-coated with neonics, and therefore faces a number of reputational and business risks. **Home Depot**, **BJ's** and several smaller retailers are taking steps to address these risks. Lowe's is not. Therefore, shareholders are requesting that the company conduct a risk assessment of Lowe's environmental protection policies to determine whether Lowe's current practices regarding the sale of neonicotinoid-containing products are sufficient to protect against those risks.

Policy makers are responding with increased restrictions and some suppliers have begun developing neonic-free alternatives. Many investors believe the time is now for companies to assess their risks and take concrete steps to reduce their impacts and promote practices that will reverse the decline in pollinators and beneficial organisms critical to a sustainable food system.

GMOs: The contentious debate over the merits of genetically modified crops and their inclusion in food products continues, but investors for the most part have given fairly short shrift to shareholder resolutions on the subject, with votes coming in around 10 percent at best. Resolutions have looked both at the potential human health impacts from eating GMO food and ecological impacts from growing GMO crops and how this affects pesticide use. The swirling debate has prompted calls for more labeling, which companies tend to resist vigorously—although some use this as a marketing advantage.

Genetically Modified Food and Pesticides Proposals

Company	Proposal	Lead Filer	Status
Abbott Laboratories	Report on GMO risks	As You Sow	April
Dean Foods	Report on GMO labeling	Sustainvest Asset Mgt.	May
Dow Chemical	Report on pesticide monitoring	Adrian Dominican Sisters	Withdrawn
Du Pont	Report on pesticide monitoring	Srs. of Charity of St. Eliz.	April
Lowe's	Report on pesticide product sales risks	Domini Social Investments	May
Monsanto	Report on pesticide monitoring	Adam Eidinger	Withdrawn
PepsiCo	Report on supplier pesticide use	The Sustainability Group	May
Starbucks	Report on GMO risks	As You Sow	Omitted

Right now, just two proposals seem likely to go to votes, and both touch on labeling and disclosure. At **Dean Foods**, a resubmitted resolution that was filed too late last year asks the company for a report "assessing any material financial risks or operational potential impacts on the Company in order to work with the FDA or any other respective association to develop food labeling guidelines for American consumers that discloses whether genetic engineering was used to produce the food." As You Sow did not provide sufficient proof of its stock ownership for its proposal to appear at **Starbucks**, but the resolution is pending at **Abbott Laboratories**, where a labeling proposal last year earned 6.2 percent. It asks this year for a report

> on genetically engineered ingredients contained in nutritional products sold by Abbott. This report should list Abbott product categories that contain GMOs and estimated portion of products in each category that contain GMOs, and discuss any actions management is taking to reduce or eliminate GMOs from its products, until and unless long-term studies show that the genetically engineered crops and associated farming practices are not harmful to the environment, the agriculture industry, or human or animal health.

Before its January 30 annual meeting, **Monsanto** challenged a resolution from Adam Eidinger, an outspoken critic of the company and leader of Occupy Monsanto, which asked for a report "analyzing the extent to which Monsanto's Roundup/glyphosate may cause the above health problems, and describing public policy initiative, and Monsanto policies and activities, to phase out or restrict uses of Roundup/glyphosate that increase human exposure." Eidinger withdrew after the company filed a challenge on several grounds. He had earned 4.2 percent in 2014 for a GMO labeling proposal similar to the Dean Foods proposal submitted this year.

Animal Welfare

Animal Welfare Proposals

Company	Proposal	Lead Filer	Status
Amazon.com	Report on animal welfare issues (foie gras)	Nikki Sweeden Bollaert	May
Dunkin' Brands Group	Phase in cage-free eggs	Sustainvest Asset Mgt.	May
Hormel Foods	Report on pig gestation crates	Humane Society of the U.S.	18.6%
McDonald's	Phase out antibiotic use in animal feed	Benedictine Srs., Boerne – TX	May
Panera Bread	Report on animal welfare in supply chain	Green Century	June
Roundy's	Adopt policy on dehorning cattle	PETA	May

A mixed group of proponents has filed proposals at several food companies about animal welfare in the food supply chain, with all raising familiar issues, asking for action on horned cows, chickens and pregnant pigs, while one more from an ICCR member asks for a phase-out of antibiotics use in animal feed. A new proposal to **Amazon.com** concerns foie gras sales, however.

Cows: People for the Ethical Treatment of Animals (PETA) has targeted a new company, **Roundy's**, a Wisconsin-based grocery store chain, with its request for a policy to encourage its dairy suppliers to stop cutting off the horns of cattle and use only polled cattle. None of the earlier resolutions on this subject earned more than 3 percent support when they aired in 2013 and 2014, precluding any resubmissions.

Eggs: SustainInvest wants **Dunkin' Brands** to agree to source "at least 75 percent cage-free eggs by volume within their supply chain within the next 5 years." The proposal comes as egg producers around the country react to a new law in California that went into effect on January 1, requiring more spacious housing for hens. (Earlier resolutions on this subject from 2010 to 2012 earned no more than 5 percent, illustrating that shareholder resolution results are not always a good predictor of public policy changes.)

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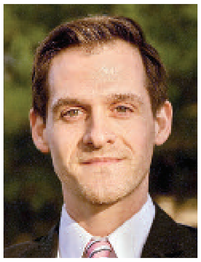

FARM ANIMAL TREATMENT POSES REPUTATIONAL RISK

MATTHEW PRESCOTT
Director of Food Policy, The Humane Society of the United States

Experts agree that how animals are treated is so important to such a vast number of consumers that failing to address it presents financial risks.

"In the case of animal welfare," concluded the World Bank's International Finance Corporation, "failure to keep pace with changing consumer expectations and market opportunities could put companies and their investors at a competitive disadvantage." And a **Citigroup** food industry report concluded, "We believe there are also a number of potential headline risks […] including concerns over animal cruelty."

To address these risks, The Humane Society of the United States (HSUS) has purchased stock in more than 100 companies that play a role in the agricultural industry—food retailers, investment firms and meat processors. The HSUS's efforts focus largely on moving companies to disclose risks associated with certain agricultural practices that they may use, or that may be used throughout their supply chains.

One specific practice HSUS addresses is the confinement of mother pigs in gestation crates: two-foot-wide cages that confine animals so restrictively, they're prevented from even turning around for years on end. Just since 2012, more than 60 major pork buyers—from **McDonald's** and **Costco** to **Kraft Foods'** Oscar Mayer brand and **Safeway**—have established policies to eliminate gestation crates from their supply chains. And top pork producers like **Smithfield Foods** (the largest in the world) and **Cargill** have moved aggressively away from the cages to meet that demand.

Shareholders have supported proposals praising Kraft Foods (Oscar Mayer) for its gestation crate elimination policy with more than 80 percent of the shareholder vote, while one at **Cracker Barrel** garnered more than 95 percent.

All of this presents, to those few major pork producers which are lagging—like **Seaboard** and **Hormel Foods**—clear material risks. If your largest customers say they don't want a certain practice used and your competitors stop using that practice while you continue allowing it, your company—and thus, your investors—risks a potentially-unprecedented loss in sales and brand reputation.

Proxy analysts like ISS and Glass Lewis agree, and have recommended voting in favor of animal welfare proposals. One ISS report concluded that, "If 'gestation crates' are not part of the lingua franca of most investors, 'long term risk' certainly is." And as Glass Lewis reported, "The use of gestation crates could place companies at a financial disadvantage from an operational perspective."

With the trajectory away from cage confinement clear, the HSUS's shareholder efforts in the near term will focus largely on seeking risk disclosure from those few companies that have fallen behind. Consumers are more in-tune than ever with these issues, and by extension, it's imperative for investors to seek policies—or at least disclosure—addressing them.

Pigs: A Humane Society resolution at **Hormel Foods** asking for the introduction of gestation crate-free housing for pregnant sows garnered an unusually high vote for an animal welfare proposal—18.6 percent. The resolution asked for a report on "the financial and operational risks to which Hormel's indefinite allowance of pig gestation confinement crates throughout its supply system may be exposing the company."

Ducks and geese: **Amazon.com** has lodged a challenge at the SEC to a resolution that it disclose to shareholders "any reputational and financial risks that it may face as a result of negative public opinion pertaining to the treatment of animals used to produce products it sells." The proponent notes the company sells foie gras, which is produced by force-feeding ducks and geese in a way that many consider to be cruel. The company has challenged the proposal at the SEC, arguing that it is related to ordinary business and already has been substantially implemented. The SEC staff has generally held that a retailer's choice of products is an ordinary business issue that is not for shareholders to decide.

Humane policy: Green Century has asked **Panera Bread** to report on "any risks that may endanger the Company and its investors as a result of ongoing animal welfare concerns in its supply chain." It highlights concerns about eggs and confined chickens, and cites a World Bank report that found companies should address consumer expectations about good animal welfare if they are to stay competitive. In 2014, The Sustainability Group withdrew an animal welfare proposal after the company reportedly agreed to more disclosure later that year.

Antibiotics: The Benedictine Sisters of Bourne, Texas, are asking **McDonald's** to update its policy on antibiotic use in its food animal supply chain. The resolution marks the first time since 2010 that this issue has been raised at a company. The order wants a new company policy to state:

(1) In the poultry supply chain, prohibit the use of antibiotics in classes of drugs used in human medicine for purposes other than treatment or non-routine control of veterinarian-diagnosed illness (e.g. for growth promotion and routine disease prevention), allowing only for use in treatment of veterinarian-diagnosed illness in a flock, and;

(2) for suppliers of meat other than poultry, phase in a prohibition by 2018 on the use of antibiotics in classes of drugs used in human medicine for purposes other than treatment or non-routine control of veterinarian-diagnosed illness.

(Additional proposals on animal welfare in product testing are covered directly below in the next section of this report.)

Social Issues

ANIMALS IN PRODUCT TESTING

People for the Ethical Treatment of Animals (PETA) is the main sponsor of laboratory animal testing resolutions, which take issue with the ways in which companies use animals for medical and product research. A few SRI firms also have filed proposals over the years. One proposal on laboratory animal welfare was included in the proxy statement of **Becton**, **Dickinson**, which held its annual meeting on January 27, but PETA ended up withdrawing the proposal and no vote was recorded.

(Additional proposals on animal welfare in industrial agriculture settings are covered on p. 29, above.)

CORPORATE POLITICAL ACTIVITY

The number of resolutions filed on corporate political activity is down a little in 2015 so far, with 113 proposals compared to 126 in mid-February 2014. More may surface as the year progresses, though, from the broad coalition of investors and allied public interest groups that wants companies to disclose more on how they spend on elections and lobbying, with oversight from boards of directors. The bulk of the political resolutions fall in two categories, either asking companies to disclose campaign contributions or lobbying expenditures, though there are also a handful of miscellaneous proposals. A total of 93 resolutions are currently pending and 20 have been withdrawn.

While more companies have adopted the requested oversight and disclosure, a key sticking point remains the disclosure of money companies contribute to intermediary groups responsible for the spiraling sums of money spent on U.S. elections. Shareholder proponents include social investment and faith-based organizations, leading pension funds such as the New York City pension funds and NYSCRF, trade unions and some individuals. Last year, more than two-thirds of the political activity resolutions filed went to votes, a proportion that had increased from 2013, and overall average support stood at just under 26 percent; 21 of the votes were above 40 percent and six received majority support. In 2013, there were two majority votes and a total of 14 above 40 percent. Investor support is clearly on the upswing, but compared to other topics with similar voting support, the number of agreements with companies is low—just one-quarter of those filed last year. On other high-scoring topics—board diversity, LGBT rights and sustainability reporting—two-thirds of the proposals get withdrawn after accords.

Widespread public concern about the level of corporate spending on politics intensified after the 2010 *Citizens United* U.S. Supreme Court decision that opened up new avenues for corporate spending, but shareholder concern about the subject began long before that. Campaign finance reform legislation has no chance of passing in the current Congress, so one key reform focus is the proposition that the SEC should require more disclosure from companies. This underscores the campaign begun more than a decade ago by the Center for Political Accountability (CPA), which developed the model shareholder proposal for disclosure of political spending. Members of the umbrella Corporate Reform Coalition, which includes many shareholder proponents but a range of other reformers as well, will be active in the upcoming proxy season.

A record number of more than 1.2 million members of the public have submitted comments in support of additional SEC disclosure, which is opposed by large business groups, including most prominently the U.S. Chamber of Commerce. The Chamber, which does not disclose its donors and spends heavily on elections and lobbying, contends that reform efforts are a threat to the fundamental right to free speech. It takes particular issue with the CPA's CPA-Zicklin Index, most recently updated in September 2014, calling the index "a tool to silence the business community." Investors trying to sort out the issue also may wish to consult a further collection of perspectives from the Conference Board's Committee on Corporate Political Spending, including an article from Si2 on the history of related shareholder resolutions.[1]

1. Si2 has provided research to the Corporate Reform Coalition and collected data for the Center for Political Accountability but does not participate in any lobbying efforts or the CPA's scoring process.

Shareholder focus on disclosure: The corporate political activity disclosure campaign since 2010 has broadened, but the overwhelming focus has remained on disclosure. *(See table.)* The core demand of resolutions about election spending and lobbying is that corporate boards should oversee all direct and indirect spending in the political process and provide full disclosure of it on a regular basis. The lobbying campaign is coordinated by Walden Asset Management and the American Federation of State, County and Municipal Employees (AFSCME). Last year, political spending reformers and climate change activists also started working together to ask energy companies about their support for public policies that could mitigate global warming, tying together the two main themes of the last several proxy seasons. In all, there are 107 disclosure proposals filed for 2015; to date, 87 are still pending and 20 have been withdrawn.

There are just six additional political activity proposals, noted below, on public policy advocacy principles, making political spending congruent with corporate values, and ending all political spending. All are pending.

Lobbying

Lobbying Proposals

Company	Lead Filer	Status	Company	Lead Filer	Status
Dominion Resources	Bill Fleming	May	Goldman Sachs	Unitarian Universalists	May
Alexion Pharmaceuticals	AFSCME	May	Google	Walden Asset Mgt.	May
Ameren	Ron Trimmer	April	Honeywell International	Philadelphia Firefighters	April
American Express	Walden Asset Mgt.	May	IBM	Walden Asset Mgt.	April
Apple	Benedictine Srs., Boerne - TX	Withdrawn	JPMorgan Chase	Walden Asset Mgt.	May
AT&T	UAW Retirees Trust	April	Lockheed Martin	Sisters of St. Agnes	April
Bank of America	AFSCME	May	Marathon Oil	NYSCRF	Withdrawn
BlackRock	AFSCME	May	Marathon Petroleum	Trillium Asset Mgt.	April
Boeing	Sisters of St. Agnes	April	Mastercard	AFSCME	June
Capital One Financial	Mercy Investment Services	Withdrawn	Monsanto	As You Sow	24.5%
Celgene	Mercy Investment Services	June	Morgan Stanley	AFSCME	May
CenterPoint Energy	Zevin Asset Mgt.	April	Motorola Solutions	Mercy Investment Services	May
Charles Schwab	AFL-CIO	May	Northern Trust[4]	LiUNA	April
Chevron	Philadelphia Firefighters	May	Northrop Grumman[1]	Sisters of St. Agnes	Withdrawn
Chevron[2]	Walden Asset Mgt.	May	Occidental Petroleum[1]	Walden Asset Mgt.	May
Citigroup	Change to Win	April	Occidental Petroleum[2]	Walden Asset Mgt.	May
Comcast	Ben. Srs - Mt. St. Scholastica	May	Pfizer[1]	Walden Asset Mgt.	April
ConocoPhillips	Walden Asset Mgt.	May	Philip Morris Intl	AFL-CIO	May
Devon Energy[2]	Unitarian Universalists	June	Pinnacle West Capital	As You Sow	May
Devon Energy[3]	Thomas and Lisette Keating	June	Raytheon	Sisters of St. Agnes	May
Du Pont	As You Sow	April	Spectra Energy	Unitarian Universalists	April
Eastman Chemical	AFSCME	Withdrawn	Time Warner Cable	Walden Asset Mgt.	June
Emerson Electric	The Sustainability Group	39.8%	Tyson Foods	Sisters of St. Agnes	Withdrawn
Express Scripts	Walden Asset Mgt.	Withdrawn	United Parcel Service	Walden Asset Mgt.	May
ExxonMobil	Zevin Asset Mgt.	May	UnitedHealth Group	AFL-CIO	June
ExxonMobil[2]	Kenneth Steiner	May	Valero Energy	NYSCRF	Withdrawn
Facebook	Ben. Srs - Mt. St. Scholastica	May	Walmart	Zevin Asset Mgt.	June
FirstEnergy	Green Century	May	Walt Disney	Sisters of St. Agnes	Withdrawn
GEO Group	Midwest Capuchins	May	Wells Fargo	Trillium Asset Mgt.	April

(Excludes three additional proposals not yet public.)

1 Report on indirect lobbying 2 Review/report on climate change advocacy 3 Report on lobbying and air pollution 4 Report on political spending and lobbying

Primary resolution: The main resolution remains the same and has been filed at 54 companies, with 45 still pending—compared with 50 filings in 2013 and 40 in 2012. *(See table for a list of companies.)* There have been two votes so far, 40 percent at **Emerson Electric** and 24.5 percent at **Monsanto.** The fairly long proposal says the reports should include:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments by [the company] used for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient.

3. [The company's] membership in and payments to any tax-exempt organization that writes and endorses model legislation.
4. Description of the decision making process and oversight by management and the Board for making payments described in sections 2 and 3 above.

For purposes of this proposal, a "grassroots lobbying communication" is a communication directed to the general public that (a) refers to specific legislation or regulation, (b) reflects a view on the legislation or regulation and (c) encourages the recipient of the communication to take action with respect to the legislation or regulation. "Indirect lobbying" is lobbying engaged in by a trade association or other organization of which [the company] is a member.

Both "direct and indirect lobbying" and "grassroots lobbying communications" include efforts at the local, state and federal levels.

The report shall be presented to the Audit Committee or other relevant oversight committees of the Board and posted on the company's website.

SEC action—Although lobbying proposals have survived SEC scrutiny for several years, a few companies nonetheless continue to lodge challenges to them, with mixed results as follows:

- The SEC has disagreed with **AT&T's** contention that the resolution was vague and misleading.
- **Celgene** is arguing the proposal misquotes a press article and is false and misleading, too. But it says also that the proposal is tainted by the objectives of AFSCME, one of the proponents. Cegene says AFSCME's lobbying efforts to curb drug prices will harm its business and that the proposal would benefit this one of AFSCME's interests in particular, not company investors in general. The SEC has yet to issue an opinion on this new argument.
- **FirstEnergy** says the resolution can be excluded "because the proposal and supporting statement, when read together, focus primarily on FirstEnergy's lobbying activities regarding energy efficiency and limitations on industrial pollutants," which are fundamental concerns of the company's business. The SEC has yet to respond, but there is some precedent for omission for this reason, set out in the company's challenge. The SEC staff has traditionally allowed resolutions on lobbying in general but allowed companies to omit proposals on lobbying on specific issues.
- At **Goldman Sachs**, the company says the resubmitted resolution is, in effect, a third-year proposal that did not earn enough to be resubmitted (at least 10 percent). It bases this argument on the contention that a previous CPA-model proposal (primarily focused on election spending) should count as substantially similar to the lobbying resolution. The SEC has not agreed with similar arguments in the past, but it has yet to issue a decision in this instance.
- **Marathon Oil** said the resolution was moot, but NYSCRF withdrew before any SEC response to the challenge. **Mastercard** is also contending the resolution, which it received for the first time this year, already has been implemented; that challenge is pending.
- After **Walt Disney** pointed out a resolution from the Congregation of Sisters of St. Agnes was filed too late, the Sisters withdrew.

Indirect lobbying: Proponents have filed a resolution about indirect lobbying at **Northrop Grumman**, **Occidental Petroleum** and **Pfizer**, asking each to assess and report on "organizations in which [the company] is a member or otherwise supports financially for lobbying on legislation at federal, state, or local levels." The resolution takes issue with the activities of the controversial American Legislative Exchange Council (ALEC), which provides model legislation to state and local governments opposing efforts to combat climate change. It is pending at the latter two firms but the Congregation of Sisters of St. Agnes withdrew at Northrop Grumman after the company noted it has left ALEC.

Public policy advocacy principles: New in 2015 is a resolution asking two financial institutions—**Goldman Sachs** and **JPMorgan Chase**—to adopt public policy advocacy principles. The resolution, from Harrington Investments, says the firms should do so "to guide our company's public policy advocacy regarding any laws or regulations relating to corporate governance and accountability," using the following principles:

- A corporation should owe no political or financial allegiance to any public jurisdiction or government;
- A corporation should maximize shareholder value, regardless of the consequences such conduct may have on natural persons of any local, state or national jurisdictions;
- A corporation should exert maximum influence over the political process to control government and further the self-interest of the corporation and its shareholders.

  Furthermore, within the limits allowed by law:

  - The sole purpose of a corporation should be to enrich its managers and shareholders;
  - The sole moral obligation of directors should be to maximize shareholder value, regardless of any unintended economic or social injury to others that may result from corporate conduct.

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LOBBYING DISCLOSURE TARGETS UNDISCLOSED INDIRECT SPENDING BY TRADE ASSOCIATIONS

JOHN KEENAN

Corporate Governance Analyst, AFSCME Capital Strategies

For 2015, corporate lobbying disclosure remains a top shareholder proposal topic, and approximately 60 investors have filed more than 50 proposals asking for lobbying disclosure reports that include federal and state lobbying payments, payments to trade associations used for lobbying, and payments to any tax exempt organization that writes and endorses model legislation.

Disclosure allows shareholders to evaluate that the lobbying is consistent with a company's expressed goals and being done in the best interests of the company and shareholders. Corporate reputation is an important component of shareholder value and controversial lobbying activity can pose serious reputational risks.

A major lobbying disclosure gap is undisclosed company payments to trade associations that are used to lobby. These undisclosed payments are a way for companies to engage in influence laundering and can pose reputational risk. The amounts of corporate contributions that trade associations spend on lobbying are very large. For example, in 2014, the Chamber of Commerce spent $124 million to lobby, and it has spent over $1 billion on lobbying since 1998. To correct a disclosure blind spot, investors are asking companies to disclose all of their payments to trade associations that these groups use to lobby.

The proposals also continue to focus on risks from involvement in the American Legislative Exchange Council (ALEC). ALEC is the controversial tax-exempt organization that convenes state lawmakers and corporations to adopt model laws that include Voter ID laws, anti-immigration bills, and climate change denial. Underscoring the need to manage reputational risks of third party involvement, more than 100 companies have announced leaving ALEC, including many companies where investors have engaged such as **Google**, **Facebook** and **Microsoft**. Prominent ALEC members receiving 2015 proposals include: **AT&T**, **Chevron**, **Comcast**, **ExxonMobil**, **Honeywell**, **Time Warner Cable**, and **United Parcel Service**.

Opponents of disclosure, which include many of the largest trade associations, make the false claim that disclosure somehow equates with silencing speech. Yet investor demands for disclosure are based on the simple principle that what gets disclosed gets managed. Secrecy in political spending is not analogous to free speech, reputational risk from undisclosed political spending is real, and shareholders have a right to ensure that boards of directors are monitoring this risk.

Both firms have mounted multi-pronged challenges at the SEC. Goldman says the proposal is vague and misleading, as well as subject to multiple interpretations. (In a resolution that was thrown out at the SEC several previously, the proponent suggested, in the same vein, that Goldman Sachs run for political office given its corporate "personhood.") For its part, JPMorgan says implementation would cause it to break the law, as well. The SEC has yet to issue an opinion.

Climate change advocacy: Last year proponents introduced a resolution that is back again, slightly recast. It asks **Chevron**, **Devon Energy**, **ExxonMobil** and **Occidental Petroleum** to conduct a review of company "positions, oversight and processes related to public policy advocacy on energy policy and climate change. This would include an analysis of political advocacy and lobbying activities, including indirect support through trade associations, think tanks and other nonprofit organizations." Exxon has challenged at the SEC, arguing this duplicates a lobbying resolution it received first—a problem for the proponents that occurred last year and prompted a withdrawal, as well. Each firm except Occidental also has before it a lobbying proposal and all may be vulnerable to exclusion on this point, but the proponents nonetheless are using the resolution process to make a point about the connection between energy company political involvement and climate inaction in the legislative process.

Indirect lobbying and air pollution: Individuals Thomas and Lisette Keating have proposed that **Devon Energy** disclose:

> all communications between all Devon employees/lawyers and all employees of all governmental agencies, federal, state and local, be made public on an ongoing basis. Also, Devon Energy will make public air pollution under current standards vs. proposed EPA standards. Please do not cite lawyer confidentiality.

The company has challenged the proposal at the SEC, arguing it can be excluded because it concerns ordinary business, cannot be implemented since it would cause a breach of confidentiality and because it contains false and misleading statements.

Hybrid: A handful of proposals usually combine requests for disclosure about lobbying with those about campaign spending and other election-related expenditures. Just one of these has been filed so far, although others may surface. The pending resolution is at **Northern Trust**, where it earned 29.2 percent in 2014 and 30.5 percent in 2013.

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POLITICAL DISCLOSURE BECOMING MAINSTREAM CORPORATE PRACTICE

BRUCE FREED
President, Center for Political Accountability

With the corporate political disclosure rule stalled at the Securities and Exchange Commission, the Center for Political Accountability's (CPA) corporate engagement initiative is even more important for achieving political disclosure and making it a corporate governance standard. The 2014 elections saw a record amount of "dark money"—$173 million—spent in an off-year cycle. The previous off-year high was $136 million for the 2010 cycle.

For the 2015 proxy season, CPA's shareholder partners—public pension funds, socially responsible investment firms, religious investors and individuals—will engage at least 50 companies, asking them to disclose and have their boards oversee political spending from corporate treasuries. The companies represent a range of industries including energy, industrials, telecommunications, hospitality, retail and transportation. Fifteen of these companies received the same resolution last year.

The campaign follows a successful 2014. Average support then was 30.1 percent, tracking the average of recent years. This was the case for the 37 resolutions that went to votes last year. Majority votes for disclosure occurred at **Dean Foods** and **H&R Block**, both filed by the New York State Common Retirement Fund; the resolution received more than 40 percent support at eight companies. Shareholders made withdrawal agreements with 11 companies.

The number of companies adopting political spending disclosure continued to increase even outside the formal shareholder engagement framework. The *2014 CPA-Zicklin Index of Corporate Political Disclosure and Accountability*, which benchmarked the largest 300 of the S&P 500, found at least 34 companies that have never received a shareholder proposal on the issue had voluntarily adopted full or partial disclosure as of fall 2014.

Mainstream mutual funds' support for corporate political spending disclosure also grew. CPA's *2014 Mutual Fund Voting Study* looked at 100 of the largest mutual fund families and their votes. Sixty-nine of the funds that had at least 10 votes on the resolution supported it about 41 percent of the time. The funds together manage about $4.3 trillion in U.S. securities.

Since late 2003, when CPA began its effort, corporate political disclosure and accountability has gained momentum as companies have recognized the legal, reputation and business risks posed by political spending. As of early 2015, 133 companies have reached agreements with shareholders for disclosure and board oversight of their direct and indirect political spending. The upshot: shareholders and companies find that disclosure and accountability are both good governance and in a company's self-interest.

The CPA Campaign and Indirect Spending

The Center for Political Accountability and its allies, a wide range of institutional investors, are continuing the campaign they began a dozen years ago. The standard CPA proposal remains unchanged and asks each company to produce a report, with semiannual updates, that discloses:

1. Policies and procedures for making, with corporate funds or assets, contributions and expenditures (direct and indirect) to (a) participate or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office, or (b) influence the general public, or any segment thereof, with respect to an election or referendum.
2. Monetary and non-monetary contributions and expenditures (direct and indirect) used in the manner described in section 1 above, including:
   a. The identity of the recipient as well as the amount paid to each; and
   b. The title(s) of the person(s) in the Company responsible for decision-making.

Proponents established a precedent at the SEC in 2013 for cases in which a company received separate resolutions on lobbying and political disclosure. The SEC staff held that if a CPA proposal notes it excludes lobbying, and if a lobbying proposal specifically excludes electoral spending, both must be included. Seven companies—**AT&T**, **Charles Schwab**, **Eastman Chemical**, **Emerson Electric**, **Express Scripts**, **Google** and **Raytheon**—received both types this year.

SEC action: Companies have lodged three SEC challenges. **EOG Resources** said the resolution was moot and Mercy Investment withdrew, noting a meeting in which EOG explained recent policy changes. Challenges remain outstanding at two other firms. **Google's** argument, to which the SEC has yet to respond, hinges on whether the SEC considers the CPA proposal to be substantially the same as a 2012 resolution asking for an annual advisory vote on political spending. **Starwood Hotels and Resorts** is contending the resolution is too vague and therefore misleading, but this seems unlikely to pass muster.

Withdrawals and agreements: In addition to the **EOG Resources** withdrawal noted above, eight other CPA proposals have been withdrawn so far, but information on the substance of agreements reached with proponent is available only for three that were filed by NYSCRF (**Dean Foods**, **Eastman Chemical** and **H&R Block**, all of which took steps to adopt the proposal); withdrawals also have occurred at **Cerner**, **FMC**, **McGraw-Hill Financial**, **MeadWestvaco** and **Public Service Enterprise Group**. More withdrawals are likely.

Indirect political spending: A resubmission at **AT&T** that earned 24.9 percent last year also looks at indirect campaign spending. It asks for the same accounting as the CPA resolutions, but says the requested report should cover expenditures to “trade associations and other tax-exempt entities that are used for political purposes (‘indirect’ political contributions or expenditures).” The resolution notes it “does not encompass payments used for lobbying.”

Elections Proposals

Company	Lead Filer	Status	Company	Lead Filer	Status
Amazon.com	Investor Voice	May	McGraw-Hill Financial	Clean Yield Asset Mgt.	Withdrawn
AT&T	Domini Social Investments	April	MeadWestvaco	Domini Social Investments	Withdrawn
AT&T[1]	Walden Asset Mgt.	April	NextEra Energy	NYSCRF	May
Cabot Oil & Gas	NYC pension funds	May	NiSource	NYSCRF	May
Cerner	FAFN	Withdrawn	Nucor	Philadelphia PERS	May
Charles Schwab	NYC pension funds	May	PPL Corporation	NYC pension funds	May
Danaher	Mercy Investment Services	May	Public Service Ent. Grp	Philadelphia PERS	Withdrawn
Dean Foods	NYSCRF	Withdrawn	Raytheon	NYSCRF	May
Delta Air Lines	NYSCRF	June	Spectra Energy	Nathan Cummings Fndn	April
DTE Energy	NYC pension funds	May	Starwood Hotels & Resorts	Mercy Investment Services	Withdrawn
Duke Energy	Nathan Cummings Fndn	May	TECO Energy	Philadelphia PERS	April
Eastman Chemical	NYSCRF	Withdrawn	Thermo Fisher Scientific	Clean Yield Asset Mgt.	May
Emerson Electric	Trillium Asset Mgt.	30.4%	Travelers	NYSCRF	May
EOG Resources	Mercy Investment Services	Withdrawn	United States Steel	NYSCRF	April
Express Scripts	NYSCRF	May	Verizon Communications	Domini Social Investments	May
FMC	CPA Partner	Withdrawn	Waste Management	NYSCRF	May
Frontier Communications	IBEW	May	Western Union	NYSCRF	May
Google	Clean Yield Asset Mgt.	May	Wyndham Worldwide	Mercy Investment Services	Withdrawn
H&R Block	NYSCRF	Withdrawn	Wynn Resorts	NYSCRF	May
Kansas City Southern	Trillium Asset Mgt.	May			

[1] Indirect political spending. All others use the CPA template.
(Does not include three planned for meetings from July through December.)

Additional Political Spending Proposals

Board oversight: Two proposals that ask for more disclosure of electoral spending take a somewhat different approach. At **Aetna**, the focus of a resubmitted proposal from the Unitarian Universalists is on board oversight of all types of spending and intermediaries. The resolution, which earned 5.3 percent last year, asks the company to amend its political contributions policy with the following provisions:

- Assign to the Board responsibility for (a) formulating and revising the Policy and (b) establishing the parameters of Aetna’s commitment to publicly disclose political expenditures (in addition to legal disclosure requirements);
- Assign to the Audit Committee responsibility for analyzing and reporting to the full Board annually on (a) compliance with the Policy; and (b) the risks associated with Aetna’s political activities, including those undertaken through politically active intermediaries such as trade associations and social welfare organizations (“Intermediaries”); and
- Establish specific criteria tailored to analyzing whether to make payments to Intermediaries for political purposes, requiring articulation of the business rationale for each payment and consideration of the use(s) to which the funds will be put by the Intermediary.

The proposal must earn at least 6 percent this year for future resubmission. The Unitarians contend the company's current policies do not specify what criteria it uses to determine spending decisions, saying only that they are made "without regard for the private political preferences of company directors or officers," without specifying any other criteria, and without applying the policy to intermediary groups. Last year it noted the company gave $4 million to the U.S. Chamber of Commerce and $3 million to the American Action Network—both of which spent funds on election efforts.

Values congruency: Northstar Asset Management is continuing a push it started two years ago for companies to more explicitly align stated company values with political spending decisions. The resolution is pending at **CVS Caremark** and **Johnson & Johnson**. It asks each to provide:

> a congruency analysis between corporate values…and Company and [PAC] political and electioneering contributions, including a list of any such contributions occurring during the prior year which raise an issue of misalignment with corporate values, and stating the justification for such exceptions.

At CVS it cites the company's "Environmental Commitment Statement and our employment policy on Equal Opportunity," and at J&J it asks about the company's "Climate Friendly Energy Policy, Equal Employment Opportunity Policy, and Statement on Human Right to Water." Johnson & Johnson successfully knocked a similar version of the proposal out on ordinary business grounds in 2014 given its specificity so the resolution this year is slightly recast. A 2013 version of the proposal had earned 6.4 percent support.

Political spending ban: Proposals in 2014 asked companies to stop political spending, which the proponents said should occur because of what they said was inappropriate heavy company spending to defeat ballot initiatives about GMO labeling. There were three withdrawals that occurred after companies argued at the SEC that the proposal was too issue-specific and proponents did not want to set a damaging precedent with a loss, and when the resolutions did go to votes they got little support—with the highest vote of just 3.5 percent at **Du Pont** and 2 percent or less at **Starbucks** and **Wellpoint**. Just one spending ban proposal is pending this year so far, in which Green Century is asking **Chevron** to "adopt a policy to refrain from using corporate funds to influence any political election." The proponent points out the company spent $3 million in a Richmond, California city council election, where a 2012 refinery fire has prompted tensions with residents; NPR noted that none of the three candidates backed by the company were elected, however.

Additional Political Spending Proposals

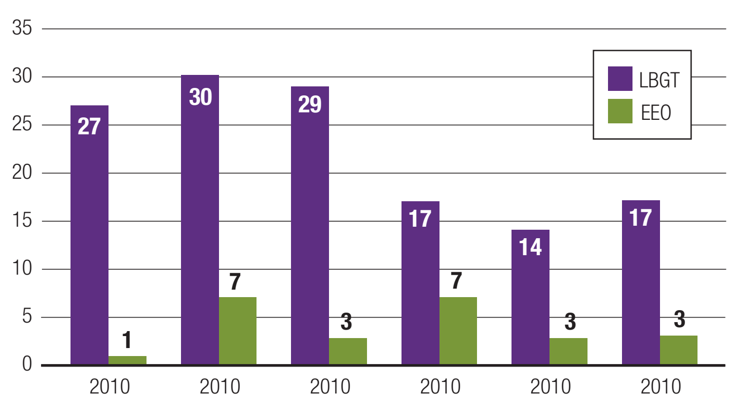
Company	Proposal	Lead Filer	Status
Aetna	Adopt board oversight of all political spending	Unitarian Universalists	May
Chevron	End political spending	Green Century	May
CVS Caremark	Adopt policy on values, political spending	NorthStar Asset Mgt.	May
Goldman Sachs	Adopt public policy advocacy principles	Harrington Investments	May
Johnson & Johnson	Adopt policy on values, political spending	NorthStar Asset Mgt.	April
JPMorgan Chase	Adopt public policy advocacy principles	Harrington Investments	May

DIVERSITY IN THE WORKPLACE

LGBT Rights

The sea change in how lesbian, gay, bisexual and transgender (LGBT) people are treated by American society continues to be on display in shareholder campaigns that seek to cement LGBT civil rights. A plurality of large U.S. companies now explicitly prohibit discrimination on the basis of sexual orientation and gender identity, and the hold-outs tend not to be household names. This issue consistently gets high levels of investor support and prompts lots of withdrawal agreements. As rights have become more accepted, the number of shareholder resolutions has dropped. *(See chart.)* Key proponents are NYSCRF, the New York City pension funds and social investment firms.

Workplace Diversity Filings, 2010-2015



The Sustainable Governance section (p. 48), describes the 21 proposals making the case for board diversity, as well. Combined, the board and employee diversity proposals account for 9 percent of the total number of proposals filed at this point in the proxy season, a little less than in 2014. Resolutions from LGBT rights opponents pop up here and there, but they get scant support. *(A few pending this year are described in the Conservative section on p. 61.)*

Sexual orientation and gender identity: Investors have filed 17 resolutions asking for LGBT non-discrimination policies and nine are still pending. The resolution asking for adoption of a gender identity policy is still pending at **Citrix Systems**, **Mentor Graphics**, **Minerals Technologies** and **National Fuel Gas**; it earned 33.6 percent at the latter in 2014 but is new to the other three. The proposal asking for nondiscrimination for gender identity and sexual orientation is still pending at **Alaska Communications Systems Group**, **General Communication**, **Stillwater Mining** and **Syntel**; none of these firms have considered it previously. The remaining proposals have been withdrawn following agreements by the companies to implement the proposal *(see table for a list)* and more withdrawals following agreements are certain.

A significant development on this issue in 2015 is the decision by **ExxonMobil** to adopt a sexual orientation/gender identity non-discrimination policy. A resolution on the subject has gone to a vote for more than a dozen years. In a January 30 letter, a company official wrote:

> To confirm our phone conversation yesterday (and as described In more detail In our letter to the SEC of Jan. 29), as a result of recent changes in federal law ExxonMobil's Board of Directors has amended both the U.S. Equal Employment Opportunity Policy and related U.S. Harassment in the Workplace Policy to add specific references to both sexual orientation and gender identity to the listing of protected categories of persons. Copies of these policies as amended are posted on our website at exxonmobll.com.
>
> ExxonMobil will also continue to emphasize through employee communications and training materials that discrimination or harassment on any basis—including sexual orientation or gender identity- is prohibited, and these materials will be updated as needed to reflect the specific listing of these categories in the U.S. policy documents.

Diversity in the Workplace Proposals

Company	Proposal	Lead Filer	Status
AK Comm. Systems	Adopt sexual orientation/gender ID policy	Pride Foundation	June
American Express	Disclose EEO-1 data	NYC pension funds	May
Charles Schwab	Disclose EEO-1 data	NYC pension funds	May
Citrix Systems	Adopt gender identity policy	Clean Yield Asset Mgt.	May
Cullen/Frost Bankers	Adopt sexual orientation/gender ID policy	Walden Asset Mgt.	Withdrawn
Expeditors Intl – Washington	Adopt gender identity policy	Pride Foundation	Withdrawn
ExxonMobil	Adopt sexual orientation/gender ID policy	Walden Asset Mgt.	Withdrawn
First Interstate BancSystem	Adopt sexual orientation/gender ID policy	Walden Asset Mgt.	Withdrawn
First NBC Bank Holding	Adopt sexual orientation/gender ID policy	Walden Asset Mgt.	Withdrawn
General Communication	Adopt sexual orientation/gender ID policy	Pride Foundation	June
Greenbrier Companies	Adopt gender identity policy	Pride Foundation	Withdrawn
IDEX	Adopt sexual orientation/gender ID policy	Walden Asset Mgt.	Withdrawn
Mentor Graphics	Adopt gender identity policy	Pride Foundation	June
Minerals Technologies	Adopt gender identity policy	Trillium Asset Mgt.	May
National Fuel Gas	Adopt gender identity policy	Trillium Asset Mgt.	March
Omnicom Group	Disclose EEO-1 data	NYC pension funds	May
PACCAR	Adopt gender identity policy	Pride Foundation	Withdrawn
Schnitzer Steel Industries	Adopt sexual orientation/gender ID policy	Pride Foundation	Withdrawn
Stillwater Mining	Adopt sexual orientation/gender ID policy	Pride Foundation	April
Syntel	Adopt sexual orientation/gender ID policy	Walden Asset Mgt.	June

EEO Disclosure

Just three resolutions are pending that ask companies to disclose more information about their employee diversity. All are from the New York City Comptroller's Office and each went to a vote previously, as well, earning in 25.1 percent at **American Express** and 20.3 percent at **Charles Schwab** in 2014, and 26.4 percent at **Omnicom Group** in 2013. Schwab tried last year to say implementing the proposal would be illegal, but the argument was rejected at the SEC.

HEALTH

Health Proposals

Company	Proposal	Lead Filer	Status
Altria	Report on tobacco health risk communications	Trinity Health	May
Biogen Idec	Report on pharmaceutical pricing	UAW Retirees Trust	June
Celgene	Report on pharmaceutical pricing	UAW Retirees Trust	June
DineEquity	Report on fast food and childhood obesity	Mercy Investment Services	May
Gilead Sciences	Report on pharmaceutical pricing	UAW Retirees Trust	May
Vertex Pharmaceuticals	Report on pharmaceutical pricing	UAW Retirees Trust	May
Viacom	Report on smoking depiction in movies	Midwest Capuchins	Omitted
Walt Disney	Report on smoking depiction in movies	Srs. of St. Francis of Phila.	Omitted

Drug Pricing

The United Auto Workers Retiree Medical Benefits Trust has picked up an issue previously raised by ICCR members periodically over the years, and is asking four pharmaceutical companies to report on their approach to pricing high priced drugs. It asks **Biogen Idec**, **Celgene**, **Gilead Sciences** and **Vertex Pharmaceuticals** for a report on the risks:

> from rising pressure to contain U.S. specialty drug prices. Specialty drugs, as defined by the Center for Medicare and Medicaid Services, are those that cost more than $600 per month. The report should address [the company's] response, if any, to risks created by:
>
> - The relationship between [the company's] specialty drug prices and each of clinical benefit, patient access, the efficacy and price of alternative therapies, manufacturing costs, drug development costs and the proportion of drug development costs borne by academic institutions and/or the government;
> - Price disparities between the U.S. and other countries and public concern that U.S. patients and payers are shouldering an excessive proportion of the cost burden;
> - Price sensitivity of prescribers, payers and patients; and
> - The possibility that pharmacoeconomics techniques such as cost-effectiveness studies will be relied on more by payers in making specialty drug reimbursement decisions.

SEC action: Each firm except Biogen has filed a challenge to the proposal at the SEC. Celgene says the proposal should be excluded because it would benefit the UAW fund specifically, not investors at large, that it concerns ordinary business and that it is moot. Gilead Sciences also says it concerns ordinary business; a resolution there in 2014 from an AIDS activist that sought a link between CEO pay and patient access to drugs received 32.7 percent support (in addition to AIDS drugs, the company also makes one of the new very expensive treatments for hepatitis C which has prompted controversy given its cost. Finally, Vertex also says it relates to ordinary business and is moot. The SEC has yet to issue a response to any of these arguments. In the past, the SEC has rejected ordinary business exclusion arguments on the issue of drug pricing, but since the proponent has a vested interest in drug prices for its beneficiaries it seems possible the SEC staff may have a different interpretation this time at Celgene.

Obesity

ICCR members have been trying to get fast food companies to report on the linkages between their offerings and the U.S. child obesity epidemic for several years. This year they are taking the campaign to just one company—**Dine Equity**, asking for a report and "risk evaluation" that will assess "whether the scope, scale and pace of the company's nutritional initiatives are sufficient to prevent material risks to the company's finances and operations due to public concerns about childhood obesity and public and private initiatives to eliminate or restrict the fast food environment." The same resolution went before **McDonald's** previously, earning between 7 percent and 8 percent from 2011 to 2013, when it failed to meet the 10 percent resubmission threshold. The Midwest Capuchins withdrew this proposal last year at **Wendy's** after discussions.

Tobacco

Faith-based investors have continually tried, without much success, to put media companies on the spot about the depiction of tobacco in movies and on television. This year they asked **Viacom** and **Walt Disney** to report

> on the public health impacts of smoking in all of its movies, including analysis of the company's exposure to reputational, legal, and financial risk based on the public health impact of smoking in movies identified by the Surgeon General and CDC. This should include all films produced or distributed by the Company.

But both companies said the proposal could be excluded because it concerns the content of their programming and the SEC agreed.

Separately, Trinity Health is asking **Altria** to start a program aimed at smoking cessation for its poor and less educated customers and report, in a resubmission that earned 3.7 percent last year. It asks the company specifically

> to prepare appropriate materials (similar to the success that has been noted with parallel materials for youth) informing tobacco users who live below the poverty line or have little formal education of the health consequences of smoking our products along with market-appropriate cessation materials.

(Additional tobacco-related resolutions calling for board oversight of tobacco and its depiction in movies are covered in the section on Board Oversight, p. 50, while proposals about tobacco workers' rights are covered under Human Rights, in the section below.)

HUMAN RIGHTS AND DECENT WORK

Shareholder resolutions about human and labor rights try to get at the many ways in which corporate activity affects and sometimes contributes to long-standing, complex societal challenges. This year, with 42 proposals on human and labor rights and another 20 on decent work (mostly regarding pay equity), proponents are continuing previous campaigns and also presenting a number of new ideas. These include six proposals about migrant worker rights in the tobacco industry and a proposal invoking similar concerns asking about the relatively new Fair Food Program for agricultural workers, three promoting a new set of fair employment principles for the Middle East and two about military sales to the Israeli military. New also are one or two resolutions each about corporate humanitarian engagement, prisoner recidivism, lethal injection drugs and the civil rights implications of financial firms' use of "big data." In addition, an important feature of these proposals continues to be an effort to persuade companies to conduct and report on human rights risk assessments, with a dozen filed proposals, invoking the UN Principles on Business and Human Rights.

(Several of the sustainable governance proposals also raise concerns about company supply chains and vendor compliance with international human rights standards, covered on p. 40, while about two dozen from conservative groups raise issues related to free speech rights, covered on p. 61.)

Risk Assessment and Related Policies

Continued campaign: After going to 14 companies last year, proponents this year are asking 12 firms to conduct risk assessments. At 11 companies the request is for a report on the

> process for identifying and analyzing potential and actual human rights risks of [the company's] products, operations and supply chain (referred to herein as a "human rights risk assessment") addressing the following:
>
> - Human rights principles used to frame the assessment
> - Frequency of assessment
> - Methodology used to track and measure performance
> - Nature and extent of consultation with relevant stakeholders in connection with the assessment
> - How the results of the assessment are incorporated into company policies and decision making.

At **Facebook**, the request does not ask about its supply chain but says "children's rights principles" should guide the assessment. At **Amazon.com**, an additional clause asks about risks related to its "use of labor contractors/subcontractors, temporary staffing agencies or similar employment arrangements (or a statement that no such risks have been identified)." Further, at **Urban Outfitters**, Calvert Investments wants the inclusion of a "List of countries where the company sources a minimum of 5 percent of its total global volume order." At **Dr Pepper Snapple**, Calvert asks simply for a report "describing how the Board and company management identify, analyze, and oversee human rights risks related to the company's sugar supply chain, how they mitigate these risks, and how they incorporate risk assessment results into company policies and decision-making."

New recipients of the proposal where it is still pending are **Amazon.com**, **Expedia**, **Facebook**, **Sears Holdings** and **Staples**. The proposal is a resubmission at **Kroger** (where it earned 38.8 percent in 2014), **Superior Energy Services** (38.6 percent), **T-Mobile US** (7 percent) and **Urban Outfitters** (25.3 percent).

Human Rights Policies and Risks Proposals

Company	Proposal	Lead Filer	Status
3M	Report on humanitarian engagement policy	Jantz Mgt.	Withdrawn
Alliance One Intl	Adopt policy on supply chain worker fees	Midwest Capuchins	August
Altria	Adopt policy on supply chain worker fees	Midwest Capuchins	May
Amazon.com	Report on human rights risk assessment	SumOfUs	May
Apple	Report on human rights risk assessment	SumOfUs	Omitted
Caterpillar	Adopt/expand human rights policy	Mercy Investment Services	June
Chevron	Report on country selection/assessment	Teamsters	May
Dr Pepper Snapple	Report on human rights risk assessment	Calvert Investment Mgt.	May
Expedia	Report on human rights risk assessment	Mercy Investment Services	June
Facebook	Report on human rights risk assessment	Srs. of the Holy Names	May
Freeport-McMoRan	Report on human rights risk assessment	NYSCRF	Withdrawn
Kroger	Report on human rights risk assessment	Srs. of St. Francis of Phila.	June
Kroger	Join the Fair Food Program	Calvert Investment Mgt.	June
Kroger	Report on humanitarian engagement policy	Jantz Mgt.	June
Lorillard	Adopt policy on supply chain worker fees	Midwest Capuchins	May
Motorola Solutions	Adopt/expand human rights policy	United Church Funds	Withdrawn
Philip Morris International	Adopt policy on supply chain worker fees	Midwest Capuchins	May
Reynolds American	Adopt policy on supply chain worker fees	Midwest Capuchins	May
Sears Holdings	Report on human rights risk assessment	Mercy Investment Services	May
Staples	Report on human rights risk assessment	AFSCME	June
Superior Energy Services	Report on human rights risk assessment	AFSCME	May
T-Mobile US	Report on human rights risk assessment	AFL-CIO	June
Universal	Adopt policy on supply chain worker fees	Midwest Capuchins	August
Urban Outfitters	Report on human rights risk assessment	Calvert Investment Mgt.	May

SEC action and a withdrawal—**Apple** successfully challenged the proposal at the SEC, arguing that it was similar to proposals submitted in 2013 and 2014 by Harrington Investments and NorthStar Asset Management, the latter of which received only 5.7 percent support, not enough support for resubmission this year, and the SEC agreed. The commission has yet to respond to a challenge from **Amazon.com**, which says the proposal is vague and misleading and concerns ordinary business. NYSCRF withdrew at **Freeport-McMoRan** after the company explained it has begun a comprehensive human rights risk assessment program.

Country selection: The Teamsters union has refiled a long-running proposal at **Chevron** that asks for the company's "criteria for (i) investment in; (ii) continued operations in; and, (iii) withdrawal from specific high-risk countries," such as Burma, that have a history of human rights abuses. The proposal consistently earns about 23 percent, as it did in 2014, but this year Chevron is contending at the SEC that it is vague and misleading and has been implemented. Chevron explains that in August 2014 it posted a new statement on its website about its country selection criteria that says it "will operate where we can legally and profitably conduct our business in accordance with The Chevron Way values. These values place the highest priority on protecting people and the environment, respecting the law, supporting universal human rights and maintaining high ethical standards," with additional detailed commitments about financial and nonfinancial matters that include its ability to "provide a safe and secure environment for our personnel and assets and uphold our support for human rights and anti-corruption." The SEC has yet to respond.

Policy review: One of two resubmitted proposals asking for a review and expansion of human rights policies has been withdrawn, but not because of any agreement. **Motorola Solutions** challenged a resolution from the United Church Funds at the SEC, arguing that the resolution was similar to three proposals submitted since 2011 and noting that the 2014 proposal only received 6.3 percent support, not enough for resubmission this year. The church withdrew the proposal, which had asked for a review of its "policies related to human rights that guide its international and U.S. operations to conform more fully with international human rights and humanitarian standards." In the withdrawal letter, the church said, it "continues to be concerned with the way our company's policies guide its operations in international zones of conflict, and we would welcome the opportunity to discuss this matter in an engagement format."

At **Caterpillar**, the repeat request from Mercy Investments is for an extension of the policy to "franchisees, licensees and agents that market, distribute or sell its products." Earlier similar resolutions have earned about 26 percent support every year since 2010 but now the company says it is moot. Specifically, it says a committee of the board "is expected in the near future to (i) review its existing policies related to human rights that guide international and U.S. operations, (ii) evaluate internationally recognized human rights standards, as articulated in the Proposal, and (iii) consider whether to amend its policies based on this review and evaluation." The SEC staff has not yet reached a decision.

Humanitarian Engagement

Jantz Management has presented **3M** and **Kroger** with a new proposition—asking each to report "on the Company's process for identifying and prioritizing humanitarian engagement other than charitable giving." It says,

The report may:

1. Describe the process by which the company identifies, evaluates, and prioritizes humanitarian engagement other than charitable giving of interest to the company;
3. Describe the process by which the company enters into alliances, associations, coalitions and trade associations for the purpose of humanitarian engagement other than charitable giving;
4. Describe the process by which the company evaluates the reputational impact of its humanitarian engagement other than charitable giving;
5. Identity and describe humanitarian issues of interest to the company;
6. Prioritize the issues by importance to creating shareholder value.

Jantz has withdrawn at 3M, after the company agreed to include the requested information in its next sustainability report. It remains pending at Kroger, but there is still time for negotiation since the company's annual meeting does not occur until June. Jantz reasons in the proposal that companies have both the capacity and obligation to step in when government cannot "provide adequate remedies and perform necessary relief functions," in crises such as the West African Ebola outbreak and the earthquakes in Japan and Haiti.

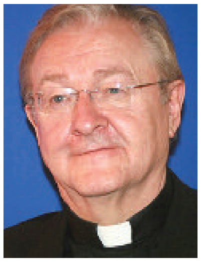
Migrant Worker Rights

The Midwest Capuchins, who have campaigned on many tobacco-related issues for years, have a new resolution filed at six companies—**Alliance One International**, **Altria**, **Lorillard**, **Philip Morris International**, **Reynolds American** and **Universal**—that seeks to address problems for migrant workers picking tobacco in the United States. It says each company should "create a policy that all its suppliers throughout its tobacco procurement supply chain verify (with independent monitoring) their commitment and compliance regarding non-employment, directly or indirectly, of laborers who have had to pay to cross the U.S. border to work or, once here, to work on U.S. farms." The proposal notes that many U.S. farms use undocumented workers who may have been trafficked from their country of origin and that the International Labor Organization recommended in May 2014 that employers should take steps to eliminated worker recruitment fees and make work contracts more transparent to address the problem. (The ILO adopted the recommendation at a June 2014 meeting in Geneva.) The resolution points out that Northeastern University's Urban Institute found in 2014 that "given the vulnerability of foreign workers' legal status, limited education background, and linguistic and geographic isolation and lack of local law enforcement involvement in proactively investigating criminal labor complaints, farmworkers may be especially vulnerable to labor trafficking." The proposal fits within the ongoing ICCR efforts to combat human trafficking, and no companies to date have filed challenges at the SEC to this proposal.

Separately, Calvert Investments wants **Kroger** to "take all necessary steps to join the Fair Food Program, as promptly as feasible, to protect and enhance consumer and investor confidence in the Kroger brand related to the purchase of domestic produce." Calvert asserts that the company faces risks because of the prevalence of problems on U.S. farms and what it sees as an inadequate company policy, and points out that several competitors have joined the Fair Food Program, which launched in 2011 and describes itself as a "unique partnership among farmers, farmworkers, and retail food companies that ensures humane wages and working conditions for the workers who pick fruits and vegetables on participating farms." Kroger is no stranger to this issue and has received proposals on its supply chain policies from 2011 to 2013 that earned 11 percent to 14 percent, while a human rights risks assessment proposal in 2014 received 38.8 percent support, as noted above.

Conflict Zone Operations

advocacyposition



ADOPTING U.S. FAIR EMPLOYMENT POLICIES IN THE MIDDLE EAST

FR. SEAN MCMANUS

President of the Irish National Caucus and the Holy Land Principles

A campaign is underway to get all the 546 American companies doing business in Israel-Palestine to sign The Holy Land Principles, an eight-point set of fair employment principles that were launched on International Human Rights Day, December 10, 2012.

The Holy Land Principles are based on the MacBride Principles, which are now universally regarded as the most effective campaign ever against anti-Catholic discrimination in Northern Ireland.

The Holy Land Principles do not call for quotas, reverse discrimination, divestment, disinvestment or boycotts—only American fairness in American companies. The Principles do not take a position on any particular solution—One State, Two State, etc. The Principles do not try to tell the Palestinians or the Israelis what to do—they only call on American companies in the Holy Land to proudly declare and implement their American values by signing the Holy Land Principles.

Until we launched the MacBride Principles, the American companies doing business in Northern Ireland were never confronted with their complicity in anti-Catholic discrimination. Incredibly, that obvious domestic and foreign policy nexus, with its powerful economic leverage for good, was missed. Same, too, with the American companies (apart from a few with obvious military-security aspects) doing business in Israel-Palestine.

This was a vacuum crying out to be filled. Because of our success with the MacBride Principles, we felt we had a duty to lead the way on the Holy Land Principles. The Principles are pro-Jewish, pro-Palestinian, and pro-company.

One hundred sixteen American companies doing business in Northern Ireland have signed the MacBride Principles. Can American companies now say: "Catholics in Northern Ireland deserve these principles but Palestinian Muslims and Palestinian Christians do not?" And can fair-minded Americans—companies, consumers, investors and other stakeholders—go along with that?

Holy Land Principles: This year for the first time investors may have a chance to vote on a new set of fair employment principles, dubbed the Holy Land Principles.[2] They are being promoted by Sean McManus, who leads an organization by the same name and who also was active in promoting the MacBride Principles for fair employment in Northern Ireland, which took a similar approach to addressing a deep-seated conflict. The resolution asks each company to "Make all possible lawful efforts to implement and/or increase activity on each of the eight Holy Land Principles." *(See box for a list of the principles.)*

The proposal was filed at three companies—**Corning**, **General Electric** and **Intel**, which all lodged SEC challenges. Intel said it concerns ordinary business and constitutes more than one proposal, while Corning contended the issue is not significantly related to its business and has already been addressed by company policies. General Electric said the proponent failed to provide sufficient proof of stock ownership,

The Holy Land Principles	
1	Adhere to equal and fair employment practices in hiring, compensation, training, professional education, advancement and governance without discrimination based on national, racial, ethnic or religious identity.
2	Identify underrepresented employee groups and initiate active recruitment efforts to increase the number of underrepresented employees.
3	Develop training programs that will prepare substantial numbers of current minority employees for skilled jobs, including the expansion of existing programs and the creation of new programs to train, upgrade, and improve the skills of minority employees.
4	Maintain a work environment that is respectful of all national, racial, ethnic and religious groups.
5	Ensure that layoff, recall and termination procedures do not favor a particular national, racial, ethnic or religious group.
6	Not make military service a precondition or qualification for employment for any position, other than those positions that specifically require such experience, for the fulfillment of an employee's particular responsibilities.
7	Not accept subsidies, tax incentives or other benefits that lead to the direct advantage of one national, racial, ethnic or religious group over another.
8	Appoint staff to monitor, oversee, set timetables, and publicly report on their progress in implementing the Holy Land Principles.

2. Si2 has provided research to the Holy Land Principles organization reporting on the operations and policies of some U.S. companies operating in Israel and Palestine, but it does not participate in the group's campaign for adoption of the principles.

constitutes more than one proposal and relates to ordinary business. The SEC rejected all the arguments. (A resolution last year to **Cisco Systems** on the principles was omitted because the proponent did not provide sufficient proof of stock ownership.)

Military sales: Inspired by the recent upsurge in hostilities between Israel and Palestinians in Gaza, as well as other conflicts, two more proposals call on companies to take action with regard to military sales abroad, but both have been omitted. At **Boeing**, individual proponent Sara Simmons asked the company "to cease selling armaments, such as F15 fighter planes, AH-64 Apache helicopters, and the Joint Direct Munition (JDAM) systems, to the State of Israel." The proposal was omitted because it was filed too late.

Harrington Investments made a broader request when it asked at **Hewlett-Packard** for "a comprehensive report on Hewlett-Packard's sales of products and services to the military, police and Intelligence agencies of foreign countries," noting in the body of the resolution the company's products may be used in Israel and the Occupied Territories as well as China, Columbia, the Philippines, Russia and Syria, where they might facilitate human rights abuses. The SEC agreed with the company's contention that the resolution concerned ordinary business because it related to the sales of company products.

Sudan: William Rosenfeld of Investors Against Genocide resubmitted a proposal at **Franklin Resources**, asking it to "avoid holding or recommending investments in companies that, in management's judgment, substantially contribute to genocide or crimes against humanity, the most egregious violations of human rights." The company challenged the proposal at the SEC, arguing that that it was similar to proposals submitted in 2013 and 2014 by the same proponent, the latter of which received only 5.9 percent support, not enough support for resubmission this year. The SEC agreed.

Conflict Zones Proposals

Company	Proposal	Lead Filer	Status
Boeing	End military sales to Israel	Sara Simmons	Omitted
Corning	Implement Holy Land Principles	Holy Land Principles	April
Franklin Resources	End genocide-connected investments	William Rosenfeld	Omitted
General Electric	Implement Holy Land Principles	Holy Land Principles	April
Hewlett-Packard	Report on foreign military sales	Harrington Investments	Omitted
Intel	Implement Holy Land Principles	Harrington Investments	May

Other Human Rights Issues

Lethal injection drugs: NYSCRF has filed a resolution at **Akorn** and **Mylan** that asks for a report "describing the company's policy position regarding whether the company or its subsidiaries will provide products for purposes of aiding executions, and including an analysis of potential reputational risks associated with such policy positions." The resolution is the first to raise such concerns. Mylan has challenged the resolution at the SEC, arguing it can be omitted because it contains false and misleading statements, but the commission has yet to respond. No challenge from Akorn has surfaced.

Human right to water: Northstar Asset Management has resubmitted its resolution to **Aqua America** for the fourth year in a row, requesting the company "to create a comprehensive policy articulating our company's respect for and commitment to the human right to water." It has gone to a vote for the last three years and earned its highest tally last year, 11.2 percent. Northstar wants the company to follow the example set by several other companies, while management contends that it already fulfills the stated purpose of the policy through publicly disclosed policy statements, an existing mission statement, and compliance with state and federal laws.

Additional Human Rights Proposals

Company	Proposal	Lead Filer	Status
Akorn	Report on lethal injection drug policy	NYSCRF	May
Aqua America	Adopt policy on human right to water	NorthStar Asset Mgt.	May
Corrections Corp. of America	Adopt prisoner recidivism reduction policy	Alex Friedmann	Omitted
FedEx	Report on derogatory sports name	ICCR member	September
GEO Group	Adopt prisoner recidivism reduction policy	Alex Friedmann	Omitted
Mylan	Report on lethal injection drug policy	NYSCRF	April
Wendy's	Adopt sustainable agriculture policy	Calvert Investment Mgt.	May

Sustainable agriculture: Water and human rights also come up in a broadly worded resolution from Calvert Investments that asks **Wendy's** to "adopt and implement a comprehensive sustainable agriculture policy," raising these issues in the body of the proposal, along with greenhouse gas emissions in the company's supply chain.

Prisoners: Alex Friedman, an inmate rights activist, has been filing resolutions for several years. He submitted a new one this year at **Corrections Corp. of America** and **GEO Group**, asking each to adopt a detailed recidivism reduction policy, but the SEC agreed with both companies when they said it concerns ordinary business. Last year Friedman ran into the same problem with a resolution about high-cost prisoner telephone access, although in 2012 his resolution about sexual abuse and rape in prisons earned 18.6 percent at Corrections Corp. GEO Group last year began a dialogue with religious investors interested in reform, after three years of shareholder proposals on the subject.

Derogatory sports team name: A proposal about the Washington, D.C., football team at **FedEx** was omitted in 2014 on ordinary business grounds, but ICCR members plan another resolution on the subject in 2015. The text of the resolution, which would be filed for the company's fall annual meeting, is not yet available.

Decent Work

Pay disparity: Several Catholic religious orders have filed resolutions at 15 companies asking for a report on pay disparity. The resolution says each company should

> initiate a review of our company's executive compensation policies… We suggest the report include: 1) A comparison of the total compensation package of the top senior executives and our store employees' median wage in the United States in July 2005, 2010 and 2015; and 2) an analysis of changes in the relative size of the gap along with an analysis and rationale justifying any trends evidenced.

It cites the 10-Ks of major retailers that connect workers' wage stagnation to declining revenue, as well as an October 2014 study from the Center for American Progress, which said that "middle-class weakness and stagnant wage growth are undermining the economy." It goes on to note that a September 2014 study from Harvard Business School found "the pay gap between U.S.-based corporations' CEOs and their companies' workers was 350 times that of their average (not lowest paid) worker." The resolutions then go on to provide company-specific wage disparity information.

advocacyposition

PAY DISPARITY THREATENS BOTTOM LINE

REV. MICHAEL CROSBY OFMCAP.

Executive Director, Wisconsin, Iowa, Minnesota Coalition for Responsible Investment

In a December 2013 speech, President Barack Obama stated that inequality is "the defining issue of our time." Since he's been elected, Pope Francis has bemoaned the "structural causes of inequality." He stated: "As long as the problems of the poor are not radically resolved by rejecting the absolute autonomy of markets and financial speculation and by attacking the structural causes of inequality, no solution will be found for the world's problems, or, for that matter, to any problems. Inequality is the root of social ills."

Building on past efforts of shareholders to try to address the issue of inequality, members of the Wisconsin, Iowa, Minnesota Coalition for Responsible Investment (WIM/CRI), who are part of the Interfaith Center on Corporate Responsibility, made it their main concern for this years' filings of resolutions with companies. Their action was stimulated by a study showing that stagnant worker pay was being listed by retail companies as a detriment to their revenues that came from the Center for American Progress, as well as Roberto Ferdman's blog for *The Washington Post*: "The Pay Gap between CEOs and Workers Is Much Worse than You Realize." In addition, a 2014 Harvard Business School study showed the pay gap between the average annual compensation for the major U.S.-based corporations' CEOs ($12.3 million) and their companies' workers was 350 times that of their average (not lowest paid) worker.

Shareholders worked with staff from the Center for American Progress to identify top retail companies that have indicated in recent 10-K reports that their revenues might be adversely impacted by stagnant consumer wages. Our shareholder group then filed resolutions asking companies to compare the compensation packages of its senior executives to its employees' median wage and provide an analysis of changes in the pay gap over the last decade.

The resolution is being filed with about two-dozen top fast-food companies, retail and department stores including **McDonald's**, **YUM!**, **Bed Bath & Beyond**, **Home Depot**, **Gap**, **Kohl's**, **Macy's**, **TJX**, **Target** and **Walmart**, as well as with **Verizon**.

Most of the companies have engaged the filers in dialogues. Resolution proponents are not stressing the high pay of the CEOs as much as the need, for the good of the economy, to find ways to raise the wages of the lowest paid workers in order to give them more income that can be used for more consumption of basics.

It is pending at nine companies—**Gap**, **Home Depot**, **Kohl's**, **Macy's**, **McDonald's, TJX**, **Verizon Communications**, **Walmart** and **Yum Brands**— that all have challenged it at the SEC, arguing it is too vague, concerns ordinary business and is moot. The SEC has yet to respond to any of the challenges. It also is still pending, without challenge so far, at **Bed Bath & Beyond**, **Dollar General**, **Dollar Tree**, **Kroger** and **Lowe's**. The Sisters of St. Francis of Our Lady of Lourdes have withdrawn at **Target** after substantive talks and ICCR members are engaged in dialogue with two of the other recipients.

Separate from the ICCR campaign, individual proponent Alison Faith is raising a pay issue at **McDonald's**, although the company has challenged at the SEC and says it concerns ordinary business. The resolution asks the board to

> encourage its U.S. franchisees and its company-owned franchises to pay employees a minimum wage of $11.00 per hour. To compensate franchisees for the additional expense of increasing the minimum wage, the shareholders recommend either reducing the ongoing service fees which franchisees are required to pay McDonald's, or raising the prices of food served at McDonald's restaurants.

Pay for women—Three resolutions raise an issue that has not been addressed in shareholder proposals for a number of years—women's pay equity. Cynthia Murray says **Walmart** should

> set a goal of eliminating gender-based pay inequity at Walmart in the United States and report annually to shareholders on actions taken and progress made toward that goal. "Gender-based pay inequity" is a statistically significant difference in hourly wage rates paid to men and women within a pay grade (non-exempt employees) or in total annual compensation paid to men and women within a pay range (exempt employees), controlling for job tenure, geographic location, and performance. The report should include data for each grade/range regarding the proportion of male and female employees, the average annual hours worked by male and female employees, and the average hourly wage rate or annual compensation paid to male and female employees in the US in the most recently completed fiscal year.

The company has challenged the resolution at the SEC, arguing it can be excluded because it concerns ordinary business. Murray, a Walmart employee, in 2014 asked the company about pregnancy accommodation and withdrew it after the company changed its policy.

At **ExxonMobil**, another individual proponent, Eve Sprunt, is proposing that the company "annually report to shareholders the percentage of women at the following percentiles of compensation: top 75 percent by compensation, top 50 percent by compensation, top 25 percent by compensation, top 10 percent by compensation, and top 2 percent by compensation." The company is contending at the SEC that it concerns ordinary business. The SEC has yet to respond.

Finally, Arjuna Capital says in a proposal pending at **eBay** that it should report "on the Company's policies and goals to reduce the gender pay gap."

Layoff report: Workers at **Du Pont** have resubmitted a proposal that asks for a report on layoff impacts on workers; it earned 3.4 percent support in 2014, but the company this year successfully challenged the proponent's proof of stock ownership. (In 2013, the workers had asked for a report on pay disparity and earned 6.7 percent support.)

Decent Work Proposals

Company	Proposal	Lead Filer	Status
Bed Bath & Beyond	Report on pay disparity	Srs. of St. Francis - Holy Cross	July
Dollar General	Report on pay disparity	Srs. of St. Francis of Assisi	May
Dollar Tree	Report on pay disparity	Srs. of St. Francis of Assisi	June
Du Pont	Report on layoffs	Du Pont Workers	Omitted
eBay	Report on female pay disparity	Arjuna Capital	May
ExxonMobil	Report on female employee compensation	Eve S. Sprunt	May
Gap	Report on pay disparity	Srs. of St. Francis of Assisi	May
Home Depot	Report on pay disparity	Fran. Srs. of Perp. Adoration	May
Kohl's	Report on pay disparity	Midwest Capuchins	May
Kroger	Report on pay disparity	Srs. of St. Francis - Dubuque	June
Lowe's	Report on pay disparity	Priests of the Sacred Heart	May
Macy's	Report on pay disparity	Sch. Srs. N. Dame, Ctl Pacific	May
McDonald's	Report on pay disparity	Srs. of St. Francis - Dubuque	May
McDonald's	Urge franchises to increase worker pay	Alison Faith	May
Target	Report on pay disparity	Srs. St. Francis - Lady Lourdes	Withdrawn
TJX	Report on pay disparity	Priests of the Sacred Heart	June
Verizon Communications	Report on pay disparity	Srs. of St. Francis - Dubuque	May
Walmart	Report on pay disparity	Srs. of St. J. - Carondelet	June
Walmart	End female pay disparity	Cynthia Murray	June
Yum Brands	Report on pay disparity	Srs. of St. Francis - Holy Cross	May

MEDIA

A handful of proposals in the last few years have sought action from companies about data privacy and cybersecurity, couching the resolutions in human rights terms. A few also have advocated for net neutrality, but have faced an uphill battle to get the SEC to allow them on proxy statements. The group Open MIC, which advocates on media policy, supports campaigns for more transparency at media firms. There are eight proposals on these issues filed for 2015.

Big data and human rights: Calvert Investments has filed a proposal at six financial services companies that asks for a report "describing how the Board and company management identify, oversee, and analyze civil rights risks related to [the company's] use of big data, how they mitigate these risks, and how they incorporate assessment results into company policies and decision-making." The resolution opines that companies risk violating the civil rights of people about whom they collect vast amounts of personal formation such as ethnicity, health or socioeconomic status, and that misuse of such data may prompt litigation and harm to a company's reputation. Calvert has withdrawn at **American International Group** and **Wells Fargo** after both lodged SEC challenges arguing it concerns ordinary business; AIG also said it is moot. Calvert withdrew at **Equifax**, as well. SEC challenges to the pending proposal are outstanding from **Allstate** and **Mastercard**, arguing it concerns ordinary business and is moot, while Mastercard also says it is false and misleading. The final reolution is at **Metlife**.

A somewhat similar proposal to **Priceline.com** from Trillium Asset Management asks for a report "explaining how the Board is overseeing privacy and data security risks."

Net neutrality: A resubmitted resolution from the Nathan Cummings Foundation is pending at **Verizon**, which asks it to explain "how Verizon is responding to regulatory, competitive, legislative and public pressure to ensure that its network management policies and practices support network neutrality, an Open Internet and the social values described above." The SEC turned back a challenge to this resolution, saying the proposal had not been substantially implemented despite the company's argument to the contrary, and it earned 26.4 percent support last year.

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NET NEUTRALITY SUPPORTS FREE SPEECH AND FREE MARKETS

LAURA CAMPOS

Director of Shareholder Activities, the Nathan Cummings Foundation

The intense debate currently swirling around network neutrality regulation is rooted in concerns about civil rights, the economy and, for telecommunications companies and their shareholders, profitability. Network neutrality implies that all Internet traffic is treated equally, regardless of source, destination or ownership. It promotes free speech, creative expression, civic participation and democratic engagement. Net neutrality also helps to drive the economy, foster competition, encourage innovation and, ultimately, reward investors.

The Securities and Exchange Commission first recognized network neutrality as a significant social policy issue in 2012. In the intervening years, investors have asked **Sprint**, **AT&T** and **Verizon** to report on their approaches to network neutrality. In 2013, AT&T did just that. Sprint, which has also faced net neutrality proposals, recently asserted that "light touch" net neutrality regulation would not adversely impact investment in mobile broadband services. Verizon, however, remains an outlier, both in terms of disclosure and with respect to its aggressive approach to network neutrality regulations.

Verizon vociferously opposed the open Internet rules proposed by the Federal Communications Commission (FCC) in 2010, going so far as to sue to overturn the rules. While Verizon won the case, the strategy was questionable. News articles appearing in a wide array of publications, including the Wall Street Journal, have asked whether Verizon's aggressive approach backfired, especially after FCC Chairman Tom Wheeler's announcement that he wants to regulate broadband providers under Title II of the 1934 Communications Act. This is the same Act that governs telephone networks and amounts to a reclassification of broadband as a more utility-like service. Importantly, the new rules will also apply to mobile broadband.

The Nathan Cummings Foundation believes that Verizon has bungled its approach to net neutrality. Its positions with respect to both net neutrality and the potential ramifications of regulation have been inconsistent. For investors it's also worrisome that Verizon invested resources in short sighted litigation. That's why we have once again partnered with Trillium Asset Management and Open MIC to file a net neutrality proposal at Verizon.

As investors increasingly recognize the importance of telecoms' approaches to network neutrality, they're supporting net neutrality proposals in growing numbers. Bolstered by a positive recommendation from ISS, last year's net neutrality proposal at Verizon saw more than a quarter of shares voted cast in its favor. We expect an even stronger vote this year. The case for supporting network neutrality proposals is now more compelling than ever.

Media Proposals

Company	Proposal	Lead Filer	Status
Allstate	Report on technology use and human rights	Calvert Investment Mgt.	May
American Intl Group	Report on technology use and human rights	Calvert Investment Mgt.	Withdrawn
Equifax	Report on technology use and human rights	Calvert Investment Mgt.	Withdrawn
Mastercard	Report on technology use and human rights	Calvert Investment Mgt.	June
Metlife	Report on technology use and human rights	Calvert Investment Mgt.	April
Priceline.com	Report on privacy and data security	Trillium Asset Mgt.	June
Verizon Communications	Report on net neutrality	Nathan Cummings Fndn	May
Wells Fargo	Report on technology use and human rights	Calvert Investment Mgt.	Withdrawn

Sustainable Governance

Activist investors often turn their attention to the ways in which a company makes its social and environmental policy decisions, at the board level, as well as to how companies make themselves accountable to their investors when it comes to strategic sustainability issues. For the latter, requests relate both to direct company operations but also—increasingly—to supply chains, in an effort to drive more sustainable business practices further up the value chain where investors otherwise have little leverage. This section examines these issues, taking in turn board diversity, board oversight and sustainability reporting and other approaches. Most of the latter concern reporting but some also ask for links between executive pay and sustainability performance.

New in 2015 are proposals about board involvement in the oversight of the tobacco business and a request to adopt a sustainable agriculture policy at **Wendy's**, and a growing interest in sustainability reporting from small cap companies. Yet for the most part these resolutions tread ground that will be familiar from past proxy season. There are 21 resolutions calling for more board diversity and disclosure about related policies, 16 about different environmental or social issue board oversight, 31 about sustainability reporting, 11 about linking executive compensation to sustainability metrics and three about ESG proxy voting—although none of the latter will go to a vote.

BOARD DIVERSITY

Board Diversity Proposals

Company	Lead Filer	Status	Company	Lead Filer	Status
Agree Realty[2]	UAW Retirees Trust	May	LinkedIn[2]	NYSCRF	June
Alliance Data Systems[2]	NC Retirement Systems	June	Monster Beverage[2]	NYSCRF	June
Chipotle Mexican Grill[2]	Trillium Asset Mgt.	May	SBA Communications[2]	NYSCRF	May
Citrix Systems[2]	Trillium Asset Mgt.	May	Silgan Holdings[2]	Walden Asset Mgt.	Withdrawn
Coca-Cola[3]	Theresa Page	Omitted	Skechers U.S.A.[2]	NYSCRF	May
Cohen & Steers[2]	Walden Asset Mgt.	May	Standard Pacific[2]	NYSCRF	May
Comtech Telecom.[1]	Calvert Investment Mgt.	Withdrawn	Stryker[1]	NorthStar Asset Mgt.	Withdrawn
Discovery Communications[2]	Calvert Investment Mgt.	May	Ubiquiti Networks[1]	Calvert Investment Mgt.	Withdrawn
eBay[2]	Trillium Asset Mgt.	May	Urban Outfitters[1]	NYSCRF	May
Garmin[2]	CalSTRS	June	Whole Foods Market[1]	NorthStar Asset Mgt.	Withdrawn
Home Depot[1]	NorthStar Asset Mgt.	Withdrawn			

[1] Adopt board diversity policy. [2] Report on board diversity. [3] Elect women to the board.

The Thirty Percent Coalition, which includes senior business executives, national women's organizations, institutional investors, corporate governance experts and board members is still asking boards to include more women and minority members or to report on their related policies, with a total of 20 proposals filed.

Adopt diversity policy: Still pending is a NYSCRF request to **Urban Outfitters** that it:

1. Take every reasonable step to ensure that women and minority candidates are in the pool from which Board nominees are chosen;

2. Publicly commit itself to a policy of board inclusiveness to ensure that:

- Women and minority candidates are routinely sought as part of every Board search the company undertakes;
- The Board strives to obtain diverse candidates by expanding director searches to include nominees from both corporate positions beyond the executive suite and non-traditional environments such government, academia, and non-profit organizations; and
- Board composition is reviewed periodically to ensure that the Board reflects the knowledge, experience, skills, and diversity required for the Board to fulfill its duties.

To report to shareholders, at reasonable expense and omitting proprietary information, its efforts to encourage diversified representation on the Board.

The proposal is a resubmission from 2014. A similar proposal has gone to a vote several times previously, earning 33.4 percent in 2014, 27.9 percent in 2013, 38.8 percent in 2012 and 22.5 percent in 2011. In 2013, the company added a woman to its board but she is the wife of the company's CEO.

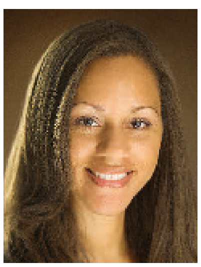
A shorter resolution is also pending from Calvert Investments at **Discovery Communications**, asking for a report

> on plans to increase diverse representation on the Board as well as an assessment of the effectiveness of these efforts. The report should include a description of how the Nominating and Corporate Governance Committee, consistent with its fiduciary duties, takes every reasonable step to include women and minority candidates in the pool from which Board nominees are chosen.

CalSTRS and Calvert withdrew a similar 2012 proposal after the company added a commitment to racial and gender diversity on its board, but they have filed in 2015 because the company has no women on its board.

Withdrawals and an omission—Proponents have withdrawn five more resolutions after reaching agreements about implementation, at **Comtech Telecommunications**, **Home Depot**, **Stryker**, **Ubiquiti Networks** and **Whole Foods Market**. A resolution from individual proponent Theresa Page to **Coca-Cola** had asked it to elect more women to its board, but the proposal was knocked out because the proponent did not provide sufficient proof of stock ownership, although Page says she will resubmit it for 2016.

advocacyposition



BOARD DIVERSITY: MOVING FROM COMMITMENTS TO ACTION

SHADÉ BROWN

Sustainability Analyst, Calvert Investments

Over the past several years the issue of corporate board diversity has garnered the attention of a broad range of stakeholders and become a focal point for legislators and investors in particular. Globally, the trend of government-imposed gender diversity quotas continues, with Germany setting the latest mandate of 30 percent women directors for listed companies in late 2014. Investment firms are not only well versed in the business case for diverse perspectives in the boardroom, they are also beginning to develop gender-focused products and services. In surveying institutional investors representing more than $11 trillion in managed assets, a 2014 study by PricewaterhouseCoopers found that 90 percent of investors believe that boards should critically evaluate their director diversity policies, and many investors have taken action through advocacy to ensure that companies are doing just that.

Investors and multi-stakeholder coalitions such as the Thirty Percent Coalition have made strides with companies in securing public commitments to board diversity. Since 2002, Calvert has filed 69 resolutions asking companies to expand governance guidelines to include policies that ensure that women and minorities are routinely sought as part of every director search. Calvert has successfully withdrawn 59 of these proposals. In 2014, Calvert successfully withdrew resolutions with **Comtech Telecommunications** and **Ubiquiti Networks**.

As companies increasingly embed more inclusive policies in corporate nominating and governance guidelines, investors want to understand how these commitments create more diverse boards over time. This season Calvert and others have filed resolutions with companies that have publicly committed to inclusive nomination processes yet still lack gender or racial diversity. Consistent with SEC guidance on board diversity disclosure, investors are asking companies to disclose how they are implementing board diversity policies and to assess their effectiveness in doing so. While the business case still underpins all dialogues, for Calvert these conversations have involved a more direct, explicit focus on processes and outcomes. We have, for instance, asked companies about the extent to which gender and racial diversity factor into the board's self-evaluation and about the number of candidates targeted by the most recent director search who were women and minorities, with the ultimate goal of addressing practical challenges and helping to bridge the gap between rhetoric and reality.

Reporting on diversity policy: Proponents also have filed disclosure requests, asking 13 companies *(see table for a list)* to report:

> on plans to increase diverse representation on the Board as well as an assessment of the effectiveness of these efforts. The report should include a description of how the Nominating and Corporate Governance Committee, consistent with its fiduciary duties, takes every reasonable step to:
>
> 1. include women and minority candidates in the pool from which Board nominees are chosen; and
> 2. expand director searches to include nominees from both non-executive corporate positions and experience in non-traditional environments such as government, academia, and non-profit organizations.

To date, just one has been withdrawn after an agreement, at **Silgan Holdings**, but if the past is predictive, two-thirds or more of the remaining resolutions will end up being withdrawn when companies accede to the request.

BOARD OVERSIGHT

Board Oversight Proposals

Company	Proposal	Lead Filer	Status
Apple	Establish board committee on responsibility	Jing Zhao	Omitted
Chesapeake Energy	Nominate environmental expert to board	Ben. Srs - Mt. St. Scholastica	June
Chevron	Nominate environmental expert to board	NYSCRF	May
Comcast	Add board oversight of tobacco in films	Midwest Capuchins	May
Dominion Resources	Nominate environmental expert to board	Joy Loving	Omitted
ExxonMobil	Nominate environmental expert to board	Midwest Capuchins	May
IBM	Establish board committee on responsibility	Jing Zhao	April
JPMorgan Chase	Establish board committee on responsibility	Jing Zhao	May
Rite Aid	Adopt board oversight of tobacco sales	Srs. of St. Francis of Phila.	June
Starbucks	Establish board committee on sustainability	Harrington Investments	March
Symantec	Establish board committee on sustainability	Jing Zhao	October
Time Warner	Add board oversight of tobacco in films	Trinity Health	June
Tootsie Roll Industries	Adopt board commitment to sustainability	Calvert Investment Mgt.	May
Treehouse Foods	Adopt board commitment to sustainability	Calvert Investment Mgt.	Withdrawn
Walmart	Establish board oversight of gun sales	Trinity Church Wall Street	June
Western Union	Establish board committee on human rights	NorthStar Asset Mgt.	May

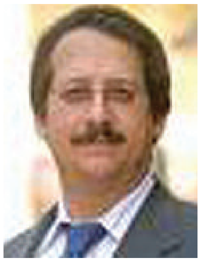
Resolutions about board oversight fall into two categories—those that suggest companies nominate particular types of experts to sit on the board, and those that suggest specific types of committees are needed to properly oversight complicated sustainability issues such as human rights and the environment. There are a few of each filed this year, with four asking for environmental expert nominees and 10 asking the board for committees.

Environmental Experts

NYSCRF has returned to **Chevron** once more with its proposal about nominating an environmental expert to the board. The proposal has gone to a vote every year since 2010, with support at just above 21 percent for the last three years. It asks that the company nominate at least one new director who:

- has a high level of expertise and experience in environmental matters relevant to hydrocarbon exploration and production and is widely recognized in the business and environmental communities as an authority in such field, as reasonably determined by the company's board, and
- will qualify, subject to exceptions in extraordinary circumstances explicitly specified by the board, as an independent director.

advocacyposition



CLIMATE COMPETENCY FOR BOARD DIRECTORS

RICHARD FERLAUTO
Senior Advisor, 50/50 Climate Project

Institutional investors can help lead the transition to a sustainable energy future by focusing shareholder advocacy on the directors of carbon-intensive companies in a sustained and unified way. The 50/50 Climate Project provides the largest shareholders of energy corporations with the tools, analysis, strategy options and the staffing depth needed to persuade company boards of directors to transition away from carbon intensive strategies and reliance on continued fossil fuel development.

50/50 aims to harness the power of the 50 largest asset owners, who are fiduciaries concerned with long-term shareholder value, to directly engage the boards of directors, CEOs and decision-making executives at the 50 major energy companies to improve their climate competency. While the methods of board engagement begin with shareholder diplomacy and advisory proposals, direct board leadership challenges add a new dynamic. These stronger measures will critique the climate competence of existing energy corporate boards, advance alternative climate competent director candidates and vote on shareholder initiatives against select incumbent directors.

The initial activities of 50/50 will support the proxy access proposals filed at energy companies. With company activities aimed at deflecting this basic shareholder right, it will help overcome the regulatory and procedural/legal/regulatory obstacles that arise during the coming proxy season. 50/50 plans to offer company specific and board specific critiques focused on climate competencies.

Bench of climate competent director candidates. 50/50 is building a highly qualified pool of independent director candidates who recognize the science of climate change. The qualifications of these climate competent candidates are industry specific, understanding of risk mitigation and boardroom experience. Where opportunities exist, credentialed climate competent board candidates may be put forward to Governance and Nominating Committees. In select cases, candidates may run on dissent slates.

Develop an energy company focus list of the dirty dozen boards. 50/50 will identify and research select companies that lack climate competencies on their boards, which may call for investor action. Directors who fail to effectively manage climate risks will be the target of shareholder activity.

An analysis of funding of the climate change denial movement. Institutional investors will seek full disclosure of the role of the largest energy companies in financing lobbying, political campaigns and public relations efforts to promote false science and spread disinformation about climate risk.

Aligning executive pay. 50/50 will promote executive incentive structures with compensation committees that are designed to promote less carbon intensive and more sustainable energy sources.

These resources will provide investors with forceful ways to engage and challenge current business strategies of the energy corporations that matter the most to the climate future.

NYSCRF defines a director as *not* independent if he or she:

- was, or is affiliated with a company that was an advisor or consultant to the Company;
- was employed by or had a personal service contract(s) with the Company or its senior management;
- was affiliated with a company or non-profit entity that received the greater of $2 million or 2 percent of its gross annual revenues from the Company;
- had a business relationship with the Company worth at least $100,000 annually;
- has been employed by a public company at which an executive officer of the Company serves as a director;
- had a relationship of the sorts described herein with any affiliate of the Company; and
- was a spouse, parent, child, sibling or in-law of any person described above.

The same resolution is also pending for the first time this year at **ExxonMobil**, filed by the Midwest Capuchins. The Benedictine Sisters of Mount St. Scholastica have filed a similar proposal for the first time at **Chesapeake Energy**, as well, asking that when current director terms expire, the board nominate at least one new independent candidate who has designated responsibility for the environment, who

> has an advanced degree in environmental science or pollution studies, and is widely recognized in the business and environmental communities as an authority on relevant environmental science matters such as preventing, tracking or remediating water pollution with toxic materials, reducing risks from airborne toxicants, and assessing the impact of pollutants on human health, as reasonably determined by the company's board.

SEC action: ExxonMobil contends implementation of the proposal would be illegal and also that it is moot, but the SEC has yet to issue a response. But the SEC agreed with a similar contention from **Dominion Resources** on a proposal from Joy Loving that asked for the *appointment* of such a director. The company said this would be illegal because it asked that the company "appoint" instead of "recommend" the board nominee, reasoning that such an appointment would deprive shareholders of their legal right to elect directors. In a response to the company's challenge, Loving explained:

> I was simply using "appoint" as a shorthand for "recommend for vote by the board," since in all of the preceding shareholder meetings I am aware of, it has never been the case that Dominion's executives have recommended a candidate and that candidate has failed to be elected. In fact, I am not aware of a recommended candidate who has received less than 90% of the vote. However, I would be happy to change the wording of the first sentence of the resolved statement to replace "appoint" with "recommend" as follows: Shareholders request that as elected board directors' terms of office expire, Dominion recommend at least one expert independent director* satisfying the described criteria, who shall have designated responsibility on the board for climate risk/environmental matters.

In its response, however, the SEC staff did not take note of this change offer and said that because the company indicated its counsel said the resolution would be illegal, it could omit it.

Sustainability Oversight

Committees: Just one of the board oversight proposals this year raises human rights issues, in a binding by-law resolution. A resubmitted proposal from Northstar Asset Management, which last year earned 7.9 percent support, asks **Western Union** to set up a new board-level human rights committee that would "review the implications of company policies, above and beyond matters of legal compliance, for the human rights of individuals in the US and worldwide, including assessing the impacts of company operations and supply chains on resources and public welfare in host communities." The committee would "solicit public input and to issue periodic reports to shareholders and the public." Last year three other proposals made this request, earning 5.7 percent at Apple, 4.3 percent at Hewlett-Packard and 3.6 percent at Yahoo!.

Several other proposals mention human rights alongside other issues, however. Chinese human rights proponent Jing Zhao has filed a resolution to four companies—**Apple**, **International Business Machines**, **JPMorgan Chase** and **Symantec**—asking each to set up a committee to advise the board on a range of issues, including different mixes of human rights, corporate social responsibility, supplier chain management, charitable giving, political activities and expenditures, government regulations, international relations, legitimacy and the environment. The SEC agreed with Apple's contention that the resolution already has been implemented, but the commission rejected a contention from IBM that the resolution would be illegal, could not be implemented, was false and misleading and concerned a personal grievance. JPMorgan Chase has an outstanding SEC challenge that asserts the proposal relates to ordinary business and is moot.

In addition, Harrington Investments has resubmitted a resolution to **Starbucks** that went to a vote in 2012, earning 4.1 percent support. It asks for a binding by-law amendment to set up a board level sustainability committee that would provide "ongoing review, above and beyond matters of legal compliance, to assess the Corporation's response to changing conditions and knowledge of the natural environment, including but not limited to, waste creation and disposal, natural resource limitations, energy use, waste usage, and climate change."

Commitment: Calvert Investments already has withdrawn its proposal that **Treehouse Foods** "publicly commit to oversight of relevant environmental and social matters, through a board committee charter or governance document, and issue a public report…on the implementation of such oversight." The resolution is still pending at **Tootsie Roll**.

Guns and Tobacco

Guns: ICCR members are trying this year to raise their concerns about oversight of tobacco and guns with two resolutions. One is a resubmission from 2014, in which Trinity Church Wall Street is asking **Walmart** to amend a board committee charter to add the following responsibility:

> …oversight concerning the formulation and implementation of, and the public reporting of the formulation and implementation of, policies and standards that determine whether or not the Company should sell a product that:
>
> 1) especially endangers public safety and well-being;
> 2) has the substantial potential to impair the reputation of the Company; and/or
> 3) would reasonably be considered by many offensive to the family and community values integral to the Company's promotion of its brand.
>
> This oversight and reporting is intended to cover policies and standards that would be applicable to determining whether or not the company should sell guns equipped with magazines holding more than ten rounds of ammunition ("high capacity magazines") and to balancing the benefits of selling such guns against the risks that these sales pose to the public and to the Company's reputation and brand value.

CHURCH FIGHTS WALMART IN FEDERAL COURT OVER BOARD OVERSIGHT OF DANGEROUS PRODUCTS

REV. DR. WILLIAM LUPFER
Rector, Trinity Church Wall Street

It is rare that shareholders take legal action to get a proposal on the ballot. Rarer still is a high profile court battle between **Walmart**—the largest company in America, and Trinity Church overlooking Wall Street—one of the nation's oldest and most iconic churches.

Why is Walmart working so hard to prevent its shareholders from voting on Trinity Church's proposal that Walmart's Board set policies to guide management's decisions over the sale of products that could be especially dangerous to its communities, its corporate reputation and shareholder value?

In 2014, Walmart sought to omit the resolution as "ordinary business" and the SEC agreed. Trinity then sued Walmart over its exclusion from the proxy, and the Delaware District Court ruled that Walmart needed to include Trinity's proposal in its 2015 proxy. Walmart appealed that decision in January 2015.

Contrary to Walmart's claims, this proposal does not call for the Board to interfere with the company's "ordinary business" decisions over the sale of specific products. Rather, Trinity's proposal is aimed at Board oversight of the creation and implementation of company policy respecting the sale of especially dangerous products such as high capacity magazine weapons used in the mass killings at Sandy Hook Elementary School, Columbine, Virginian Tech, Fort Hood, Tucson and many other communities.

Walmart respects family and community interests by choosing not to sell music that depicts violence. It will not sell handguns in 49 states, nor high capacity magazines separately from a gun, but it lacks policies and standards to ensure transparent and consistent merchandizing decisions across product categories. This results in the company's sale of products, such as guns equipped with high capacity magazines, that facilitate mass killings, even as it prohibits sales of passive products such as music that merely depict such violent rampages.

This inconsistency has not been explained by Walmart and affirms our view that its Board has an important role to play in setting policies that govern such decisions and seeing that they are well communicated and universally applied.

Last year, the SEC said the resolution could be omitted on ordinary business grounds, in line with precedent outlawing resolutions on product sales by retailers as ordinary business, so the proposal did not come to a vote. But the church subsequently sued and won the right to include the resolution in a U.S. District Court decision issued in Delaware in November, as noted in a November 2014 Reuters story. The company has appealed the decision, which is now being considered by the Third Circuit Court of Appeals. In a recent development in the case, the parents of some of the children slain the Sandy Hook school massacre have filed a friend of the court brief in favor of the proponents, arguing that gun sales constitute a significant policy issue that transcends ordinary business.

Tobacco: The Sisters of St. Francis of Philadelphia are using the same language in a resolution that is aimed at ending tobacco sales at **Rite Aid** and at curtailing the depiction of smoking in movies, at **Comcast** and **Time Warner**. Rite Aid has challenged the proposal at the SEC, arguing that it concerns less than 5 percent of company assets, earning and sales, relates to ordinary business and already has been substantially implemented. The SEC has yet to issue a response.

The Comcast and Time Warner proposal discusses outside of the resolved clause the "causal relationship between depictions of smoking in the movie and the initiation of smoking among young people," determined by the U.S. Surgeon General in a 2012 report on youth smoking and reiterated by the Centers for Diseases Control in 2014. Comcast has challenged the proposal at the SEC, arguing that it concerns ordinary business; no such challenge from Time Warner has surfaced yet. As discussed in the section on proposals to media companies, above, resolutions that also address the depiction of tobacco use in youth-rated films were filed and omitted at **Disney** and **Viacom**, after the SEC agreed they concerned the content of media products, an ordinary business matter. This resolution is cast as a board oversight proposal, though; the SEC has yet to issue a response. *(See p. 39 for a description of these other proposals.)*

SUSTAINABILITY OVERSIGHT AND REPORTING

Shareholder proponents and companies often can find common ground with regard to sustainability reporting and related issues, and two-thirds of those filed generally end up producing agreements—and withdrawn resolutions. So far this year, proponents have filed 30 resolutions asking for reports and another 11 requesting executive pay links to sustainability metrics; three more about proxy voting will not go to votes. These numbers are about where they have been at this time of year for the last several years.

Sustainability Reporting Proposals

Company	Lead Filer	Status
Amazon.com	Calvert Investment Mgt.	May
AmSurg	Calvert Investment Mgt.	May
BB&T	Walden Asset Mgt.	Withdrawn
BioMarin Pharmaceutical	Sustainvest Asset Mgt.	June
C.R. Bard	Walden Asset Mgt.	April
Chipotle Mexican Grill	Domini Social Investments	May
Chubb	FAFN	April
Clarcor	Walden Asset Mgt.	March
Commercial Metals	Walden Asset Mgt.	46.5%
Community Hlth Systems	Calvert Investment Mgt.	Withdrawn
Continental Resources	Mercy Investment Services	May
Denbury Resources	LiUNA	Withdrawn
Dollar General	NYSCRF	Withdrawn
Emerson Electric	Walden Asset Mgt.	39.3%
Ensign Group	Calvert Investment Mgt.	May
Esco Technologies	Walden Asset Mgt.	February
Facebook	NYSCRF	May
Genworth Holdings	Friends Fiduciary	May
Gilead Sciences	Trillium Asset Mgt.	May
HollyFrontier	Mercy Investment Services	May
Home Depot	David Brook	May
Kinder Morgan	NYSCRF	May
Kraft Foods Group	Midwest Capuchins	May
Lowe's	David Brook	May
Nabors Industries	Appleseed Fund	June
PulteGroup	Zevin Asset Mgt.	Withdrawn
RPC	Walden Asset Mgt.	April
Ultra Petroleum	Presbyterian Church (USA)	May
Vulcan Materials	NYSCRF	Withdrawn

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THE SUSTAINABILITY ACCOUNTING STANDARDS BOARD

KATIE SCHMITZ EULITT
Director of Market Research, SASB

How are companies meeting challenges such as resource constraints, climate change and population growth? Corporations and investors alike have realized that "business as usual" is simply unsustainable—not only because raw materials are drying up, but also because social licenses to operate can be revoked as quickly as a hashtag goes viral. A new generation is seeking better information through which to evaluate how companies are contributing to society; financial returns are now understood to have environmental, social, and governance (ESG) components indiscernible via traditional methods of corporate reporting.

The panoply of surveys and reporting frameworks that has arisen in response to these questions, though voluminous, still leaves investors without the information they need to evaluate how companies are adapting to today's challenges. The Sustainability Accounting Standards Board (SASB) was founded to help solve this problem.

SASB develops sustainability accounting standards for the disclosure of sustainability factors via SEC filings of companies traded on US exchanges. To date, SASB has issued provisional standards for 45 industries in six sectors—that's 74 percent of U.S. listed equities. By 2016, the full set of 80+ standards in 10 sectors will be available.

SASB standards help companies disclose sustainability factors that would likely constitute material information for investors, and comply with Regulation S-K, which defines what publicly traded companies must report. Investors benefit from industry-specific views of sustainability factors that are known value drivers (or risk value destruction). SASB's Materiality Map™ provides insights on where sustainability issues may play out across portfolios. Standardized, industry-specific data facilitates benchmarking and improves peer-to-peer comparability. SASB standards will help reduce the time and cost investors spend discerning sustainability information that is germane to value creation (or destruction) from that which is not.

Institutional investor dissatisfaction with current ESG disclosure is palpable. SASB standards are market-driven answers to the problem of unstandardized reporting and information overload. The standards are designed to be cost-effective for issuers and decision-useful for investors.

Institutional investors have tremendous power to catalyze more rapid uptake of standardized disclosure of sustainability factors. Please call for disclosure on SASB disclosure topics when you engage with investees. Ask how fund managers are integrating ESG factors into corporate valuations. Play an active role in shaping SASB standards by joining an industry working group and providing feedback on drafts and provisional standards via www.sasb.org.

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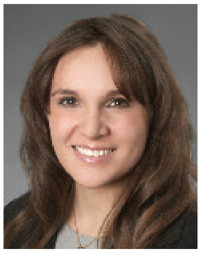


LARGE CAPS ADOPT SUSTAINABILITY REPORTING, SMALL CAPS NEED TO FOLLOW

CARLY GREENBERG

ESG Analyst, Walden Asset Management

Shareholders have filed proposals asking companies to disclose their environmental, social and governance (ESG) policies, programs, performance and goals for decades. Walden Asset Management's early filings date back to 1990 when we asked companies to report on the "Valdez Principles" (subsequently known as the Ceres Principles). In recent years, these efforts, in combination with complementing pressures from NGOs, employees, customers and competitors appear to have led to sweeping progress. The number of companies in the S&P 500 issuing sustainability reports increased from a mere 20 percent in 2011 to 72 percent in 2013.

Despite the formidable growth among larger companies, ESG reporting continues to be a rare practice among smaller and mid-sized companies. Smaller companies face unique circumstances compared to their larger peers, often lacking personnel and resources to create comprehensive reports. Furthermore, they may not have mature communication systems in place to address shareholder requests and the concept of ESG reporting has likely never or rarely crossed their radar.

Walden believes that regardless of company size or industry, ESG factors are relevant to long-term business success. For example, ESG issues such as product quality and safety, environmental performance (including greenhouse gas emissions), occupational safety and health, workplace diversity and inclusion and supply chain management are important considerations to any business.

Ultimately, when it comes to ESG reporting, ignorance is not bliss. Therefore, we continue to prioritize encouraging small cap companies to begin sustainability reporting.

In 2009, Walden and Pax World formed the Small Cap Project to assist investors in navigating the challenges of promoting sustainability reporting at small cap companies. The Project now consists of 13 institutional investors, asset managers and other organizations with over $43 billion in combined assets under management. The Project provides signatories with model letters and resolutions; resources to share with companies; a forum to discuss strategy; and the benefit of being able to contact companies with the strength and leverage of a coalition. To date, the project's signatories have contacted over two hundred companies.

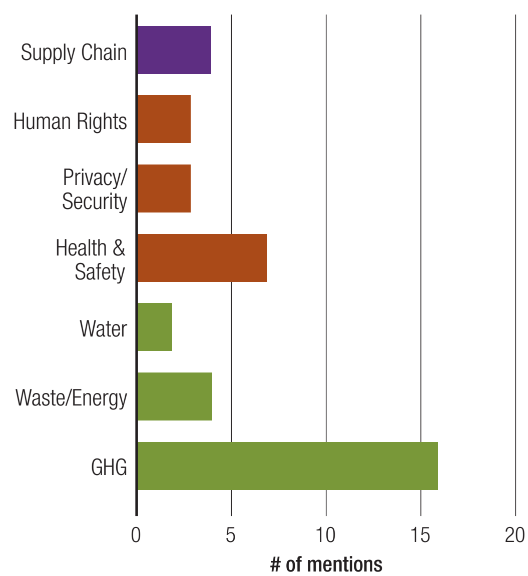
In conjunction with the project, Walden has contacted more than 30 small cap companies since 2009, and has seen approximately 50 percent of them begin ESG reporting or make commitments to do so. For 2015, we sought dialogues with eight companies and have filed shareholder proposals with four. Our first resolution this year resulted in a stunning 46 percent vote at Commercial Metals. We believe vote results like this highlight that, like large cap companies, small cap shareholders are beginning to also see the value in sustainability reporting.

Reporting

So far information is available on only five withdrawals for the sustainability reporting resolutions, but this number will rise steeply as the spring progresses. Last year, just 12 of 51 resolutions filed on sustainability went to votes and proponents withdrew 34. The many variations in the reporting requests are summarized in the bar chart here. All of the resolutions make some kind of request for generic "ESG" indicators, and last year's shift to a more even split between environmental and social issues has moved firmly back to an emphasis on climate and energy. While 15 last year specified supply chain reporting, this year only four do so, and there is little mention of independent auditing to verify reported information. *(The requested indicators are tallied in the bar chart for all filed proposals. Green bars indicate the environment, orange social issues and purple the functional category of supply chain reporting.)*

Initial votes: In January, **Commercial Metals** stockholders voting for the first time on a report request gave it 46.5 percent support. At **Emerson Electric**, support for a resolution that has gone to a vote every year since 2011 rose further, to 39.3 percent, its highest yet. Emerson continues to maintain that its existing disclosures are sufficient but it has set no emissions reduction goals that are public and its website disclosures are several years old.

Sustainability Issues Raised



Resubmissions: Fourteen of this year's sustainability reporting resolutions are resubmissions, twice as many as in 2014. In addition to the long-running Emerson proposal noted above, a request at **C.R. Bard** has gone to a vote every year since 2010, with increasing support that last year reached 37.6 percent. Particularly high votes last year were at **Actavis** (43.4 percent), **Clarcor** (40 percent) and **Nabors Industries** (43.5 percent). The resolution will go to a vote this year for the third year running at **Chubb**, having earned a little more than 32 percent in each of the last two years.

In addition to the Commercial Metals proposal already noted, the resolution is new to **Amazon.com**, **BB&T**, **Ensign Group**, **Genworth Holdings**, **Gilead Sciences**, **HollyFrontier**, **Kraft Foods Group**, **Lowe's** and **Ultra Petroleum**.

Agreements: Withdrawal agreements have been reached, as noted, at five companies. **BB&T** has agreed to publish a sustainability report next year, **Community Health Systems** committed to produce a full report in 2015 and to add additional information to the company website, **Denbury Resources** will issue a report using GRI guidelines and **Dollar General** and **Vulcan Materials** also have agreed to report.

One SEC challenge: The SEC disagreed with a challenge from **Kraft Foods Group** that contended a sustainability reporting request substantially duplicated a separate resolution about packaging.

ESG Pay Links

Additional Sustainability Proposals

Company	Proposal	Lead Filer	Status
Ameren	Link executive pay to sustainability metrics	Calvert Investment Mgt.	April
Apple	Link executive pay to sustainability metrics	Marco Consulting	Omitted
Bank of New York Mellon	Review and report on ESG proxy voting	Walden Asset Mgt.	Withdrawn
Chevron	Link executive pay to sustainability metrics	Needmor Fund	Withdrawn
ConocoPhillips	Link executive pay to sustainability metrics	Unitarian Universalists	May
Dominion Resources	Link executive pay to sustainability metrics	Bernice Schoenbaum	May
Entergy	Link executive pay to sustainability metrics	As You Sow	May
ExxonMobil	Link executive pay to sustainability metrics	Needmor Fund	Withdrawn
Franklin Resources	Review and report on ESG proxy voting	Zevin Asset Mgt.	Omitted
Kohl's	Link executive pay to sustainability metrics	UAW Retirees Trust	Withdrawn
MGE Energy	Link executive pay to sustainability metrics	Phillip D. Davenport	May
T. Rowe Price Group	Review and report on ESG proxy voting	Zevin Asset Mgt.	Withdrawn
Walgreens Boots Alliance	Link executive pay to sustainability metrics	Singing Field Foundation	Pending
Walmart	Link executive pay to sustainability metrics	CT Retirement Plans	June

Proponents have filed 11 resolutions asking companies to link executive pay to sustainability metrics. To date, seven of the resolutions are pending, taking up different aspects of sustainability, as noted below. This is the largest number of proposals on this subject to date.

Carbon output: At **Ameren**, Calvert Investments says the company should "include metrics for reduction of Ameren's carbon output as one of the annual performance metrics." Taking a more detailed approach, the Unitarian Universalists say **ConocoPhillips** should "adopt a policy that it will not use 'reserve additions,' 'reserve replacement ratio' ('RRR') or any other metric based on reserves to determine the amount of any senior executive's incentive compensation without adjusting reserves to exclude barrels of oil equivalent that are not economically producible under a Demand Reduction Scenario in which the price of a barrel of Brent crude oil decreases to $65 (the price used by Standard & Poor's) by 2020 and remains flat thereafter." Bernice Schoenbaum from the **Dominion Resources** shareholder coalition says the company, "when setting senior executive compensation and/or bonuses, [should] set forth a new compensation incentive that directly and periodically rewards specific, measurable reductions in the tons of carbon dioxide emitted by Dominion in the preceding year." An earlier resolution on this topic earned 7.1 percent in 2013 at the company. As You Sow is asking the same thing at **Entergy**.

Employee engagement: The UAW Retiree Trust is taking a new approach at two large retailers—**Kohl's** and **Walmart**—which each said it concerns ordinary business and is moot. The resolution asked the companies "to include in the metrics used to determine senior executives' incentive compensation at least one metric related to Kohl's employee engagement. Employee engagement is the extent to which the workforce as a whole are motivated to contribute to organizational success and is willing to apply discretionary effort to accomplish organizational goals." The trust has withdrawn at Walmart and the SEC has yet to response to the challenge from Kohl's.

General links: Proposals about pay links at four other companies are less specific. Individual proponent Phillip Davenport has a pending request at **MGE Energy** that it reward executive "performance for improving the environmental and business sustainability of the company's operations." A similar resolution was filed at **Chevron**, **ExxonMobil** and **Walgreens Boots Alliance**, asking that each firm's compensation committee, "when setting senior executive compensation, include sustainability as one of the performance measures for senior executives under the Company's annual and/or long-term incentive plans. Sustainability is defined as how environmental, social and financial considerations are integrated into corporate strategy over the long term. **Chevron** and **Exxon** both challenged the resolution at the SEC, saying it was moot, and the Needmor Fund withdrew in each case. The proposal remains pending at **Walgreens Boots Alliance**.

Compliance: **Apple** successfully challenged at the SEC a proposal from Marco Consulting that sought to link legal compliance to compensation, on ordinary business grounds. The resolution had sought a link between execution pay and metrics such as the "proportion of employees trained...and [a] review of employee surveys."

Proxy Voting

Proxy voting: Last year Zevin Asset Management went to mutual fund company **Franklin Resources** with a resolution asking it to review and report on its proxy voting policies, taking into consideration its commitments to corporate responsibility and the environment, but Zevin withdrew after SEC challenges. It did not withdraw this year and lost at the SEC, which said the resolution relates to the company's ordinary business. Proponents have withdrawn a similar resolution at **Bank of New York Mellon** and **T. Rowe Price Group**; both firms had lodged SEC challenges echoing Franklin Resources.

Other Governance

Resolutions on executive compensation and proxy access straddle the line between traditional governance proposals (focused on management) and social proposals. Social investors were instrumental in attaining the SEC mandated advisory vote on executive compensation known as Say-on-Pay. These votes have led to greater transparency and a reevaluation of what is appropriate compensation. Social investors also launched a major campaign to allow shareholders to put director nominees on the company's proxy statement. In both cases the goal is to make the board of directors more accountable and to ensure that shareholder's interest are being properly represented. Highlighted below are recent developments in these initiatives.

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SHAREOWNERS DEMAND RIGHT TO NOMINATE DIRECTORS

MICHAEL GARLAND

Executive Director for Corporate Governance, New York City Office of the Comptroller

In recent years, investors have witnessed entrenched, conflicted and poorly qualified directors fail to prevent massive accounting fraud at **Enron** and **WorldCom**, or to rein in the excessive, short-term risk-taking that led to the financial crisis. Among the lessons: director independence, board quality, accountability and diversity are equally necessary to protect long-term shareowner value.

That is why New York City Comptroller Scott Stringer, on behalf of the $160 billion NYC Pension Funds, launched the Boardroom Accountability Project, a groundbreaking initiative to give shareowners the right to nominate directors at U.S. companies using the corporate ballot—known as proxy access. By submitting proxy access proposals to 75 companies, the NYC Funds are taking a major first step toward rolling out proxy access across the market.

Proxy access is a fundamental shareowner right that should be in place at all companies. Furthermore, enacting it on a market-wide basis has the potential to raise the market cap of U.S. public companies by up to $140 billion, or 1.1 percent.

The NYC Funds targeted companies characterized by three fundamental risks: those with excessive CEO pay, those with little or no gender or racial diversity on their board and those who face acute risks from climate change, starting with the most carbon-intensive energy companies. They include **Urban Outfitters**, **ExxonMobil**, **Chevron** and **Chipotle**, among others.

The proposals request a bylaw that would give a shareowner or shareowner group that has held 3 percent of the company for at least three years the right to list their director candidates, representing up to 25 percent of the board, on the company's ballot. These terms, which are identical to a proposed SEC rule, ensure that the right is not available to short-term shareowners or those seeking to take or influence control. Votes for similar proposals averaged 55 percent from 2012 to 2014, and a number of companies have adopted these terms, including **Chesapeake Energy**, **Hewlett-Packard** and **Verizon**.

Yet roughly 20 companies have responded by taking steps to deny their shareowners the right to vote on the proposal by signaling their intent to put forward their own "competing" proposal with terms that are effectively unworkable. The SEC

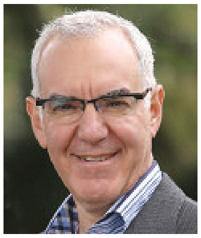
Continued next page

SHAREOWNERS DEMAND RIGHT TO NOMINATE DIRECTORS
Continued

announced that it will no longer issue no action letters under the competing proposal exclusion for the 2015 proxy season, so boards that take this cynical tactic to disenfranchise shareowners must do so without the cover of an SEC no action letter.

The NYC Funds intend to support meaningful proxy access proposals (i.e. with terms no more onerous than the SEC rule), oppose proposals with more onerous terms, and to hold accountable boards that use competing proposals to disenfranchise shareowners. We urge other investors to consider similar voting responses.

advocacyposition



SHOWDOWN OVER PROXY ACCESS

ANDREW BEHAR

CEO, As You Sow

The biggest story this year in corporate governance is one that could reshape the relationship between companies, their boards, and their shareholders. So far this year there are an unprecedented 107 "proxy access" resolutions filed. Even though state laws give shareholders the power to nominate directors, in practice corporate boards control access to the proxy statement and therefore who appears on the ballot. Critics contend this makes boards insular, self-serving, or as *The New York Times* stated, "pale, male and stale."

The American Federation of State, County and Municipal Employees (AFSCME) pension fund filed the first proxy access proposal in 2002 after the Enron scandal. Proxy access could open the board to new independent members with expertise in topics including environmental and social issues, risk mitigation, and may offer greater diversity.

In 2010, Dodd Frank enabled the SEC to issue a proxy access rule, which it subsequently did. The proxy access rulemaking was thrown out by the U.S. District Court in 2011 after a lawsuit from the U.S. Chamber of Commerce, but investors retain the ability to file proxy access shareholder resolutions, which they previously could not do. Last year five proposals won majority votes.

Proxy access has four key components: percentage, ownership tenure, group size and number of candidates. The consensus formulation, based on the SEC's proposed rule, would allow a *group* of shareholders who have held *at least 3 percent* of the company's shares *for at least three years* to nominate *one-quarter* of the director candidates ("3x3" proposal).

This year, James McRitchie, of CorpGov.net, filed a 3x3 resolution at Whole Foods. The company planned to omit it, saying it conflicted with management's proposal allowing nominations from a *single* investor that owned *9 percent* for at least *five years* ("9x5"). No single investor held 9 percent, however, so the company reduced it to 5 percent. The SEC agreed, but in response to investor protests, SEC chair Mary Jo White in January directed her staff to review its view on this provision of the shareholder proposal rule.

In a stunning turnabout, the SEC said it "will express no views" about company reliance on this provision of the Shareholder Proposal Rule to omit a proposal, so each company now must decide whether to include the resolution. Investors with over $1 trillion in assets have threatened to vote against all directors if a company excludes a proxy access proposal. On February 6, **General Electric** and **Citigroup** have announced support for the 3x3 proxy access formulation. Whether more companies will follow suit remains to be seen, but the issue promises to remain contentious. It may open up the possibility for shareholder nominated candidates in 2016.

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EXECUTIVE COMPENSATION OUTLOOK FOR 2015

DAVID EATON

Vice President of Proxy Research, Glass Lewis & Co.

The executive compensation landscape has not changed dramatically in the past year: the proportion of say-on-pay failures has remained fairly consistent, below three percent for each of the past four years, with the average support rate hovering near 90 percent. Heading into the 2015 proxy season, shareholders should be encouraged by several continuing developments, including pay structure improvements, enhanced disclosure, and more meaningful company-investor engagement.

Shareholders are undoubtedly placing greater emphasis on more thorough yet also comprehensible disclosure of pay practices and compensation decisions. This effort is driving an increase in both the quality of disclosure and the frequency of engagement between companies and shareholders.

Continued next page

EXECUTIVE COMPENSATION OUTLOOK FOR 2015
Continued

Company disclosure in public filings now goes well beyond the required data points, and many companies are intent on better "telling the story," using supplemental graphics or tables where regulatory disclosure requirements might provide an incomplete view.

This additional context is particularly crucial for shareholders to understand any "one-off," or supplemental, awards made to executives. Shareholders are highly critical and skeptical of these types of awards (including retention, sign-on, and transactional bonuses) and expect full disclosure of the rationale behind such grants in addition to basic information regarding the terms and size of the awards.

Shareholder scrutiny of pay practices knows no market capitalization boundaries, which we expect to continue in 2015. Last year, nearly an equal number of S&P 500 members and companies with a market capitalization of under $300 million say failed Say-on-Pay votes. This should come as little surprise, since smaller companies have not been as quick to adopt the best practices that investors expect, such as anti-hedging policies, claw-back provisions, executive stock ownership requirements or even performance-based long-term incentives.

A developing issue for 2015 is increasing scrutiny of performance metrics in incentive plans, highlighted in a widely-discussed IRRC Institute report: The Alignment Gap Between Say on Pay Voting and Creating Value. The report suggests that metrics such as Return on Invested Capital (ROIC) and Economic Value Added (EVA) are better measures of business performance than the typically chosen Total Shareholder Return (TSR) and Earnings Per Share (EPS). At the very least, many companies will probably provide additional disclosure regarding their choice of metrics and how they relate to business strategy.

Finally, the number of executive compensation-related shareholder proposals will likely continue to decline in 2015, a trend that began with the advent of Say-on-Pay. The proposals this year will focus on change-in-control arrangements, equity retention, claw-back policies and the disclosure of hedging and pledging policies.

AMERICA'S MOST OVERPAID CEOS

ROSANNA LANDIS WEAVER
Program Manager, Executive Compensation Initiative, As You Sow

CEO pay grew an astounding 937 percent over the past 35 years. The explosion in executive compensation greatly outpaces growth in the stock market and economic productivity. Excessive CEO pay is harmful to the companies, the shareholders, the customers and society as a whole. It is not good for economic growth to keep putting more and more money in the hands of just a few people. It's also neither accurate nor wise to attribute the performance of an entire corporation, with its thousands of employees, to just one or two people. Too often pay is structured to reward deals above development and risk rather than return on invested capital (ROIC).

The 100 Most Overpaid CEOs: Executive Compensation at S&P 500 Companies is a new report from As You Sow that identifies exorbitant CEO pay, the directors who serve on the compensation committees of these boards, and analyzes how mutual funds and pension funds voted on these pay packages. We focused not just on the absolute dollars but also on those practices we believe have contributed to bloated compensation packages. As You Sow considered over 30 factors, generally ranking companies and giving red flags to companies that exceeded a certain threshold. The comprehensive review included items never used in such an analysis before.

HIP Investor performed a statistical analysis, which used financial performance measures to identify pay based on performance, and determined an amount in excess of that prediction. It showed similar results over various financial ratios and time periods, and is likely similar to those performed by proxy analysis firms. The two lists—one created with a statistical analysis, and another with broader considerations—were each weighted at 50 percent to create the final listing.

The report necessarily looked backward rather than forward. We can't tell in advance which will be the worst pay packages of the upcoming proxy season but the list available with this report can offer guidance for companies that should get an extra level of review.

Likewise, shareholders may wish to consider withholding votes from those individuals who created and approved these bloated plans, potentially at other boards they serve on. The system in place to govern corporations envisions directors representing shareholders, and guarding the company's assets from waste. In expected negotiations over pay, it is the job of director to ensure that CEOs are not paid more than is required for their services. Too often directors have deferred to compensation consultants and approved packages not in the interests of shareholders.

Economic (Equitable Finance)

Equitable Finance Proposals

Company	Proposal	Lead Filer	Status
Apple	Report on fair tax policy principles	Domini Social Investments	Withdrawn
Citigroup	Report on ethics and oversight	Harrington Investments	April

The number of resolutions addressing social equity in the financial system is never large and this year it has shrunk to just two. Harrington Investments has submitted to **Citigroup** a resolution asking the board to report "on moral hazard" and whether the bank's policies "are adequate to prevent management and the board from making business decisions maximizing short-term profits by externalizing long-term financial risks to the U.S. economy." The bank has challenged the proposal at the SEC, arguing it can be excluded because it is vague and misleading, relates to ordinary business and is moot, but the SEC has yet to issue a response.

Last year Domini Social Investments asked **Google** to adopt a set of principles "to address the impact of Google's tax strategies on society," but it earned just 1 percent support, not enough for resubmission. This year, Domini went to **Apple** asking it to report on similar principles, but withdrew.

advocacyposition

ADDRESSING CORPORATE TAX AVOIDANCE

ADAM KANZER
Managing Director, Domini Social Investments LLC

"Taxes are what we pay for civilized society."
— Oliver Wendell Holmes, Jr., U.S. Supreme Court Justice

Between 1952 and 2012, the share of U.S. federal tax revenues represented by corporate income tax fell from 32 percent to 8.9 percent. We have seen numerous media accounts of aggressive corporate strategies to minimize or eliminate their taxes entirely, primarily through the use of offshore tax havens. Countries around the world are losing billions in tax revenues, prompting action by the OECD as well as investigations by the European Commission and hearings in the U.S. Senate and the U.K. Parliament. In the U.S., a wave of "corporate inversions" has prompted a new round of mainstream press attention to corporate tax issues.

It has been alleged that certain multinationals are weaving intentionally opaque and winding trails in and out of every loophole they can find. This global shell game not only hides taxable revenues from governments, it also hides the true sources of corporate value from investors. What portion of profits are derived from superior products and services, and what portion from creative accounting? Investors need more information to evaluate the risks of these aggressive strategies.

Our concern is not that companies are taking allowable deductions or accepting tax incentives to locate manufacturing operations. We are most concerned about efforts to artificially shift profits out of countries where they are earned. For example, consider the amount of corporate profits booked to Bermuda. According to Citizens for Tax Justice and the U.S. PIRG Education Fund, in 2010, the amount that American companies told the IRS they actually earned in Bermuda was 1,643 percent of that country's entire yearly economic output. That doesn't add up. Can an investor truly understand a multinational company if it is impossible to determine where its profits are actually earned?

As citizens and long-term investors, we require resilient economies and societies that can stand up to the inevitable shocks the future will bring. Large scale tax avoidance weakens societies, creating vulnerabilities where we need strength. It threatens long-term wealth creation. To paraphrase Holmes, tax is an investment in society. It is not simply a cost to be minimized.

All corporations and investors depend upon government services funded by tax revenues. Companies like **Google** and **Apple** owe much of their success to taxpayer funded scientific research. Shareholders are now engaging these and other companies, asking them to adopt ethical principles to guide their tax strategies, considering their impact on society and brand value. Just as corporations should be expected to follow consistent standards globally regarding bribery, child labor, greenhouse gas emissions and non-discrimination, they should adopt principles to help navigate the complexity of local and national tax systems.

Conservative Groups

Conservative Proposals

Company	Proposal	Lead Filer	Status
Apple	Report on climate change policy rollback risks	NCPPR	March
Apple	Report on renewable energy investment risks	Shelton Ehrlich	Omitted
AT&T	Do not support gay-friendly policies	Marie Jeanne Ferrari	Omitted
AT&T	Limit non-discrimination policy	Tom Strobhar	Withdrawn
Boeing	Report on charitable contributions	David Almasi	Omitted
Bristol-Myers Squibb	Review/report on free speech rights policy	NCPPR	Omitted
Caterpillar	Review/report on free speech rights policy	NCPPR	June
CBS	Review/report on free speech rights policy	NCPPR	May
Comcast	Review/report on free speech rights policy	NCPPR	May
Costco Wholesale	Adopt free speech anti-bias policy	NCPPR	Omitted
CVS Caremark	Adopt free speech anti-bias policy	NCPPR	May
Deere & Company	Adopt free speech anti-bias policy	NCPPR	Omitted
Home Depot	Adopt free speech anti-bias policy	NCPPR	Withdrawn
JPMorgan Chase	Adopt free speech anti-bias policy	NCPPR	May
Lowe's	Review/report on free speech rights policy	NCPPR	May
PepsiCo	Include ex-gays in supplier diversity program	Estella Salvatierra	Omitted
Pfizer	Review/report on free speech rights policy	NCPPR	Withdrawn
PG&E	Adopt free speech anti-bias policy	Tom Strobhar	May
PG&E	Report on charitable and political contributions	Peter Kaiser	Omitted
Visa	Review/report on free speech rights policy	NCPPR	Withdrawn
Walmart	Review/report on free speech rights policy	NCPPR	June
Walt Disney	Review/report on free speech rights policy	NCPPR	Omitted
Walt Disney	Allow contributions to the Boy Scouts	Bruce Johnson	Omitted
Yum Brands	Review/report on free speech rights policy	NCPPR	Omitted

Politically conservative groups have taken up the shareholder resolution approach in earnest in 2015, although it is not clear how many of their filed proposals will go to votes. The most significant development is a new effort led by the National Center for Public Policy Research (NCPPR), a Washington think tank, which aims to ensure the political free speech rights of corporate employees are protected—with at least 16 proposals filed to date. In addition, there is the usual complement of resolutions seeking to roll back gay rights protections (three proposals), address charitable giving (three omitted proposals) and two questioning **Apple's** climate change mitigation efforts. Last year's effort to persuade companies to adopt "free market health care principles" fizzled after it did not survive SEC challenges from five companies and it has not reemerged.

Free Speech Rights

NCPPR said in a February 3 press release that it has been running a campaign for the last nine months at "dozens" of U.S. companies that aims "to protect workers' right to freely engage in political and civic activities." It says in the release that it has filed shareholder proposals on the subject at "more than two dozen corporations," but does not name them. Information about 16 of the proposals is available from SEC challenges, as noted below. On February 15, NCPPR's Justin Danhof, who runs the Free Enterprise Project, appeared on a conservative cable TV program, the Rick Amato Show, to explain the campaign; the two discussed a potential boycott of **Costco** because of its position on the shareholder resolution.

Adopt policy: There are three variations on the proposal to adopt a new policy:

- **CVS Caremark:** "amend…equal employment opportunity policy (or equivalent policy) to explicitly prohibit discrimination based on political ideology, affiliation or activity, and to substantially implement the policy."
- **JPMorgan Chase:** "amend…policies related to human rights to address the right to take part in one's own government free from retribution and to report."
- **Costco Wholesale** and **Deere:** "adopt, implement and enforce a revised company-wide Code of Conduct that includes an anti-discrimination policy that protects employees' human right to engage in the political process, civic activities and government of his or her country without retaliation."

In a related proposal not from NCPPR, Tom Strobhar says **PG&E** should "include in all employment and related policies the right of employees to freely express their personal religious and political thoughts." (Strobhar has filed resolutions in the past advocating against abortion and gay rights.)

Review and report: All the others ask for reviews and reports. At **Bristol-Myers Squibb**, **Pfizer**, **Visa** and **Yum! Brands**, the resolution says the board should "consider the possibility of adopting anti-discrimination principles that protect employees' human right to engage, on their personal time, in legal activities relating to the political process, civic activities and public policy without retaliation in the workplace," and that the principles "may reasonably be limited to protections that do not interfere with an employee's duties for the Company." At **Caterpillar**, **CBS**, **Comcast**, **Home Depot**, **Lowe's** and **Walmart** it requests that "management review its policies related to human rights to address the right to take part in one's own government free from retribution and to report." At **Walt Disney**, it is more explicit, asking the board to "consider the possibility of adopting anti-discrimination principles that protect employees' human right to engage in legal activities relating to the political process, civic activities and public policy without retaliation in the workplace."

SEC action: All of the companies noted here have challenged the resolution at the SEC and it appears likely each company will succeed: Both the "adopt policy" (at **Costco** and **Deere**) and the "review and report" (at **Bristol-Myer Squibb**, **Disney** and **Yum!**) variants have been omitted to date.

Withdrawals: NCPPR has withdrawn at three companies. At **Home Depot**, the company agreed to insert the following language into its Political Activity and Government Relations Policy: "Participation in the PAC is strictly voluntary, and neither participation in the PAC nor personal political affiliation will have an effect on one's employment with Home Depot." **Visa** also agreed to add political non-discrimination to its political involvement policy. The proponent also withdrew at **Pfizer**.

Environment

Renewable energy risks: NCPPR has a resolution that will go to a vote at **Apple's** March 10 annual meeting, asking the company to report "disclosing the risk to the company posed by possible changes in federal, state or local government policies in the United States relating to climate change and/or renewable energy." The proposal opines in its supporting statement that Apple's investments in renewable energy may be at risk because of challenges to renewable energy public policies. Apple unsuccessfully challenged the proposal at the SEC, arguing it concerned ordinary business, but the SEC disagreed. (A resolution also from NCPPR raising a similar concerns about the potential political fallout from Apple's public support for combatting climate change came to a vote in 2014, but it earned 2.1 percent support, not enough for resubmission.) A different proposal, also to Apple, asked it to report on its renewable energy investments, but the SEC agreed the resolution concerned ordinary business since it was about expense management.

Charitable Giving and Discrimination

Three proposals about charitable giving will not go to votes because they were omitted on ordinary business grounds, at **Walt Disney** supporting the Boy Scouts and at **PG&E** about "anti-traditional family" political and charitable contributions, and because of stock ownership proof problems at **Boeing**.

Two resolutions to **AT&T** (about ending gay-friendly policies and limiting its non-discrimination policy) seem likely to be omitted on technical grounds, while another at **PepsiCo** (about including "ex-gays" in its supplier diversity program) has been omitted on the grounds it is moot.

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LEVERAGING ALL FOUNDATION ASSETS TO ADDRESS WATER STEWARDSHIP

JON M. JENSEN
Executive Director, Park Foundation

At the core of Park Foundation's Environment Program is our focus on water stewardship. Our national grantmaking in water quality and quantity has prioritized issues such as privatization of public water systems and reduction of bottled water use. The devastating water impacts of hydrofracking for natural gas spurred us to battle proposed hydrofracking in New York State which, due to the efforts of so many others, resulted in a ban in late 2014. From 2008 to 2014, Park Foundation awarded over $7 million in grants for public awareness and education, research, grassroots and shareholder advocacy on hydrofracking.

Concomitant was our grant support for As You Sow's shareholder advocacy work on hydrofracking and provision of our stock for filing fracking shareholder resolutions with **ExxonMobil**, **Chevron** and **Anadarko**. Over the years, these resolutions and dialogues with companies have helped prompt increased transparency of fracking chemicals, improved waste-water disposal methods and led to the publication of the industry best practices and benchmarking study *Disclosing the Facts*. Since 2010, these resolutions have averaged 30 percent support and have been instrumental in helping to educate the investor community about the environmental, social and financial risks from hydrofracking. Park Foundation has provided stock holdings to file or cofile 10 resolutions for 2015, most of them around hydrofracking, carbon asset and climate change risk.

Other grantmaking includes support for Ceres' water risk activities, which will result in an extensive report on evaluating water risk to be issued in March 2015. Park Foundation also initiated Confluence Philanthropy's (an affinity group of foundations engaged in mission related investing) Water Investors Group that networks and educates foundation investors on water.

To complement this grantmaking, in its own endowment portfolio, Park Foundation recently added a water screen to its ESG screening policy. It is also examining the portfolio for water risk, and exploring the creation of a new sustainable water investment fund. The Foundation continues to incrementally add water impact investments to its portfolio.

The overall goal of Park Foundation's mission investing activities is to achieve the highest alignment of its investments with its grantmaking so as to achieve the greatest impact in advancing its mission.

ALIGNING INVESTMENT AND MISSION

Foundations, educational institutions, pension funds, NGOs, and faith-based institutions are among those that are adopting policies to better align their investments and mission. The four most common strategies for leveraging assets to help align investment and mission are 1) proxy voting; 2) shareholder advocacy; 3) screened investments and ESG integration; and 4) impact investing, mission related investing and program related investing.

Proxy Voting

Voting on shareholder proposals to help influence companies to be more fiscally, socially and/or environmentally responsible is one fundamental way investors can both exercise fiduciary responsibility and weigh in on social and environmental issues. Consequently, it is a logical entry point for aligning investment and mission. Most institutions, however, delegate voting to their financial managers, who generally vote with management against social and environmental issues. Proxy votes can encourage many progressive corporate practices, such as non-discrimination in employment, diversified boards, reformulation of toxic products, reduction of greenhouse gas emissions and public disclosure of corporate political spending.

Shareholder Advocacy

Shareholder advocacy uses the power of stock ownership to promote change in corporate practices through filing shareholder proposals and/or conducting shareholder dialogues with senior company officials. To file a proposal, a shareholder must hold at least $2,000 worth of shares at a company, prove those shares have been continuously held for at least one year prior to the proposal filing date and agree to hold them through the annual general meeting date. For four decades, active investors have effectively used proposals and dialogues with corporate management to influence corporate practices. Well-established shareholder networks exist that coordinate shareholder advocacy efforts and introduce new advocates to the process.

Screened Investments and ESG Integration

Investors can take environmental, social, and governance (ESG) issues into account by applying screens to their investment portfolio. For example, positive screens may include companies that have strong environmental practices or explicitly protect human rights. Negative screens aim to avoid investing in companies whose products and practices the investors find harmful to individuals, communities or the environment. Many investment firms also have begun to incorporate some ESG considerations into their risk and opportunity analyses. Studies show that most ESG-managed funds have performed the same or better to date than others not managed this way.

Mission and Program-Related Investments

Mission-related investing (MRI) directs a portion of a foundation's assets into projects or companies that reflect the mission of the investing institution. Funds come from the endowment's assets and often strive for market returns. The term MRI can be confusing as it is often used as an umbrella term for any environmental or social investment. It is also often used interchangeably with Program-Related Investments (PRI). PRIs are typically low-interest loans for housing, education and business and they are usually disbursed from a foundation's granting funds; in these cases, financial gain may not be their primary goal.

Impact Investments and Green Bonds

Impact investments aim to generate positive environmental and social impact with a financial return. These investments encompass both private and public equity and investments are made across all asset classes and often focus on private companies. Impact investments can range from microfinance to women-owned manufacturing. A rapidly growing sector is tax-exempt Green Bonds which aim to reclaim neglected, abandoned or polluted 'brownfield' sites and provide capital for scalable renewable infrastructure. These include repowering facilities with solar energy, improving irrigation systems to save water, relamping streetlights with low energy LEDs and loans for hybrid and electric plug-in vehicles.

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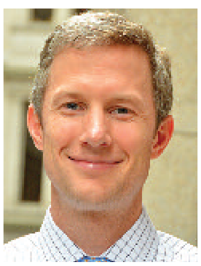

HIGHER ED OPTS FOR INTENTIONALLY DESIGNED ENDOWMENTS

GEORGES DYER
Principal, Intentional Endowments Network

Higher education has been a leader in addressing climate and sustainability issues in campus operations, education, research and community engagement. The American College and University Presidents' Climate Commitment (ACUPCC)—a pledge made by nearly 700 institutions across the country to pursue climate neutrality—is one of the clearest indicators that sustainability is becoming a strategic imperative for higher education.

However, in many ways endowments have lagged behind pension funds and other institutional investors in advancing sustainable investing. With the fossil fuel divestment movement bringing endowment practices into focus on campuses, there is a tremendous opportunity to help institutions align their investment policies with their values, mission and sustainability goals without sacrificing financial returns.

In April 2014, the first Intentionally Designed Endowment forum was co-hosted by Hampshire College and Second Nature in Cambridge, MA. It brought together a diverse group of 120 higher education presidents, business officers, trustees, managers, consultants, foundation officers and other stakeholders to learn from experts and peers, and explore opportunities for collaboration among a larger group of institutions. It resulted in a clear desire by participants to continue and broaden the conversation—and led to the creation of the Intentional Endowments Network (IEN).

IEN is a broad-based, collaborative network aiming to make *intentionally designed endowments*—those that enhance financial performance; are aligned with institutional mission and values; and contribute to a sustainable society—the norm in higher education. Our mission is to support senior leadership and key stakeholders in aligning investment practices with mission, values, and sustainability goals through a variety of strategies—such as ESG integration, shareholder engagement, impact and community investing.

Working closely with leading organizations—including Ceres, INCR, Sustainable Investments Institute, Second Nature, ACUPCC, Sustainable Endowments Institute, Responsible Endowments Coalition, PRI, CDP and many others—the network engages the higher education, business and non-profit sectors. It provides opportunities for education and training, peer networking, convening, thought leadership and information exchange.

Since the initial forum, the IEN has held workshops, conference sessions, a forum with Arizona State University in January 2015 and a student-focused forum with Mount Holyoke College in February 2015. Additional forums are planned for Denver in May and at Portland State University in the fall. The IEN's unique approach of engaging the "whole system" of stakeholders in constructive conversation on the concepts of sustainable investment promises to enhance and accelerate higher education's leadership in this area.

APPENDIX

More on the Web

All resolutions must conform to the Shareholder Proposal Rule of the Securities and Exchange Act of 1934, which sets procedural as well as substantive standards for admissibility. Read more on **www.proxypreview.org**.

Access research about shareholder proposal issues, organizations, networks, and investor campaigns on **www.proxypreview.org**.

Read more about the contributing authors on **www.proxypreview.org**.

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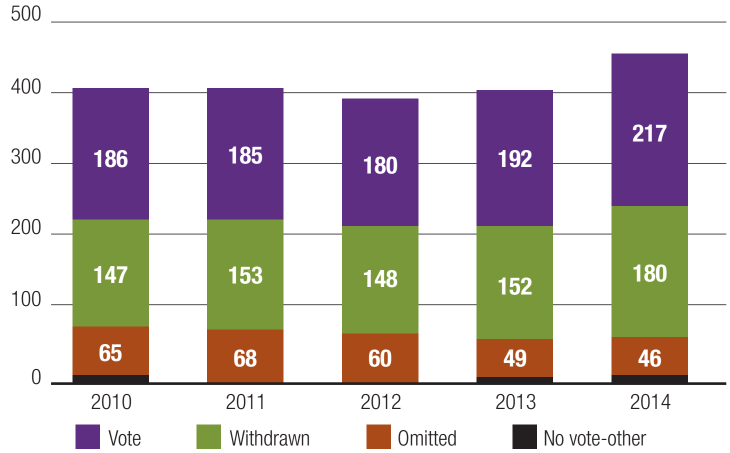
2014 PROXY SEASON RESULTS

Investors concerned with environmental and social issues filed 452 shareholder proposals in all at U.S. companies in 2014, a big jump from 402 in 2013 and far more than in any previous year. Support levels reached a new average high of 21.9 percent on 217 resolutions voted on.[3] The number of proposals omitted continued to fall, with only 10 percent of filings excluded after company challenges at the Securities and Exchange Commission (SEC), the lowest level in at least 10 years. Companies faced proposals from shareholders who want more disclosure and action on a wide range of environmental, social and sustainable governance issues. Corporate officials and proponents often reached accords about the requests, with a record number of 180 withdrawals, keeping the proportion of withdrawn proposals about where it has been for the last six years. *(See charts for details on recent trends.)*

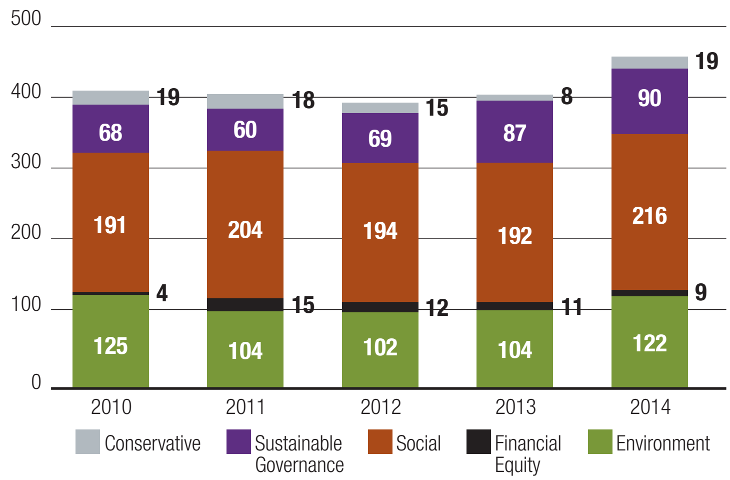
The overwhelming focus remained on political involvement and energy issues, with an ever-increasing number of proposals about corporate involvement in politics, but there were increases in all subject areas.

Seven majority votes: There were six majority votes in 2014 for resolutions opposed by management. Three asked for more information on lobbying: 58.6 percent at **SLM**, 53.7 percent at **Lorillard** and 51.6 percent at **Valero Energy**. Three used the template of the Center for Political Accountability to request more oversight and disclosure on electoral spending, earning 51.8 percent at **Dean Foods**, 50.8 percent at **H&R Block** and 55.8 percent at **Smith & Wesson**. The seventh to earn a majority, at **Kraft Foods Group**, was not opposed by management since it asked only for a commendation of the company's animal welfare policy; it earned 81.7 percent. This brings the total number of management-opposed shareholder resolutions earning majority votes to 17 in the last five years, a figure inconceivable in the early days of shareholder activism.

Environmental, Social & Sustainable Governance Proposals Filed, 2010-2014



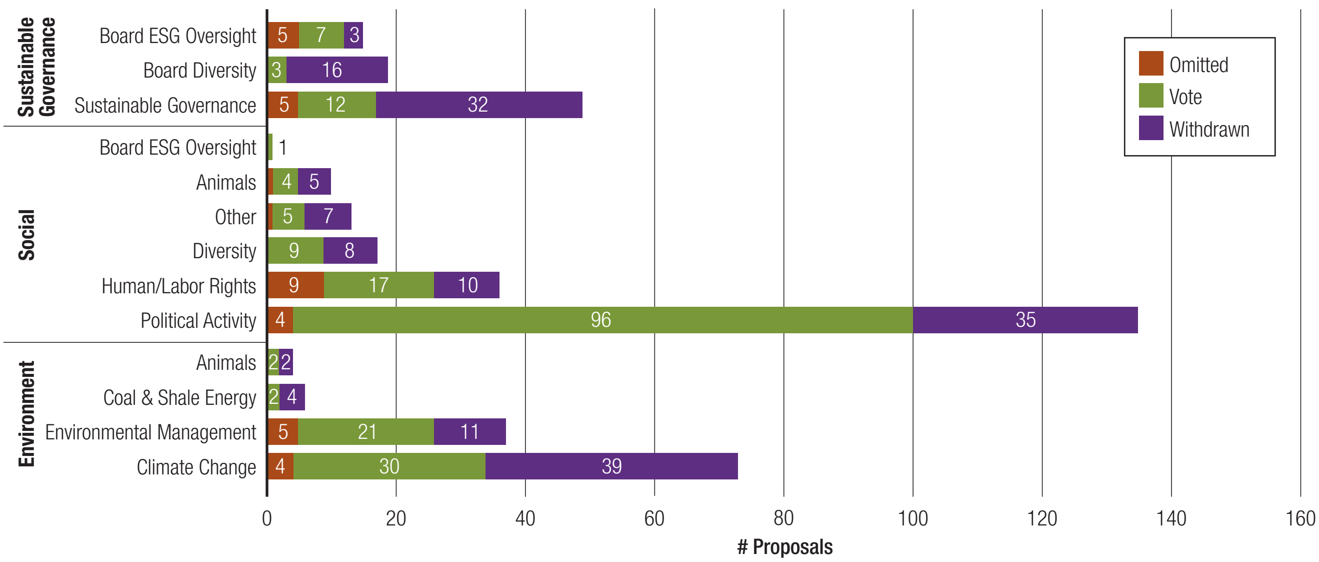
Proposal Subjects, 2010-2014



(Excludes more proposals on economic equity, those from conservatives and those not voted for other reasons.)

3. Excludes one management supported proposal at Kraft Foods. All voting results in this report are figured as a proportion of shares cast in favor divided by those cast for and against.

2014 Proposals Filed



Key Developments in 2014

Environment: The biggest change in 2014 regarding environmental proposals was a surge in proposals about climate change: proponents filed 29 more resolutions than in 2013. Twenty-two asked companies to adopt GHG reduction goals generally and 12 asked specifically for data on methane emissions and reduction targets, expanding an effort begun in 2013. Climate risk reporting proposals doubled to a dozen, asking pointed questions about what might happen to company valuations if large fossil fuel reserves stay in the ground. Whatever the angle, investors cast about one-quarter of their shares in favor of climate disclosure and action. The highest vote was 39.4 percent in favor of setting GHG goals at **Valero Energy**.

The first-ever reporting proposal on nanomaterials in food to go to a vote earned a respectable 18.7 percent at **Dunkin' Donuts**. Additional environmental proposals that earned fairly high support favored more recycling and action on packaging.

Social Issues: On the social front, political activity resolutions that overwhelmingly emphasized disclosure again were split about evenly between lobbying and election spending, with a common insistence on transparency for corporate funds that make their way into politics indirectly, through intermediary groups like trade associations and social welfare organizations that can keep their donors secret under current laws. Election spending resolutions again earned a bit more than lobbying proposals—about 29 percent versus about 26 percent—but the gap is narrowing.

A new wrinkle for 2014 was a set of seven resolutions asking for more scrutiny of corporate climate change lobbying, from proponents who feel companies are undermining GHG mitigation possibilities. Additionally, a half dozen new calls for corporate political spending bans asserted companies should not oppose state referenda about labeling products containing genetically modified organisms (GMOS) but votes were low. Investors clearly remain fairly enthusiastic about spending disclosure but not too willing to contemplate any spending restrictions.

The highest scoring of other social issues were proposals asking for non-discrimination for lesbian, gay, bisexual and transgender (LGBT) workers; six of 12 filed proposals went to votes and earned on average 30 percent, with the highest of 47.8 percent for a resubmission at **Leggett & Platt**. Another important social issues development was the warm reception for a human rights risk assessment request at 14 companies; six of the eight resulting votes were above 25 percent. Three firms successfully argued at the SEC they already have taken action to address human rights risks, though, prompting omissions and one withdrawal.

Sustainable governance: As in the past, resolutions fared well when they asked companies to produce comprehensive sustainability reports with comparable metrics, using frameworks such as those offered by the Global Reporting Initiative and CDP (formerly the Carbon Disclosure Project); 11 of 33 filed proposals earned just shy of 30 percent average support. The highest vote of 43.5 percent was at **Nabors Industries**, where irate shareholders also voted against the company's executive compensation package for the third year since they were unhappy with the board's approval of an extra $60 million in CEO compensation that was included in its pay restructuring plan. None of the 11 proposals asking for mandatory sustainability reporting by major suppliers went to votes because of withdrawals successfully negotiated by the New York City and New York State Comptrollers' offices. This also has been a fruitful area for deals in the past, spurred by the fallout from hundreds of fatalities in Bangladesh garment factories and documentation of unsafe conditions and underage workers elsewhere in Asian supply chains.

Out of 24 proposals filed on board diversity, there were just three votes; the highest was 40.2 percent at **Monster Beverage**. While women and ethnic minorities continue to be sorely underrepresented on corporate boards and among top managers compared to their share of the population, many companies when approached are willing to adopt policies committing themselves to more inclusive searches for board candidates. There were 17 withdrawals for these resolutions that were coordinated by The Thirty Percent Coalition.

Although investors give sustainability reporting proposals high levels of support, they are far less likely to approve more prescriptive board oversight proposals. Eight of 16 filed resolutions asking for specific types of board committees or expert members went to votes and averaged just below 10 percent support. The highest score was 21.8 percent for a fifth-year resolution at **Chevron** from the New York State Common Retirement System (NYSCRF) asking for an environmental expert on the board, but all the others earned less than 8 percent.

Conservatives: Conservative groups raised a few new angles but did not gain much support. A new social proposal expressed opposition to the Affordable Care Act and tried to ask five firms to adopt a set of free market health care principles, but it failed to pass muster at the SEC and never went to a vote. Three other votes on a new request for cost-benefit analysis of sustainability efforts also earned at most 4 percent.

2014 Resolutions With More than 40 Percent Support

Company	Proposal	Proponent	Vote (%)*
Kraft Foods Group	Commend animal welfare policy	HSUS	80.7
SLM	Report on lobbying	AFL-CIO	58.6
Smith & Wesson	Report on political spending and lobbying	Amalgamated Bank	55.8
Lorillard	Report on lobbying	Midwest Capuchins	53.7
Dean Foods	Review/report on political spending	NYSCRF	51.8
Valero Energy	Report on lobbying	NYSCRF	51.6
H&R Block	Review/report on political spending	NYSCRF	50.6
Duke Energy	Review/report on political spending	Nathan Cummings Fndn	49.4
Cisco Systems	Review/report on political spending	Newground Social Inv.	47.8
Leggett & Platt	Adopt sexual orientation and gender ID policy	NYC pension funds	47.8
Marathon Petroleum	Report on lobbying	Trillium Asset Mgt	47.7
Emerson Electric	Review/report on political spending	Trillium Asset Mgt	47.4
Cabot Oil & Gas	Review/report on political spending	NYC pension funds	44.7
Nabors Industries	Publish sustainability report	Appleseed Fund	43.5
Alpha Natural Res.	Adopt sexual orientation and gender ID policy	NYSCRF	43.4
American Financial Grp	Adopt sexual orientation and gender ID policy	NYSCRF	43.2
Marathon Oil	Report on lobbying	NYSCRF	43.2
TECO Energy	Review/report on political spending	Phila. Public Employees	42.7
Western Union	Review/report on political spending	NYSCRF	42.1
Emerson Electric	Report on lobbying	The Sustainability Group	41.7
BB&T	Report on political spending and lobbying	Mass. Laborers	41.1
Darden Restaurants	Report on lobbying	AFL-CIO	41.1
Cardinal Health	Review/report on political spending	Teamsters	41.0
Olin	Report on political spending and lobbying	Amalgamated Bank	41.0
PPL Corporation	Review/report on political spending	NYC pension funds	41.0
Equity Lifestyle Prop.	Report on political spending and lobbying	Reinvestment Partners	40.3
Monster Beverage	Adopt board diversity policy	NYSCRF	40.2

** Percentages presented as shares cast for divided by shares cast for and against. All proposals listed are advisory and majority votes do not legally require management action. Official passage can require other vote calculations including the consideration of shares cast as abstentions or total shares outstanding.*

COMPANY INDEX

The index below shows with checkmarks (✓) how many proposals advocates have been filed at each company, in each of the major topic categories presented in this report. More details on each of the resolutions can be found in the tables and text of appropriate sections of the report, as follows:

* includes workplace diversity

Company	Environment	Human Rights/Labor	Political Activity	Other Social	Sustainable Governance - Boards	Sustainable Governance - Disclosure	Sustainable Governance - Other	Other	Grand Total
3M	✓	✓							2
Abbott Laboratories	✓								1
Aetna			✓						1
AGL Resources	✓								1
Agree Realty					✓				1
Akorn		✓							1
Alaska Comm. Systems Grp		✓							1
Alexion Pharmaceuticals			✓						1
Alliance Data Systems					✓				1
Alliance One Int'l		✓							1
Alliant Energy	✓								1
Alliant Techsystems	✓								1
Allstate		✓							1
Altria		✓		✓					2
Amazon.com	✓	✓	✓	✓		✓			5
Ameren			✓				✓		2
American Express		✓	✓						2
American Int'l Grp		✓							1
AmSurg						✓			1
Anadarko Petroleum	✓								1
Annaly Capital Management	✓								1
Apple		✓	✓		✓		✓	✓✓✓	7
Aqua America		✓							1
Archer Daniels Midland	✓								1
AT&T			✓✓✓					✓✓	5
Avon Products	✓								1
Bank of America	✓		✓						2
Bank of New York Mellon							✓		1
BB&T						✓			1
Becton, Dickinson				✓					1
Bed Bath & Beyond		✓							1
Berkshire Hathaway	✓								1
Biogen Idec				✓					1
BioMarin Pharmaceutical						✓			1
BlackRock			✓						1
Boeing			✓	✓				✓	3
Bristol-Myers Squibb								✓	1
Bunge Limited	✓								1
C.R. Bard						✓			1

Continued on next page

Company	Environment	Human Rights/Labor	Political Activity	Other Social	Sustainable Governance – Boards	Sustainable Governance – Disclosure	Sustainable Governance – Other	Other	Grand Total
Cabot Oil & Gas			✓						1
Capital One Financial			✓						1
Cardinal Health			✓						1
Caterpillar		✓						✓	2
CBS								✓	1
Celgene			✓	✓					2
CenterPoint Energy			✓						1
Cerner			✓						1
Charles Schwab		✓	✓✓						3
Chesapeake Energy	✓				✓				2
Chevron	✓✓✓✓	✓	✓✓✓		✓		✓		10
Chipotle Mexican Grill					✓	✓			2
Chubb						✓			1
Cisco Systems			✓						1
Citigroup			✓					✓	2
Citrix Systems		✓			✓				2
Clarcor						✓			1
Cleco	✓								1
Coca-Cola					✓				1
Cohen & Steers					✓				1
Comcast			✓		✓			✓	3
Commercial Metals						✓			1
Community Health Systems						✓			1
Comtech Telecommunications					✓				1
ConocoPhillips	✓		✓				✓		3
Consol Energy	✓								1
Continental Resources						✓			1
Corning		✓							1
Corrections Corp. of America		✓							1
Costco Wholesale	✓✓							✓	3
Crown Castle Int'l	✓								1
Cullen/Frost Bankers		✓							1
CVS Caremark			✓					✓	2
Danaher			✓						1
Dean Foods	✓✓		✓						3
Deere & Company								✓	1
Delta Air Lines			✓						1
Denbury Resources						✓			1
Devon Energy	✓		✓✓						3
Dillard's	✓								1
DineEquity				✓					1
Discovery Communications					✓				1
Dollar General		✓				✓			2
Dollar Tree		✓							1
Dominion Resources	✓✓✓✓✓		✓		✓		✓		8
Dow Chemical	✓✓								2
Dr Pepper Snapple Grp	✓	✓							2
DTE Energy	✓		✓						2
Duke Energy			✓						1
Dunkin' Brands Grp	✓✓								2
Du Pont	✓✓✓	✓	✓						5
Eastman Chemical			✓✓						2
eBay		✓			✓				2
Emerson Electric			✓✓			✓			3
Energen	✓✓								2
Energizer Holdings	✓								1
Ensign Grp						✓			1

Continued on next page

Company	Environment	Human Rights/Labor	Political Activity	Other Social	Sustainable Governance - Boards	Sustainable Governance - Disclosure	Sustainable Governance - Other	Other	Grand Total
Entergy	✓						✓		2
EOG Resources	✓		✓						2
Equifax		✓							1
Esco Technologies						✓			1
Essex Property Trust	✓								1
Exelon	✓								1
Expedia		✓							1
Expeditors Int'l of Washington		✓							1
Express Scripts			✓✓						2
ExxonMobil	✓✓✓✓	✓✓	✓✓		✓		✓		10
Facebook		✓	✓			✓			3
Federal Realty Inv. Trust	✓								1
FedEx		✓							1
First Interstate BancSystem		✓							1
First NBC Bank		✓							1
FirstEnergy	✓		✓						2
FMC			✓						1
Franklin Resources		✓					✓		2
Freeport-McMoRan		✓							1
Frontier Communications			✓						1
Gap		✓							1
Garmin					✓				1
General Communication		✓							1
General Electric		✓							1
Genworth Holdings						✓			1
GEO Grp		✓	✓						2
Gilead Sciences				✓		✓			2
Goldman Sachs			✓✓						2
Google			✓✓						2
Great Plains Energy	✓								1
Greenbrier Companies		✓							1
H&R Block			✓						1
HB Fuller	✓								1
HD Supply Holdings	✓								1
Hess	✓✓								2
Hewlett-Packard				✓					1
HollyFrontier						✓			1
Home Depot	✓	✓			✓	✓		✓	5
Honeywell Int'l			✓						1
Hormel Foods	✓								1
IDEX		✓							1
Intel		✓							1
Int'l Business Machines			✓		✓				2
Int'l Flavors & Fragrances	✓								1
J.B. Hunt	✓								1
Johnson & Johnson			✓						1
JPMorgan Chase			✓✓		✓			✓	4
Kansas City Southern			✓						1
Kinder Morgan	✓✓✓					✓			4
Kohl's		✓					✓		2
Kraft Foods Grp	✓✓					✓			3
Kroger	✓	✓✓✓✓							5
LinkedIn					✓				1
Lockheed Martin			✓						1
Lorillard		✓							1
Lowe's	✓	✓				✓		✓	4
Macy's		✓							1

Continued on next page

Company	Environment	Human Rights/Labor	Political Activity	Other Social	Sustainable Governance - Boards	Sustainable Governance - Disclosure	Sustainable Governance - Other	Other	Grand Total
Marathon Oil	✓✓		✓						3
Marathon Petroleum	✓		✓						2
Martin Marietta	✓								1
Mastercard		✓	✓						2
McDonald's	✓✓	✓✓							4
McGraw-Hill Financial			✓						1
McKesson			✓						1
MeadWestvaco			✓						1
Mentor Graphics		✓							1
Metlife		✓							1
MGE Energy	✓						✓		2
Minerals Technologies		✓							1
Mondelez Int'l	✓								1
Monsanto	✓		✓						2
Monster Beverage					✓				1
Morgan Stanley			✓						1
Motorola Solutions		✓	✓						2
Mylan		✓							1
Nabors Industries						✓			1
National Fuel Gas	✓	✓							2
Newfield Exploration	✓								1
NextEra Energy			✓						1
NiSource			✓						1
Noble Energy	✓								1
Northern Trust			✓						1
Northrop Grumman			✓						1
Nucor			✓						1
Occidental Petroleum	✓		✓✓						3
OGE Energy	✓								1
Omnicom Grp		✓							1
PACCAR		✓							1
Panera Bread	✓								1
PepsiCo	✓							✓	2
Pfizer			✓					✓	2
PG&E								✓✓	2
Philip Morris Int'l		✓	✓						2
Phillips 66	✓✓								2
Pinnacle West Capital			✓						1
PPG Industries	✓								1
PPL	✓		✓						2
Priceline.com				✓					1
Procter & Gamble	✓								1
Public Service Enterprise Grp			✓						1
PulteGrp						✓			1
QEP Resources	✓								1
Qualcomm	✓								1
Raytheon			✓✓						2
Reynolds American		✓							1
Rite Aid					✓				1
Roundy's	✓								1
RPC						✓			1
SBA Communications					✓				1
Schnitzer Steel Industries		✓							1
Sears Holdings		✓							1
Sensient Technologies	✓								1
Sherwin-Williams	✓								1
Silgan Holdings					✓				1

Continued on next page

Company	Environment	Human Rights/Labor	Political Activity	Other Social	Sustainable Governance – Boards	Sustainable Governance – Disclosure	Sustainable Governance – Other	Other	Grand Total
Skechers U.S.A.					✓				1
SM Energy	✓								1
Southern Company	✓								1
SouthWest Gas	✓								1
Southwestern Energy	✓								1
Spectra Energy			✓✓						2
Standard Pacific					✓				1
Staples		✓							1
Starbucks	✓				✓				2
Starwood Hotels & Resorts			✓						1
Stillwater Mining		✓							1
Stryker					✓				1
Superior Energy Services		✓							1
Symantec					✓				1
Syntel		✓							1
T. Rowe Price Grp							✓		1
Targa Resources	✓								1
Target	✓	✓							2
TECO Energy			✓						1
Thermo Fisher Scientific			✓						1
Time Warner	✓				✓				2
Time Warner Cable			✓						1
TJX		✓							1
T-Mobile US		✓							1
Tootsie Roll Industries					✓				1
Travelers			✓						1
Treehouse Foods					✓				1
Tyson Foods	✓✓		✓						3
Ubiquiti Networks					✓				1
Ultra Petroleum						✓			1
Umpqua Holdings	✓								1
Union Pacific	✓								1
United Parcel Service			✓						1
United States Steel			✓						1
UnitedHealth Grp			✓						1
Universal		✓							1
Urban Outfitters		✓			✓				2
Valero Energy	✓		✓						2
Verizon Communications		✓	✓	✓					3
Vertex Pharmaceuticals				✓					1
Viacom				✓					1
Visa								✓	1
Vulcan Materials						✓			1
Walgreens Boots Alliance							✓		1
Walmart	✓	✓✓	✓		✓		✓	✓	7
Walt Disney			✓	✓				✓✓	4
Waste Management			✓						1
Wells Fargo		✓	✓						2
Wendy's		✓							1
Western Union			✓		✓				2
Whole Foods Market					✓				1
Wisconsin Energy	✓								1
WPX Energy	✓								1
Wyndham Worldwide			✓						1
Wynn Resorts			✓						1
Yum Brands	✓	✓						✓	3
Grand Total	**114**	**81**	**106**	**14**	**37**	**29**	**14**	**26**	**421**

(Twelve additional proposals that have yet to be made public are not included in this listing.)

ABOUT PROXY PREVIEW

PROXY PREVIEW 2015 IS A COLLABORATION BETWEEN

As You Sow is a nonprofit organization dedicated to increasing environmental and social corporate responsibility. Founded in 1992, As You Sow envisions a safe, just, and sustainable world in which environmental health and human rights are central to corporate decision making. Its Energy, Environmental Health, Waste, and Human Rights programs create positive, industry-wide change through corporate dialogue, shareholder advocacy, coalition building, and innovative legal strategies. www.asyousow.org

The **Sustainable Investments Institute (Si2)**, a nonprofit research organization based in Washington, D.C., conducts impartial research and publishes reports on organized efforts to influence corporate behavior on social and environmental issues. Si2 closely follows shareholder resolutions proposed by investor advocates, but does not making voting recommendations. Instead, it provides the tools and in-depth reports that enable investors to make their own informed, independent decisions on the contentious public policy issues raised during proxy season. Si2 also conducts research into emerging sustainability issues to better help investors and the general public understand the implications they hold for companies and their key stakeholders. Recent reports covered political spending, hydraulic fracturing, integrated reporting, nanotechnologies and sustainable governance issues. Si2 is supported by leading institutional investors, including public and private pension funds, college and university endowments, foundations and fund managers. www.siinstitute.org

Proxy Impact is a progressive proxy voting and shareholder engagement service for foundations, endowments, faith-based communities, NGOs and other mission-based or socially responsible investors. We provide environmental, social and governance (ESG) vote guidelines, and are setting a new standard for holding board directors accountable. Proxy Impact also offers strategic options that allow clients to leverage their shares to support their values and core programs. We provide a full range of shareholder engagement services on social and environmental issues including filing resolutions, corporate dialogues and solicitation and media campaigns. www.proxyimpact.com

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Boston Common Asset Management specializes in sustainable and responsible global equity strategies. It seeks long-term capital appreciation by investing in diversified portfolios of high quality, socially responsible stocks. Through rigorous analysis of financial, environmental, social, and governance (ESG) factors we identify innovative, attractively valued companies for investment. On behalf of its shareholders, Boston Common urges portfolio companies to improve transparency, accountability, and manage for the long term. The firm manages US, International, and Global portfolios for institutions and individuals through separate accounts, commingled and mutual funds. www.bostoncommonasset.com

Broadridge Financial Solutions, Inc. (NYSE:BR) is the leading provider of investor communications and technology-driven solutions for broker-dealers, banks, mutual funds and corporate issuers globally. Broadridge's investor communications help clients reduce their capital investments in operations infrastructure, allowing them to increase their focus on core business activities. With over 50 years of experience, Broadridge's infrastructure underpins proxy voting services for over 90% of public companies and mutual funds in North America, and processes more than $5 trillion in fixed income and equity trades per day. Broadridge is the leader in corporate governance activities, processing approximately 85% of the outstanding shares in the United States and approximately 72% of the shares voted outside the U.S. Broadridge enables over 2 billion multi-channel communications to investors annually. www.broadridge.com

Calvert Investments is a global leader in the responsible investment category. We offer array of equity, bond and multi-asset strategies available through mutual funds and separate account management. Our strategies feature an integrated environmental, social, and corporate governance (ESG) research and corporate engagement framework backed by one of the largest proprietary sustainability research teams in the United States. www.calvert.com

Domini Social Investments LLC is a women-owned and women-managed SEC-registered investment adviser specializing exclusively in socially responsible investing. We serve individual and institutional investors who wish to create positive social and environmental outcomes while seeking competitive financial returns. We use social and environmental standards to select our investments, seeking to identify future opportunities and reduce the many risks associated with irresponsible behavior. In addition, Domini has a twenty-year history of direct engagement with corporate management teams on a broad range of social and environmental issues. We manage three mutual funds with $1.5 billion in assets under management. Visit us online at Domini.com to learn more. www.domini.com

First Affirmative is an independent Registered Investment Advisor serving individual and institutional investors nationwide. We manage investment portfolios that align personal values or institutional mission with investment strategies tailored to the needs and goals of each client. For over two decades, we have helped investors make money and make a difference by combining innovative financial management with investment strategies that consider the environmental, social, and governance aspects of investments. We vote client proxies in accordance with detailed voting guidelines that serve the goal of creating a truly sustainable future. First Affirmative produces The SRI Conference on Sustainable, Responsible, Impact Investing. This industry- leading event is a gathering place for investors, investment professionals, research, and nonprofit organizations working together to direct the flow of investment capital in transformative ways. www.firstaffirmative.com

First Affirmative
Financial Network, LLC

Global Proxy Watch (GPW) is the premier source of inside information about key governance developments worldwide. It's an indispensable resource for leading shareowner activists and experts in more than a dozen countries. Now in its 19th year, GPW keeps subscribers abreast of shareowner activism across borders, the powerful industry of governance advisors, and initiatives by companies, governments, and stock exchanges to reform, turbo-charge, or block corporate governance. GPW is the place the market turns to for information on who is moving to new posts and for job openings in the governance field. Subscribers include leading pension funds and other activist institutional investors, custodian banks, stock exchanges, corporations, professional trade bodies, management consulting companies, trade unions, investor relations firms, accounting firms, academic institutions, law firms, and international governmental organizations. www.proxywatch.com

GLOBAL PROXY WATCH™

Green America's mission is to harness economic power—the strength of consumers, investors, businesses, and the marketplace—to create a socially just and environmentally sustainable society. We work for a world where all people have enough, where all communities are healthy and safe, and where the bounty of the Earth is preserved for all the generations to come. We work on issues of social justice and environmental responsibility. We see these issues as completely linked in the quest for a sustainable world. It's what we mean when we say "green." www.greenamerica.org

Green America™

Harrington Investments, Inc. is a leader in Socially Responsible Investing and Shareholder Advocacy. Dedicated to managing portfolios for individuals, foundations, non-profits, organized labor and family trusts to maximize financial, social, and environmental performance, we actively engage in shareholder campaigns and other strategies to promote greater corporate responsibility and social justice. We believe the process of shareholder advocacy influences corporate behavior and educates the public about the practices and values of publicly traded corporations. Our advocacy program includes filing shareholder resolutions on corporate governance, sustainability practices, human and labor rights. In 2015, as our economy suffers an extremely unequal, lopsided recovery from the economic crisis brought on by egregious corporate behavior, we continue calling on corporate directors to confront the moral and ethical obligations of fiduciary responsibility. www.harringtoninvestments.com

The **Jessie Smith Noyes Foundation** was established in 1947 by Charles F. Noyes as a memorial to his wife. We support grassroots organizations and movements in the United States working to change environmental, social, economic and political conditions to bring about a more just, equitable and sustainable world. We seek to build the power of people—those most impacted and those who have been marginalized—to be actively involved in advancing solutions to the problems they face. We believe foundations should harmonize philanthropic mission and endowment management. We avoid investing in companies whose environmental or social impact contribute to the problems the Foundation's grantmaking seeks to address. We also look for investment opportunities that further the Foundation's mission and make a positive impact. www.noyes.org

Miller/Howard Investments, Inc. is an independent, SEC-registered investment boutique managing equity portfolios for institutions and individuals in dividend-focused strategies. We are passionate investors in companies with solid financials, and a proven history of dividends and dividend growth, and we seek companies with a strong commitment to high operational standards, the environment, social responsibility, and good governance. Our firm, with approximately $8.7 billion in institutional and individual assets, believes that this integrated approach provides a framework for achieving long-term investment returns while building sustainable global economies and markets. We actively engage corporations on ESG issues, including hydraulic fracturing, methane emissions, water management, and sustainability reporting. We are signatory to the UN Principles for Responsible Investment, members of Ceres, and the Investor Environmental Health Network, among other organizations. www.mhinvest.com

The Nathan Cummings Foundation (NCF) is a private foundation rooted in the Jewish tradition and committed to democratic values and social justice. The Foundation seeks to make progress on two intractable and inter-connected problems, inequality and climate change. In addition to funding work designed to address these problems, the Foundation uses the assets in its endowment to further its mission through impact investing and active ownership strategies.

THE NATHAN CUMMINGS FOUNDATION

NCF has filed nearly two hundred shareholder proposals on issues with implications for both its program interests and long-term shareholder value. Through this work, it has increased transparency and disclosure on issues like corporate political spending and corporate greenhouse gas emissions. It has also succeeding in changing corporate governance practices and increasing accountability at the companies it owns. www.nathancummings.org

Parnassus Investments is an independent, employee-owned investment management company based in San Francisco, California. We seek to invest in good businesses that have increasingly relevant products or services, sustainable competitive advantages, quality management teams and ethical business practices. We believe the most attractive opportunities for investments arise when companies with good business fundamentals become temporarily undervalued. Our goal is to provide value to our shareholders by generating attractive risk-adjusted returns over the long-term. Our firm was founded in 1984, and currently manages five fundamental, U.S., core equity strategies across multiple market capitalizations, one Asia Pacific equity strategy and one U.S., fixed income strategy. The strategies are available as no-load mutual funds and separate accounts. Assets under management total $14.7 billion (as of December 31, 2014). www.parnassus.com

PARNASSUS INVESTMENTS®

Responsible Investor (RI), launched June 2007, is the only dedicated news service reporting on responsible investment, ESG (environmental, social and governance) and sustainable finance issues for institutional investors globally, read by: pension funds, public and government funds, central banks, endowments, foundations, faith groups, family offices, corporations, investment consultants, asset managers, research and data providers, insurance companies, banks, associations, governments, regulators, NGOs, and other industry practitioners. RI also produces the industry-leading regional conferences: ESG Asia, ESG Europe and ESG USA. www.responsible-investor.com

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ESG and sustainable finance

Rose Foundation for Communities and the Environment is a grantmaking public charity dedicated to the concept that environmental stewardship, community regeneration, consumer protection, robust civic participation, and a healthy economy are all inextricably linked. Rose Foundation supports and inspires grassroots, community action to protect the environment, consumers, and public health. www.rosefdn.org

ROSE FOUNDATION for COMMUNITIES and the ENVIRONMENT

The Singing Field Foundation is a small family foundation, which began active grantmaking in 2004. The foundation's current grants budget is around $200,000. Grants are initiated by the foundation's directors and typically provide general support for environmental, animal welfare, health-related organizations, and other charities of interest to family members. The foundation's interest in mission-related investing and "active ownership" of the companies in which the foundation is invested reflects our desire to maximize our impact as a small foundation, by deploying "the other 95 percent" of our assets, and our personal values, which dictate that the foundation's investments should be aligned with the foundation's mission. The Singing Field Foundation's support for As You Sow flows directly from this interest and complements the foundation's other grantmaking.

Singing Field FOUNDATION

SocialFunds.com has been a leading source of news and information for sustainable investors and advocates for sustainability and corporate social responsibility since 2000. Its daily news stories provide political and regulatory context for investors who want their portfolios to reflect the sustainability imperatives of a global economy facing a convergence of multiple crises. Its website provides a mutual fund finder for investors wishing to learn more about sustainable funds, and an events calendar keeps its readers up to date on conferences focusing on sustainability issues. www.socialfunds.com

SRI World Group

The Murninghan Post is an eclectic gathering place for sharing information, ideas, deliberation, and strategic action for leveraging financial capital toward sustainability and the public interest. The aim is bold but clear: to provide you with knowledge and tools will help us bridge the equity gap, and build a prosperous, sustainable, and just world. This is not a new idea. It's consistent with centuries of tradition about the meaning of "fiduciary" and "stewardship", which balances claims to private prosperity with civic well-being. By joining us, you'll be smarter and more effective as a change agent. More importantly, you'll help us be smarter and effective as change-agents, too. Stay tuned for new developments, discoveries, and delights! www.murninghanpost.com

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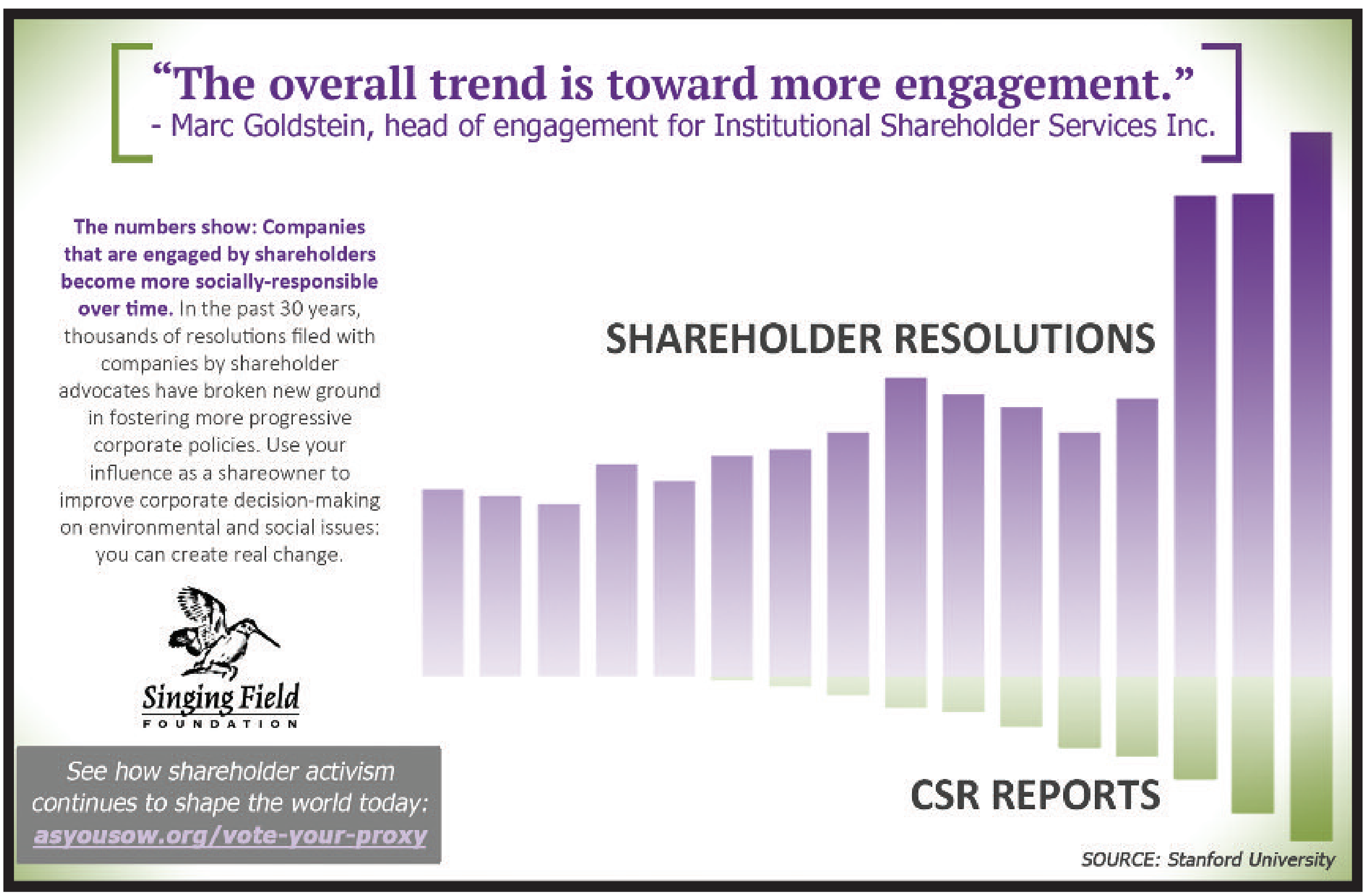

Since 1975, **Walden Asset Management** has specialized in managing portfolios for institutional and individual clients with a dual investment mandate: competitive financial returns and positive social and environmental impact. Walden is an industry leader in integrating environmental, social and governance (ESG) analysis into investment decision-making and company engagement to strengthen ESG performance, transparency and accountability. Engagement strategies include dialogue with company management, proxy voting, sponsorship of shareholder resolutions, and public policy advocacy. Walden is the SRI practice of Boston Trust & Investment Management Company, an independent, employee-owned investment management company and a PRI signatory. www.waldenassetmgmt.com

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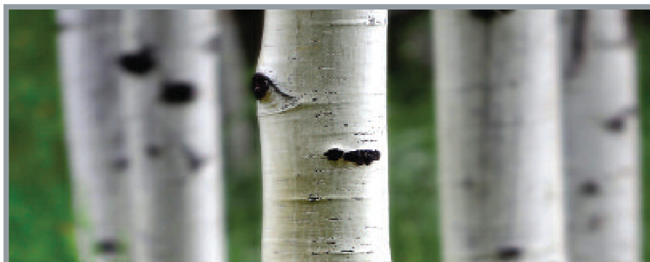

IN MEMORIAM

Peter De Simone, Si2's Deputy Director, died on November 28, 2014, in Washington, D.C. He was born in Smithtown, New York, on October 25, 1971, and is survived by his parents and a wide circle of friends.

Peter entered my life—and the field of sustainable investing—when I interviewed him in 1995 for a research analyst opening at the Investor Responsibility Research Center. I noted right away his interest in ideas and ease in conversation. He had a number of skills and aptitudes that particularly suited him for the job: academic training and interest in international economics, experience with databases (then still somewhat in their infancy) and ability to juggle a number of tasks at once. I hired him—and it was a good decision.

For the next 13 years, Peter wrote reports and articles for IRRC subscribers on a broad array of issues: multinational business trends in South Africa, labor conditions in US companies' increasingly global supply chains and the campaign to expand corporate fair employment policies to cover sexual orientation. I always felt that I could assign any issue to him and he would write insightfully about it. We stayed in touch after we moved on to new employers, and we were colleagues again for a few years at US SIF.

More important, though, we were friends. I treasure the memories of our many conversations over the years. He took such an interest in the world, in people and ideas. I miss him.

–Meg Voorhes, US SIF

I met Peter when he started at IRRC 20 years ago, and over the years we worked on everything from climate change to Northern Ireland to broader sustainability analysis. It was always interesting to look at the connections between social justice and economic opportunity, and Peter did so on almost every continent. He was in South Africa as apartheid crumbled and during early research about sweatshops he witnessed the simmering unrest taking over Pakistan, and explored Central American factories. We both walked the cold streets of Belfast near the end of the Troubles and then worked with colleagues in the Philippines and Brussels.

Peter was a global citizen, skeptical yet interested in what makes things change for the better. We worked hard together to explain all the interesting nuances of corporate responsibility, most recently by founding the Sustainable Investments Institute in 2010. I think all this has made a difference, and will do so going forward.

In our field we nurture appropriate acerbic criticism of the status quo, but Peter did so while keeping a twinkle in his eye and watching out for his friends, colleagues and clients. We all should do the same.

–Heidi Welsh, Si2

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