

# Carleton

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## **Carleton Responsible Investment Committee Annual Report January 27, 2017**

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# **1 — Full Shareholder Resolution Texts for Resolutions Falling Under the Pre-Approval Policy**

## **Lobbying Expenditures Disclosure - Climate — Alphabet Inc.**

**WHEREAS**, we believe it is important that Alphabet’s lobbying positions, and processes to influence public policy, are transparent. Public opinion is skeptical of corporate influence on Congress and public policy, and controversial lobbying activity may pose risks to our company’s reputation.

Alphabet spent approximately \$80 million between 2010 and 2015 on federal lobbying, according to Senate reports. And this figure may not include grassroots lobbying to influence legislation by mobilizing public support or opposition and does not include lobbying expenditures to influence legislation in all states.

**RESOLVED**, the shareholders of Alphabet request the Board prepare a report, updated annually, and disclosing:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments by Alphabet 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. 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 Alphabet is a member.

“Direct and indirect lobbying” and “grassroots lobbying communications” include efforts at local, state and federal levels.

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

**Supporting Statement:** We commend Alphabet for present disclosure on its website on political spending and lobbying but the website still does not disclose details about payments used for lobbying by trade associations.

For example, the Chamber of Commerce spent well over \$1.2 billion in lobbying since 1998, yet Alphabet’s level of funding of the Chamber is secret. The Chamber has also sued the EPA for its climate advocacy and is aggressively attacking the EPA for its new Clean Power Plan combatting climate change.

We urge Alphabet to utilize its role as a prominent member to challenge the Chamber's climate policy and call for an end of its attack on the EPA.

In contrast, Alphabet's website publicly affirms its commitment to "protecting the environment", a message we strongly support.

In September 2014 Chair Eric Schmidt stated on NPR Alphabet had ended membership in ALEC, an organization that assists legislators and companies to promote model legislation. One high ALEC priority aims to repeal State renewable energy legislation and to assist States in opposing the Clean Power Plan. Chair Schmidt argued ALEC was "literally lying" about climate. We commend Alphabet for this act of leadership.

It is a logical next step for Alphabet to expand public disclosure about third party lobbying.

## **Political Contributions — Alphabet Inc.**

**RESOLVED**, shareholders of Alphabet Inc. (the "Company") hereby request the Company to prepare and semiannually update a report, which shall be presented to the pertinent board of directors committee and posted on the Company's website, that discloses the Company's –

(a) Policies and procedures for making political contributions and expenditures (both direct and indirect) with corporate funds, including the board's role (if any) in that process, and

(b) Monetary and non-monetary political contributions or expenditures that could not be deducted as an "ordinary and necessary" business expense under section 162(e) of the Internal Revenue Code; this would include (but not be limited to) contributions to or expenditures on behalf of political candidates, political parties, political committees and other entities organized and operating under sections 501(c)(4) of the Internal Revenue Code, as well as the portion of any dues or payments that are made to any tax-exempt organization (such as a trade association) and that are used for an expenditure or contribution that, if made directly by the Company, would not be deductible under section 162(e) of the Internal Revenue Code.

The report shall be made available within 12 months of the annual meeting and identify all recipients and the amount paid to each recipient from Company funds.

**Supporting Statement:** As long-term Alphabet shareholders, we support transparency and accountability in corporate spending on political activities. Disclosure is in the best interest of the Company and its shareholders. The Supreme Court's 2010 Citizens United recognized the importance of disclosure when it said: "[D]isclosure permits citizens and shareholders to react to the speech of corporate entities in a proper way. This transparency enables the electorate to make informed decisions and give proper weight to different speakers and messages."

According to the Center for Responsive Politics, in the last decade, Alphabet gave nearly \$3 million to federal candidates; \$788,000 to committees; and \$275,000 to national parties. According to the National Institute for Money in State Politics, from 2009 through 2014, Alphabet contributed more than \$4 million to candidates and committees in state and local races. These figures do not include the undisclosed amounts that Alphabet may be contributing to so-called "dark money" nonprofits such as:

- Trade associations
- Other third-party organization, such as 501c4s
- Other independent expenditures

These activities invite legal and reputation risk, and contribute to political instability by driving the public's worst suspicions that the U.S. political system is rigged in favor of large donors.

Information on indirect political engagement through trade associations and 501(c)(4) groups cannot be obtained by shareholders unless the Company discloses it. This proposal asks the Company to disclose all of its political spending, direct and indirect, to bring our Company in line with a growing number of leading companies, including Microsoft and Intel, which present this information on their websites.

The Company's Board and its shareholders need comprehensive disclosure to be able to fully evaluate the political use of corporate assets. We urge your support for this critical governance reform.

## **Criminal Background Checks in Hiring Decisions — Amazon.com Inc.**

**RESOLVED:** Shareholders of Amazon.com (the "Company") request that the Board of Directors prepare a report on the use of criminal background checks in hiring and employment decisions for the Company's employees, independent contractors, and subcontracted workers. The report shall evaluate the risk of racial discrimination that may result from the use of criminal background checks in hiring and employment decisions. The report shall be prepared at reasonable cost and omit proprietary information, and shall be made available on the Company's website no later than the 2018 annual meeting of shareholders.

**Supporting Statement:** Approximately one third of US adults have a criminal record according to the national Employment Law Project (<http://www.nelp.org/campaign/ensuring-fair-chance-to-work/>). Because the criminal justice system disproportionately affects minorities, the use of arrest and conviction records in employment decisions may violate the Civil Rights Act of 1964 and the Equal Employment Opportunity Commission's guidelines if such policies are not job related for the position in question and consistent with business necessity (<https://www.eeoc.gov/laws/guidance/arrestconviction.cfm>).

Our Company is a large and growing employer who also subcontracts with staffing agencies and uses independent contractors for various positions including warehouse jobs and delivery drivers. Like at many companies, criminal background checks are used in hiring decisions for these positions. In our opinion, excluding individuals who have had previous contact with the criminal justice system may hurt our Company's competitiveness in attracting and retaining top talent.

The disparate impact that such practices may have on people of color may also work against our Company's commitment to diversity. While it may be appropriate to disqualify certain individuals with relevant criminal records from specific positions, an overly restrictive ban on employing all individuals with any criminal record in effect imposes a second sentence. We believe that previously incarcerated individuals who have paid their debt to society deserve a chance to achieve gainful employment.

On October 12, 2016, the Lawyers' Committee for Civil Rights and Economic justice wrote to our

Company's CEO Jeff Bezos to express concern about a purported new Company directive that requires delivery companies that our Company contracts with to institute more stringent background check procedures. The letter alleges that dozens of primarily black and Latino delivery drivers in the Boston area were terminated as a result of this change

(<http://lawyerscom.org/lawyers-committee-urges-amazon-to-halt-employment-practices-that-harm-communities-of-color/>).

This proposal urges the Board of Directors to prepare a report on the Company's criminal background check practices and policies and the risk that racial discrimination may result. In our view, the use of criminal background checks for employment decisions creates significant legal, reputational and operational risks. Accordingly, we believe that the Board of Directors has an obligation to adequately inform itself of and manage these material risks to the Company.

For these reasons, we urge shareholders to vote FOR this proposal.

## **Lobbying Expenditures Disclosure – Climate — Bank of America Corp**

**WHEREAS**, we believe full disclosure of our company's direct and indirect lobbying activities and expenditures is required to assess whether Bank of America's lobbying is consistent with its expressed goals and in the best interests of shareholders.

**RESOLVED**, the stockholders Bank of America request the preparation of a report, updated annually, disclosing:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments by Bank of America 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. Description of management's and the Board's decision making process and oversight for making payments described in section 2 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 Bank of America 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 and posted on Bank of America's website.

**Supporting Statement:** As stockholders, we encourage transparency and accountability in our company's use of corporate funds to influence legislation and regulation. Bank of America spent \$5.34 million in 2014 and 2015 on federal lobbying (opensecrets.org). This figure does not include lobbying expenditures

to influence legislation in the 42 states where Bank of America lobbies (“Amid Federal Gridlock, Lobbying Rises in the States,” Center for Public Integrity, February 11, 2016); state-mandated lobbying disclosure is uneven or absent. Bank of America’s lobbying on derivatives has attracted media scrutiny (“U.S. Banks Moved Billions in Trades beyond CFTC’s Reach,” Reuters, August 23, 2015).

Bank of America is a member of the Chamber of Commerce, which has spent over \$1.2 billion on lobbying since 1998. Bank of America restricts its trade associations from using its payments for political contributions, but that policy does not cover payments used for lobbying. This leaves a serious disclosure gap, as trade associations generally spend far more on lobbying than on political contributions. Bank of America does not disclose its trade association payments or the portions thereof used for lobbying on its website. We are concerned that the current lack of trade association lobbying disclosure presents reputational risk for Bank of America.

We also question if Bank of America’s membership in the Chamber is consistent with Bank of America’s values. For example, Bank of America signed the American Business Act on Climate Pledge, yet the Chamber is aggressively attacking the EPA on its Clean Power Plan to address climate change (“Move to Fight Obama’s Climate Plan Started Early,” New York Times, Aug. 3, 2015).

## **Political Contributions — Berkshire Hathaway Inc.**

**RESOLVED**, that the shareholders of Berkshire Hathaway, Inc. (“Company”) hereby request that the Company provide a report, updated semiannually, disclosing the Company’s:

1. Policies and procedures for making, with corporate funds or assets, contributions and expenditures (direct or 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.

The report shall be presented to the board of directors or relevant board committee and posted on the Company’s website within 12 months from the date of the annual meeting.

**Supporting Statement:** As long-term shareholders of Berkshire Hathaway, we support transparency and accountability in corporate spending on political activities. These include any activities considered intervention in any political campaign under the Internal Revenue Code, such as direct and indirect contributions to political candidates, parties or committees; ballot initiatives; independent expenditures; or electioneering communications on behalf of federal, state or local candidates.

Disclosure is in the best interest of the company and its shareholders and critical for compliance with federal ethics laws. Moreover, the Supreme Court’s Citizens United decision recognized the importance of political spending disclosure for shareholders when it said, “[D]isclosure permits citizens and shareholders to react to the speech of corporate entities in a proper way. This transparency enables the

electorate to make informed decisions and give proper weight to different speakers and messages.” Gaps in transparency and accountability may expose the company to reputational and business risks that could threaten long-term shareholder value.

According to publicly available data, Berkshire has contributed at least \$55,976 in corporate funds since the 2004 election cycle. (CQ: <http://moneyline.cq.com> and National Institute on Money in State Politics: <http://www.followthemoney.org>).

But relying on publicly available data may not provide a complete picture of a company’s political spending. For example, the Berkshire Hathaway’s payments to trade associations used for political activities are undisclosed and unknown. In some companies, corporate managers do not know how trade associations use their company’s money politically. The proposal asks Berkshire Hathaway to disclose all of its political spending, including payments to trade associations and other tax exempt organizations used for political purposes. This would bring it in line with a growing number of leading companies, including Capital One, JP Morgan Chase, and Visa, that support political disclosure and accountability and present this information on their websites.

The Company’s Board and its shareholders need comprehensive disclosure to be able to fully evaluate the political use of corporate assets. We urge your support for this critical governance reform.

## **Lobbying Expenditures Disclosure – Climate — Citigroup Inc.**

**WHEREAS**, we believe in full disclosure of Citigroup’s direct and indirect lobbying activities and expenditures to assess whether Citigroup’s lobbying is consistent with its expressed goals and in the best interests of stockholders.

**RESOLVED**, the stockholders Citigroup request the preparation of a report, updated annually, disclosing:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments by Citigroup 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. Description of management’s and the Board’s decision making process and oversight for making payments described in section 2 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 Citigroup 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 and posted on Citigroup’s website.



**Supporting Statement:** As stockholders, we encourage transparency and accountability in our company's use of corporate funds to influence legislation and regulation. Citigroup spent \$10.67 million in 2014 and 2015 on federal lobbying (opensecrets.org). This figure does not include lobbying expenditures to influence legislation in states, where Citigroup also lobbies in 42 states ("Amid Federal Gridlock, Lobbying Rises in the States," Center for Public Integrity, February 11, 2016), but disclosure is uneven or absent. Citigroup's lobbying on derivatives has attracted media scrutiny ("Why Citi May Soon Regret Its Big Victory on Capitol Hill," American Banker, December 11, 2014).

Citigroup is a member of the Chamber of Commerce, which has spent over \$1.2 billion on lobbying since 1998. Citigroup is also a member of the Business Roundtable, Financial Services Roundtable, and Securities Industry and Financial Markets Association, which together spent \$32.14 million on lobbying in 2015. Citigroup prohibits its payments to trade associations from being used for political contributions, but this does not cover payments used for lobbying. This leaves a serious disclosure gap, as trade associations generally spend far more on lobbying than on political contributions. Citigroup does not disclose its trade association payments or the portions used for lobbying on its website. We are concerned that Citigroup's current lack of trade association lobbying disclosure presents reputational risks.

We also question if Citigroup's membership in the Chamber is consistent with Citigroup's values. For example, combating climate change is a strategic priority for Citigroup, yet the Chamber has sued the EPA to block the Clean Power Plan. Transparent reporting would reveal whether company assets are being used for objectives contrary to Citigroup's long-term interests.

## **Lobbying Expenditures Disclosure — Comcast Corp.**

**WHEREAS**, we believe in full disclosure of Comcast's direct and indirect lobbying activities and expenditures to assess whether Comcast's lobbying is consistent with its expressed goals and in the best interests of shareholders.

**RESOLVED**, the shareholders of Comcast request the preparation of a report, updated annually, disclosing:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments by Comcast 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. Comcast's membership in and payments to any tax-exempt organization that writes and endorses model legislation.
4. Description of management's and the Board's decision making process and oversight for making payments described in section 2 and 3 above.

For purposes of this proposal, "grassroots lobbying communication" is communication 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 by a trade association or other organization of which Comcast 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 and posted on Comcast’s website.

**Supporting Statement:** As shareholders, we encourage transparency and accountability in the use of corporate funds to influence legislation and regulation. Comcast spent \$32 million in 2014 and 2015 on federal lobbying (opensecrets.org). This figure does not include lobbying expenditures made by Comcast in 36 states to influence legislation (“Amid Federal Gridlock, Lobbying Rises in the States,” Center for Public Integrity, February 11, 2016), but disclosure is uneven or absent.

Comcast serves on the board of the Internet & Television Association, which spent \$51 million lobbying in 2014 and 2015. Comcast does not disclose memberships in, or payments to, trade associations, or the amounts used for lobbying. Comcast will disclose its non-deductible trade association payments used for political contributions, but this does not cover payments used for lobbying. This leaves a serious disclosure gap, as trade associations generally spend far more on lobbying than on political contributions.

Nor does Comcast disclose its membership in tax-exempt organizations that write and endorse model legislation, such as its membership in the American Legislative Exchange Council (ALEC). Comcast’s ALEC membership has drawn press scrutiny (“Telecom Sleaze: ALEC and Its Communication’s Funders — AT&T, Verizon, Centurylink, Comcast and Time Warner Cable,” Huffington Post, May 2, 2015). Over 100 companies have publicly left ALEC.

We are concerned that Comcast’s lack of lobbying disclosure presents reputational risks for our company. According to the 2016 Harris Corporate Reputation Survey, Comcast ranked in the bottom 10 of the 100 most visible companies, ranking 97.

## **Lobbying Expenditures Disclosure — Devon Energy Corp.**

**WHEREAS**, we believe in full disclosure of Devon’s direct and indirect lobbying activities and expenditures to assess whether Devon’s lobbying is consistent with its expressed goals and in the best interests of stockholders.

**RESOLVED**, the stockholders of Devon Energy Corporation (“Devon”) request the preparation of a report, updated annually, disclosing:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments by Devon 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. Devon'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 section 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 Devon 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 and posted on Devon's website.

**Supporting Statement:** As stockholders, we encourage transparency and accountability in the use of staff time and corporate funds to influence legislation and regulation. Devon spent \$3.94 million in 2014 and 2015 on direct federal lobbying ([opensecrets.org](http://opensecrets.org)). This figure does not include lobbying expenditures in states, where Devon also lobbies but disclosure requirements are uneven or absent. Devon's lobbying over Oklahoma earthquakes has attracted media scrutiny ("Who's at Fault? How the State's Stance Linking Injection Wells and Seismicity Changed," Enid News, September 27, 2015).

Devon belongs to the National Association of Manufacturers and the American Petroleum Institute, which together spent over \$46 million lobbying in 2014 and 2015. However, Devon does not disclose its memberships in, or payments to, trade associations, or the amounts used for lobbying. Nor does Devon disclose membership in or contributions to tax-exempt organizations that write and endorse model legislation, such as its membership in the American Legislative Exchange Council (ALEC). Over 100 companies have publicly left ALEC, including Ameren, ConocoPhillips and Occidental Petroleum.

Absent a system of accountability and disclosure, corporate assets may be used for objectives that pose risks to the company. For example, Devon has previously made undisclosed political payments to the Wisconsin Club for Growth ("How Corporate Political Spending Will Stay Secret in Wisconsin," PR Watch, January 9, 2016). We are concerned that Devon's current lack of lobbying disclosure presents reputational risk. Transparent reporting would reveal whether company assets are being used for objectives contrary to Devon's long-term interests.

## **Methane Emissions – Measure Leakage & Disclose — Dominion Resources Inc.**

**WHEREAS:** Research indicates methane leaks from gas operations could erase the climate benefits of reducing coal use. Methane emissions are a significant contributor to climate change, with an impact on global temperature roughly 84 times that of CO<sub>2</sub> over a 20 year period. Leaked methane represented 30 billion dollars of lost revenue (3 percent of gas produced) in 2012. Yet, an October 2016 study published in Nature indicates methane emissions from the oil and gas sector are 20 to 60 percent higher than previously thought.

While utilities are increasingly reliant on the safe, reliable, and efficient delivery of gas along the value chain, the 2015 failure of a gas injection well at Southern California Gas Company's Aliso Canyon Storage Field in Los Angeles revealed major vulnerabilities in the maintenance and safety of natural gas storage facilities. The incident exposed both a lack of oversight and contingency planning in the face of a well blowout.

The casing failure of well SS-25 precipitated the release of over 100,000 tons of methane into the atmosphere, resulting in the relocation of 8,000 families and jeopardizing California's mitigation objectives under the state's climate law AB-32. Relocation, clean up, and well containment costs have soared to over 700 million dollars to date, with criminal filings and civil lawsuits against SoCal Gas pending.

There are over 400 gas storage facilities around the country. According to the Energy Information Administration (EIA), over 80 percent of these facilities are also located in depleted oil wells, many drilled decades ago. Dominion has storage facilities that may face similar risks, as it is estimated to hold the 3rd highest volume of natural gas in the country.

A failure by companies to proactively inspect, monitor, and upgrade critical transportation and storage infrastructure with the aim of reducing methane emissions may invite more rigorous regulations. The EPA released new rules in May 2016 to reduce oil and gas sector methane emissions by 11 million metric tons by 2025.

Poor oversight of gas infrastructure, including storage facilities, has a direct economic impact on Dominion, as lost gas is not available for sale. We believe a strong program of measurement, mitigation, target setting and disclosure reduces regulatory and legal risk, maximizes gas for sale, and bolsters shareholder value.

**RESOLVED:** Shareholders request Dominion issue a report (by October 2017, at reasonable cost, omitting proprietary information) reviewing the Company's policies, actions and plans to measure, monitor, mitigate, disclose, and set quantitative reduction targets for methane emissions resulting from all operations, including storage and transportation, under the Company's financial or operational control.

**Supporting Statement:** We believe the report should include the leakage rate as a percentage of production, throughput, and/or stored gas; management of high risk infrastructure; best practices; worst performing assets; environmental impact; reduction targets and methods to track progress over time. Best practice strategy would utilize real-time measurement and monitoring.

## **Lobbying Expenditures Disclosure – Climate — Dominion Resources Inc.**

**WHEREAS,** we believe in full disclosure of our company's direct and indirect lobbying activities and expenditures to assess whether Dominion's lobbying is consistent with its expressed goals and in the best interests of shareholders.

**RESOLVED,** the shareholders of Dominion Resources, Inc. ("Dominion") request the preparation of a

report, updated annually, disclosing:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments by Dominion 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. Dominion's membership in and payments to any tax-exempt organization that writes and endorses model legislation.
4. Description of management's and the Board's decision making process and oversight 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 Dominion 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 and posted on Dominion's website.

**Supporting Statement:** We encourage transparency in Dominion's use of corporate funds to influence legislation and regulation. Dominion spent \$4.24 million in 2014 and 2015 on federal lobbying ( [opensecrets.org](http://opensecrets.org)). These figures do not include lobbying expenditures to influence legislation in states, where Dominion also lobbies but disclosure is uneven or absent. For example, Dominion has spent at least \$425,000 lobbying in Maryland since November 2013, and Dominion's lobbying in Virginia has also attracted media scrutiny ("Dominion Power Turning Customers' Bills into Politically Connected Donations," *Associated Press*, August 22, 2015)

Dominion lists memberships in the Business Roundtable and the Chamber of Commerce, which together spent over \$242 million on lobbying for 2014 and 2015. Dominion does not disclose its payments to trade associations, or the amounts used for lobbying where the trade association directly pays tax on the portion that is not deductible. This means Dominion can make additional payments that are used to lobby but not disclosed.

And Dominion does not disclose membership in tax-exempt organizations that write and endorse model legislation, such as its support for the American Legislative Exchange Council (ALEC). Dominion's ALEC membership has drawn press scrutiny ("Dominion Can't Support Clean Energy and ALEC," *Virginian-Pilot*, January 3, 2016). Over 100 companies have publicly left ALEC, including peers Ameren, American Electric Power, Entergy, PG&E and Xcel Energy.

We are concerned that Dominion's lack of lobbying disclosure, coupled with potential negative publicity from lobbying on customer utility rates, presents reputational risks for Dominion.

## Greenhouse Gas Reduction – Science-Based Targets — Emerson Electric Co.

**RESOLVED:** Shareholders request Emerson Electric adopt time-bound, quantitative, company-wide goals for reducing total greenhouse gas (GHG) emissions, taking into account the goals of the Paris Climate Agreement, and issue a report at reasonable cost and omitting proprietary information on its plans to achieve these goals.

**Supporting Statement:** In December 2015, representatives from 195 countries adopted the Paris Climate Agreement, which specifies a goal to limit the increase in global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit temperature increases to 1.5°C. In order to meet the 2-degree goal, climate scientists estimate it is necessary to reduce global emissions by 55 percent by 2050 (relative to 2010 levels), entailing a US reduction target of 80 percent.

Noting government action and policy shifts ensuing from these commitments, BlackRock, the world's largest asset manager, has stated that "climate change risk has arrived as an investment issue" and that "regulatory risks are becoming key drivers of investment returns."

Over half of S&P 500 companies have set GHG emissions reduction targets, including several of Emerson Electric's peers:

- Rockwell Collins: reduce greenhouse gas emissions intensity by 30 percent by 2022 compared to a 2008 baseline.
- Honeywell: reduce greenhouse gas emissions intensity by 10 percent from 2013 levels. This is Honeywell's third goal, having already met previous goals to reduce GHG emissions intensity by 15 percent from 2011 levels. Furthermore, the company reduced total GHG emissions by 30 percent and improved energy efficiency by 20 percent between 2004 and 2011.
- ABB: reduce energy intensity by 20 percent by 2020 from a 2013 baseline.

As a critical element of their GHG reduction goals, several peers also seek to improve energy efficiency. For example, Honeywell reports in its 2015 CDP response that it has projects related to energy efficiency underway that will result in annual savings exceeding \$8 million, all with payback periods of 3 years or less.

Research affirms that investments in energy efficiency are usually profitable and low-risk while offering an effective way to reduce GHG emissions and manage volatile energy costs.

In 2013, CDP found that four out of five companies earn a higher return on carbon reduction investments than on their overall corporate capital investments, and that energy efficiency improvements earned an average return on investment of 196%, with an average payback period between two and three years. Money saved from energy efficiency can be reinvested into the business, benefiting shareholders.

While Emerson Electric's products help its clients reduce energy usage and climate impacts, our company has not publicly set GHG emissions reductions targets for its own operations. By not setting and pursuing GHG reduction goals, Emerson may not achieve the benefits realized by its peers—a competitive disadvantage for the company and shareholders alike.

Last year, 37% of shares (excluding abstentions) voted in favor of this resolution, a substantial level of support that management should not ignore.

## **Lobbying Expenditures Disclosure – Climate — Emerson Electric Co.**

**WHEREAS**, Investors are increasingly concerned about corporate lobbying at all levels, including through trade associations. Emerson Electric (“Emerson” or “the Company”) does not disclose its memberships in, or payments to, trade associations, or the portions of such amounts that are used for lobbying. Further disclosure by the Company is necessary to determine whether Emerson’s lobbying activity is consistent with its expressed goals, is in the best interests of shareholders, and supports long-term value.

**RESOLVED**, Emerson shareholders request the preparation of an annual report, including the following:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments by Emerson 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. Description of the decision making process and oversight by management and the Board for making payments described in section 2 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 Emerson is a member.

Both “direct and indirect lobbying” and “grassroots lobbying communications” include efforts at the local, state, and federal levels. Neither “lobbying” nor “grassroots lobbying communications” include efforts to participate or intervene in any political campaign or to influence the general public, or any segment thereof, with respect to an election or referendum.

The report shall be presented to the Audit Committee, or other relevant oversight committees, and be posted on Emerson’s website.

**Supporting Statement:** In 2014 and 2015, Emerson spent a total of \$1.04 million on direct federal lobbying activities, according to disclosure reports. This figure may not include grassroots lobbying to directly influence legislation and does not include state-level expenditures, where Emerson also lobbies, but disclosure is uneven or absent.

Without transparency and accountability, Company assets could be used for objectives contrary to the long-term interests of Emerson and/or its shareholders.

For example, Emerson serves on the boards of the U.S. Chamber of Commerce (the Chamber) and the

National Association of Manufacturers (NAM) which have taken controversial policy positions that may be misaligned with the Company's business interests and stated Environmental Principles. In the past, the Chamber and NAM have questioned the science of climate change and sued the Environmental Protection Agency to block the implementation of the Clean Power Plan. However, Emerson does not disclose its payments to the Chamber or NAM, nor the portion of the Company's payments used for lobbying.

For the past three years, Emerson shareholders have voted on this proposal and each time around 40 percent of the shares voted have supported it. We urge the Board to respond by instituting comprehensive lobbying disclosure.

## **Political Contributions — Emerson Electric Co.**

**RESOLVED**, shareholders of Emerson Electric Company (the "Company") request the Company prepare and semiannually update a report, which shall be presented to the pertinent board of directors committee and posted on the Company's website, that discloses the Company's:

- a) Use of corporate funds for independent expenditures and electioneering communications, as defined by state and federal law, as well as contributions to or expenditures on behalf of organizations that make such expenditures, and
- b) Contributions to or expenditures on behalf of entities organized and operating under section 501(c)(4) of the Internal Revenue Code, as well as the portion of any dues or payments that are made to any tax-exempt organization (such as a trade association) that are used for an expenditure or contribution that, if made directly by the Company, would not be deductible under section 162(e) of the Internal Revenue Code.

The report shall be made available within 12 months of the annual meeting and identify all recipients and the amount paid to each recipient from Company funds.

**Supporting Statement:** As long-term Emerson Electric Company shareholders, we support transparency and accountability in corporate spending on political activities. Disclosure is in the best interest of the Company and its shareholders. The Supreme Court's 2010 Citizens United ruling recognized the importance of disclosure when it said: "[D]isclosure permits citizens and shareholders to react to the speech of corporate entities in a proper way. This transparency enables the electorate to make informed decisions and give proper weight to different speakers and messages."

The Company contributed at least \$1,343,000 in corporate funds since the 2010 election cycle. (CQ <http://moneyline.cq.com>; National Institute on Money in State Politics <http://www.followthemoney.org>)

We acknowledge that our Company discloses a policy on corporate political spending and its contributions to state-level candidates, parties and committees on its website. However, we believe this is deficient because the Company will not disclose the following expenditures made for political purposes:

- A list of trade associations to which it belongs and how much it gave to each;
- Payments to any other third-party organization, including those organized under section 501(c)(4) of



the Internal Revenue Code; and

- Any independent expenditure made directly by the Company.

Information on indirect political engagement through trade associations and 501(c)(4) groups cannot be obtained by shareholders unless the Company discloses it. This proposal asks the Company to disclose all of its political spending, direct and indirect. This would bring our Company in line with a growing number of companies, including Cummins, Schlumberger and United Technologies, which support comprehensive political disclosure and accountability and present this information on their websites.

The Company's board and shareholders need comprehensive disclosure to be able to evaluate the political use of corporate assets. We urge your support for this critical governance reform.

## **Methane Emissions – Measure Leakage & Disclose — Occidental Petroleum Corp**

**WHEREAS:** Research indicates methane leaks from gas operations could erase the climate benefits of reducing coal use. Methane emissions are a significant contributor to climate change, with an impact on global temperature roughly 84 times that of CO<sub>2</sub> over a 20 year period. Leaked methane represented 30 billion dollars of lost revenue (3 percent of gas produced) in 2012. Yet, an October 2016 study published in Nature indicates methane emissions from the oil and gas sector are 20 to 60 percent higher than previously thought.

Methane represents over 25 percent of 20-year CO<sub>2</sub> equivalent emissions according to the Environmental Protection Agency (EPA). And emissions are projected to increase more than 20 percent without action by 2030 (Rhodium).

Domestic flaring has propelled the U.S. into the top 10 gas flaring countries globally. Approximately 29 percent of gas produced in the Bakken is flared and flaring in North Dakota more than doubled between May 2011 and May 2013, with 1 billion dollars' worth of gas lost in 2012.

Studies from the National Oceanic and Atmospheric Administration (NOAA), Harvard University and others estimate highly varied methane leakage rates as a percentage of production. The attendant uncertainty surrounding methane leakage has, according to the New York Times, made it "the Achilles' heel of hydraulic fracturing."

The International Energy Agency (IEA) points to managing methane emissions as one of the five key measures for effectively addressing climate change, recommending actions that "could stop the growth in global energy-related emissions by the end of this decade at no net economic cost." Policies such as eliminating venting, minimizing flaring and setting targets on emissions "rely only on existing technologies" and "would not harm economic growth."

A failure by companies to proactively reduce methane emissions may invite more rigorous regulations. The EPA released new rules in May 2016 to reduce oil and gas sector methane emissions by 11 million metric tons by 2025. Some individual states have already adopted stricter regulations.

Methane leakage and flaring has a direct economic impact on Occidental Petroleum, as lost and flared gas is not available for sale. We believe a strong program of measurement, mitigation, target setting and

disclosure reduces regulatory and legal risk, maximizes gas for sale and bolsters shareholder value.

**RESOLVED:** Shareholders request Occidental Petroleum issue a report (by October 2017, at reasonable cost, omitting proprietary information) reviewing the Company's policies, actions, and plans to measure, disclose, mitigate, and set quantitative reduction targets for methane emissions and flaring resulting from all operations under the company's financial or operational control.

**Supporting Statement:** We recommend including the methane leakage rate as a percentage of production, the quantity of flared and vented hydrocarbons, how the Company is measuring and mitigating emissions, best practices, worst performing assets, quantitative targets, and methods to track progress over time. Best practice strategy would utilize real-time measurement and monitoring technologies.

## Lobbying Expenditures Disclosure — Oracle Corp

**WHEREAS,** we believe in full disclosure of our company's direct and indirect lobbying activities and expenditures to assess whether Oracle's lobbying is consistent with Oracle's expressed goals and in the best interests of stockholders.

**RESOLVED,** the stockholders of Oracle Corporation ("Oracle") request the preparation of a report, updated annually, disclosing:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments by Oracle 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. Oracle's membership in and payments to any tax-exempt organization that writes and endorses model legislation.
4. Description of management's decision making process and the Board's oversight 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 Oracle 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 and posted on the company's website.

**Supporting Statement:** As stockholders, we encourage transparency and accountability in the use of corporate funds to influence legislation and regulation, both directly and indirectly. Oracle spent \$15.28 million in 2014 and 2015 on direct federal lobbying activities (opensecrets.org). This figure does not include expenditures to influence legislation in states, where Oracle also lobbies but disclosure is uneven

or absent. For example, Oracle reportedly lobbied in 35 different states from 2010 through 2014 ("Amid Federal Gridlock, Lobbying Rises in the States," The Center for Public Integrity, Feb. 11, 2016). And Oracle's lobbying over litigation in Oregon has attracted media scrutiny ("Oregon vs. Oracle: Legal War Gets Personal as Company Goes on the Attack, The Oregonian, April 8, 2016).

Oracle is listed as a member of the Business Roundtable, which spent more than \$34 million on lobbying for 2014 and 2015. Oracle does not disclose its memberships in, or payments to, trade associations, or the portions of such amounts used for lobbying. Absent a system of accountability, company assets could be used for objectives contrary to Oracle's long-term interests.

We urge support for this proposal.

## **Greenhouse Gas Reduction – Renewable Energy — PepsiCo Inc.**

**WHEREAS:** To limit the average global temperature increase to well below 2 degrees Centigrade, a goal shared by nearly every nation, the Intergovernmental Panel on Climate Change (IPCC) estimates that the United States needs to reduce annual greenhouse gas (GHG) emissions approximately 80 percent. This will involve a significant shift to renewable energy.

Costs of generating electricity from sources like wind and solar have been declining rapidly and are influencing companies' response to climate change. The EPA currently lists 78 Fortune 500 companies as purchasing renewable energy (or certificates).

Our Company has taken some steps in this direction. The 2016 Proxy Statement summarized PepsiCo's renewable energy involvement and stated "PepsiCo has executed various landfill gas, solar power and biomass boiler renewable energy projects globally and also has several renewable electricity power purchase agreements in place."

According to the 2015 Sustainability Report, "shifting to renewables" will contribute to PepsiCo's goal of reducing absolute GHG emissions across the Company's value chain by at least 20 percent by 2030.

PepsiCo's new Sustainability Agenda sets out quantitative goals and metrics in more than a dozen areas, from packaging design to nutritional content.

Yet PepsiCo still lacks a quantitative target for renewable energy sourcing and/or production.

Investors are concerned that PepsiCo may be behind other large corporations which are developing quantitative renewable energy goals in response to climate change. The RE100, a coalition pushing companies to switch to 100 percent renewable energy, now includes Apple, General Motors, Johnson & Johnson, Nestle, Procter & Gamble, Unilever, and Walmart.

Unilever, one of PepsiCo's peers, has a 2030 goal to source 100 percent renewable energy overall and a 2020 interim goal of 100 percent renewable electricity purchased from the grid.

Moreover, given PepsiCo's large footprint — more than 3,800 facilities according to the 2015 Annual Report — failure to set a renewable energy target may impede the Company's overall GHG reduction strategy.

By setting quantitative goals on renewable energy, our Company can strengthen its current climate change strategy, respond ably to energy market changes, move closer to achieving GHG reductions, and help meet the global need for cleaner energy.

**RESOLVED:** Shareholders request that PepsiCo produce a report assessing the climate benefits and feasibility of adopting enterprise-wide, quantitative, time-bound targets for increasing PepsiCo's renewable energy sourcing and/or production. The report should be produced at reasonable cost, in a reasonable timeframe, and omitting proprietary and confidential information. This proposal does not prescribe matters of operational or financial management.

**Supporting Statement:** Shareholders request that the report consider PepsiCo's worldwide facilities and analyze options and scenarios for achieving renewable energy targets, for example by using on-site distributed energy, off-site generation, power purchases, and renewable energy credits, or other opportunities management would like to consider, at its discretion.

## Gender Pay Gap — TJX Companies

**WHEREAS:** The median income for women working full time in the U.S. is reported to be 79 percent of that of their male counterparts. According to the Economic Policy Institute, average hourly wages for black men are 78 percent of those of similarly situated white men. Wages for black women are 66 percent of those of comparable white men and 88 percent of those received by white women.

Fair compensation is important for retailers. Women hold just over one half of retail industry positions, but women are underrepresented in higher paying retail management positions and overrepresented in low paying front line jobs. According to Demos, "retail employers pay Black and Latino full-time retail salespersons just 75 percent of the wages of their white peers."

Stubborn pay gaps have attracted attention from national media and policymakers.

Regulatory risk exists as the Paycheck Fairness Act, pending in Congress, aims to improve company-level transparency and strengthen penalties for equal pay violations. California and Massachusetts have passed some of the strongest equal pay legislation to date.

Federal contractors are now required to report pay data by gender, race, and ethnicity, and the Equal Employment Opportunity Commission (EEOC) has proposed rules requiring wage gap reporting.

In 2014, Gap Inc released data showing wage parity between male and female workers. Adobe, Amazon, Apple, eBay, Expedia, Intel, and Microsoft have committed to report on gender pay gaps. Intel and Microsoft published pay gap data covering gender and race/ethnicity.

According to McKinsey, companies in the top quartiles for gender and racial/ethnic diversity were more likely to have financial returns above the industry median. In a Catalyst study, racial diversity and gender diversity were positively associated with more customers, increased sales revenue, and greater relative profits.

TJX reports people of color account for 55 percent of the Company's U.S. workforce but only 32 percent of its managers. TJX has taken steps to promote diversity; however, there is no reporting on gender, race, or ethnic pay gaps.

Investors seek clarity on how TJX manages risks and opportunities related to pay equity.

**RESOLVED:** Shareholders request that TJX prepare a report (at reasonable cost, in a reasonable timeframe, and omitting proprietary and confidential information) on the Company's policies and goals to identify and reduce inequities in compensation due to gender, race, or ethnicity within its workforce. Gender-, race-, or ethnicity-based inequities are defined as the difference, expressed as a percentage, between the earnings of each demographic group.

**Supporting Statement:** A report adequate for investors to assess strategy and performance would include: (1) an aggregated, anonymized chart of EEO-1 data identifying employees according to gender and race in the major EEOC-defined job categories, listing numbers or percentages in each category; (2) the percentage pay gap between groups (using a similar chart or square matrix); (3) discussion of policies addressing any gaps and quantitative reduction targets; and (4) the methodology used to identify pay inequities, omitting proprietary information.

## Separate CEO & Chair — Wells Fargo & Co

**RESOLVED:** The shareholders request the Board of Directors to adopt as policy, and amend the bylaws as necessary, to require the Chair of the Board of Directors, whenever possible, to be an independent member of the Board.

If the Board determines that a Chair who was independent when selected is no longer independent, the Board shall select a new Chair who satisfies the requirements of the policy within a reasonable amount of time. Compliance with this policy is waived if no independent director is available and willing to serve as Chair.

**Supporting Statement:** We believe:

- The role of the CEO and management is to run the company.
- The role of the Board of Directors is to provide independent oversight of management and the CEO.
- There is a potential conflict of interest for a CEO to be her/his own overseer as Chair while managing the business.

Independent Director Stephen Sanger was elected Chairman of the Wells Fargo Board of Directors in October 2016. Because we believe the combination of the roles of Board Chair and CEO in a single person weakens a corporation's governance structure, which can harm shareholder value, we are requesting that our company amend the bylaws to require that all future Board Chairs are independent directors.

As Intel's former chair Andrew Grove stated, "The separation of the two jobs goes to the heart of the

conception of a corporation. Is a company a sandbox for the CEO, or is the CEO an employee? If he's an employee, he needs a boss, and that boss is the Board. The Chairman runs the Board. How can the CEO be his own boss?"

In our view, shareholders are best served by an independent Board Chair who can provide a balance of power between the CEO and the Board, empowering strong Board leadership. The primary duty of a Board of Directors is to oversee the management of a company on behalf of shareholders. We believe a combined CEO / Chair creates a potential conflict of interest, resulting in excessive management influence on the Board and weaker oversight of management.

In light of the recent scandal, \$185 million settlement and dismissal of some 5,300 employees, it is imperative for the Board to have strong oversight over management.

Many institutional investors have long encouraged boards to appoint independent leaders who can serve as liaisons between directors and management teams, ensuring that shareholders' interests are represented. In recent years, ISS has tracked a steady increase in the number of shareholder proposals calling for an independent board chair.

According to ISS "2015 Board Practices", (April 2015), 53% of S&P 1,500 firms separate these two positions and the number of companies separating these roles is growing.

Chairing and overseeing the Board is a time intensive responsibility. A separate Chair also frees the CEO to manage the company and build effective business strategies.

## **2 — Full Shareholder Resolution Texts for Resolutions Not Falling Under the Pre-Approval Policy**

### **Tobacco Marketing in Lower Income Communities — Altria Group Inc.**

**WHEREAS**, according to the Centers for Disease Control and Prevention, people of low socioeconomic status have higher rates of cigarette smoking than the general population. The Campaign for Tobacco-Free Kids cites research in several cities finding that tobacco is advertised more aggressively in black communities. This advertising, while legal, appears on storefront displays. The 1998 Master Settlement Agreement between tobacco companies and state attorneys general banned many advertising practices; however, as of now, tobacco companies still are allowed signage in windows and storefronts.

In Philadelphia, a city analysis of licenses found that lower-income zip codes had two-thirds more tobacco retailers per capita than higher-income zip codes and three-quarters more within 1,000 feet of a school. This led Thomas Farley, Philadelphia's Health Commissioner, to declare of the tobacco companies involved: "They are not just selling them. They are marketing them, and marketing them to our children." He added: "I think that people should be quite unhappy and even outraged about the amount of

marketing of this killer product in low-income neighborhoods by companies who want nothing more than to make a profit off people getting sick.”

According to a report in the Philadelphia Inquirer (July 26, 2016), the tobacco industry spent 93 percent of its nearly \$9 billion in marketing expenditures in 2013 at point of sale sites, including ads and price discounts. \$54 million of it was in Philadelphia. “Philadelphia is among the highest of major cities [with its smoking rates]. Disparities by neighborhood—27 percent in low-income zip codes vs. 17 percent in more affluent areas—roughly mirror differences in tobacco retailer density and advertising.”

A reader of the online version of the Inquirer article cited above commented: “The only people who buy smokes in Philly are too poor to have a car or too stupid to drive a few miles and avoid the taxes, so of course they’re advertising more in these neighborhoods.”

Besides being heavily advertised and widely available, certain tobacco products have been found to be priced lower in African American communities, making them more appealing, particularly to price-sensitive consumers.

Asked to respond to such data our Company and its main competitor insisted they do not market to youth. However, they did not indicate that such displays outside such stores in minority neighborhoods were not marketing efforts. With rare exceptions, no such displays are evidenced in supermarkets outside minority neighborhoods.

To have a balanced approach to selling its tobacco products between poorer and richer neighborhoods...

**RESOLVED**, Altria voluntarily commit itself that, by August 15, 2017, it will not allow any images of its logo or products be placed anywhere outside any store, in store windows or anywhere else inside any store selling its tobacco products and will stop incentives to any retailer for such placements.

## **Environmental Impacts of Continued Use of Foam Packing — Amazon.com Inc.**

**WHEREAS:** Amazon.com says it is “constantly looking for ways to further reduce our environmental impact”, yet continues to use polystyrene-based foam packing materials in e-commerce while competitors such as Dell and Ikea are phasing them out.

The Sustainable Packaging Coalition defines sustainable packaging as “beneficial, safe and healthy for individuals and communities throughout its life cycle.” The International Agency for Research on Cancer has determined that styrene, used in the production of polystyrene, is a possible human carcinogen. Epidemiologic studies suggest an association between occupational styrene exposure and an increased risk of leukemia and lymphoma.

Polystyrene foam packaging is among the top items found in ocean beach cleanups. Foam packing materials are rarely recycled and break down into small indigestible pellets which animals mistake for food. Ingestion can result in death as demonstrated in birds, turtles, and whales. Foam has also been shown to transfer hazardous chemicals to wildlife. Plastics absorb toxics like PCBs, pesticides, and metals from water, transferring them to the marine food web and potentially to human diets, increasing risk of adverse effects to wildlife and humans.

Foam may pose a higher risk to marine animals than other plastics due to its hazardous constituent chemicals and research showing it can accumulate high concentrations of water borne toxins in a short time frame. Polystyrene has caused decreased reproduction in laboratory populations of oysters and fish.

Antigua and Barbuda, Bangladesh, Barbados, France, Guyana, Haiti, Rwanda, Taiwan and states in India and Malaysia have enacted bans on foam packaging. More than 100 U.S. cities or counties banned or restricted foam packaging. Amazon needs to explore options including phase out in advance of further regulatory developments.

Fresh waters are also threatened by plastics like polystyrene. A recent study of 29 rivers flowing into the Great Lakes found that every sample carried microplastics, often in concentrations far larger than detected in the lakes themselves. The problem can be exacerbated in developing countries with less sophisticated solid waste management systems.

The company says it is “always driving improvements in the sustainability of packaging across Amazon’s supply chain, starting with our own packaging” yet continues to use foam packing materials. E-commerce competitors Ikea and Dell have made public commitments to phase out use of foam in favor of safer materials like molded pulp.

**BE IT RESOLVED THAT:** Shareowners of Amazon.com request that the board of directors issue a report at reasonable cost, omitting confidential information, assessing the environmental impacts of continued use of foam packing materials, including quantifying the amount that could reach the environment, and assessing the potential for increased risk of adverse health effects to marine animals and humans.

**Supporting Statement:** Proponents believe the report should also include assessment of the reputational, financial, and operational risks associated with continued use of foam packing materials and a timeline to phase out use if possible. We believe the requested report is in the best interest of Amazon.com and its shareholders. Leadership in this area will protect our brand.

## **Majority Vote — Amazon.com Inc.**

**RESOLVED:** Amazon.com, Inc. (“Amazon”) shareholders ask the Board to take or initiate steps to amend Company governing documents to provide that all non-binding matters presented by shareholders shall be decided by a simple majority of the votes cast FOR and AGAINST an item. This policy would apply to all such matters unless shareholders have approved higher thresholds, or applicable laws or stock exchange regulations dictate otherwise.

**Supporting Statement:** This proposal seeks greater transparency, clarity, and understanding around how informed stockholders vote on shareholder proposals. In voting, the meaning of “Abstain” is defined by the Oxford English dictionary as: To formally decline to vote either FOR or AGAINST a proposal or motion.

A “simple majority” formula, therefore, includes votes cast FOR and AGAINST but not abstentions. It provides the most democratic, clear, and accurate picture of the intent of shareowners who are both informed and decided, while not including in the formula the votes of abstaining voters who, by



definition, have declined to express an opinion.

When abstaining voters choose to mark ABSTAIN (whether they are confused, disinterested, or lack time to become fully informed), it is apparent that their votes should be regarded as neither FOR nor AGAINST an item.

In contrast, Amazon unilaterally counts ABSTAIN votes as if AGAINST every shareholder sponsored proposal.

Is it reasonable for Amazon to assert it knows the will of undecided voters (and to artificially construe abstentions in favor of management)?

Companies often imply they have no choice but to use the Delaware “default standard” (which includes abstentions). However, this nominal ‘standard’ is not mandated – it is what Delaware assigns to companies that do not proactively choose “simple majority” voting.

Research has demonstrated that the so-called ‘default standard’ systematically disadvantages shareholders: [http://bit.ly/Voting-Research\\_Corporate-Secretary](http://bit.ly/Voting-Research_Corporate-Secretary).

How? It does this by:

- Depressing the appearance of support for shareholder concerns. The math is simple: When abstaining shareholders elect to not express an opinion but then are treated as if they voted AGAINST a proposal, the tally is lowered and management benefits (because they routinely oppose stockholder proposals).
- Subverting vote outcomes. Historically, these practices have allowed companies to describe numerous true majority votes on shareholder items as, instead, having ‘failed’.
- Distorting communication. Annual meeting votes offer the sole opportunity for most shareholders to communicate with Boards. Counting abstentions as de facto votes AGAINST shareholder proposals, management changes how outcomes are reported and how the public perceives support for shareholder concerns.

In contrast to how shareholder items are treated, we see that Amazon’s Director Election (where management benefits from the appearance of strong support), does not count abstentions. Thus, management items and shareholder items do not receive equal treatment; though the Company has complete discretion to cure such inconsistencies in its voting policies.

To avert discrepancies like these, the Council of Institutional Investors has declared: “...abstentions should be counted only for purposes of a quorum.”

**THEREFORE:** Support accuracy, fairness, and good governance at Amazon by voting FOR simple majority vote-counting on shareholder-sponsored proposals.

## **Business Plan for 2C Warming Scenario — Anadarko Petroleum Corp**

**WHEREAS:** Climate change, and actions to mitigate and adapt to it, will meaningfully affect the demand

for, and costs associated with, carbon-based fuels.

Global action on climate change is accelerating. In November 2016, the Paris Agreement entered into force. Its goal of keeping global temperature rise well below 2 degrees Celsius is already shaping national and global policy decisions.

According to the International Energy Agency (IEA), transportation accounts for more than one fifth of global carbon dioxide emissions, requiring rapid adoption of new technologies to keep temperatures within limits.

The IEA forecasts that electrification of transport will play a critical role in achieving required greenhouse gas reductions. In October 2016, Fitch Ratings described electric cars as a “resoundingly negative” threat to the oil industry and urged energy companies to plan for “radical change.” The CEOs of Statoil and Shell recently predicted that peak demand for oil may occur as early as the 2020s due to electric vehicle adoption. This is consistent with the IEA’s “450 Scenario” which projects global oil demand peaking in 2020.

In June 2016, Moody’s credit rating agency indicated it would begin to analyze carbon transition risk based on scenarios consistent with the Paris Agreement, noting the high carbon risk exposure of the energy sector. The Financial Stability Board’s Task Force on Climate Related Financial Disclosures has indicated that it favors such analysis.

The recent prolonged downturn in oil prices, where oil supplies outpaced demand, underscores the risks associated with investing in complex, high-cost projects such as deep water drilling. This was highlighted in a 2016 report “Unconventional Risks: the Growing Uncertainty of Oil Investments.” (As You Sow). Uncertainty around future demand growth in light of climate change has led competitors like ConocoPhillips to test capital planning decisions against multiple carbon-constrained scenarios to avoid the risk of stranded assets.

The increasing likelihood of public policy action, and the speed of technological advancements to address climate change, make it vital that Anadarko provide investors with more detailed analyses of the potential risks to its business under a range of climate scenarios. While Anadarko’s website notes that “regulatory changes could significantly increase our capital expenditures and operating costs or could result in delays to or limitations on our exploration and production activities,” it has not presented analysis allowing investors to assess the resilience of our company’s portfolios under various carbon-constrained scenarios.

**RESOLVED:** Shareholders request that by 2018 Anadarko publish an analysis, at reasonable cost and omitting proprietary information, of long term impacts to the Company’s oil and gas reserves and resources under a scenario in which oil and gas demand reduction results from carbon restrictions or related rules or commitments adopted by governments consistent with the Paris Agreement’s 2 degree C global warming target. The reporting should assess the resilience of the company’s portfolio of assets through 2040 and the financial risks associated with such a scenario.

## **Prohibit Virtual-Only AGM — Comcast Corp**

**WHEREAS:** Comcast has adopted procedures allowing it to discontinue its physical stockholders meeting and hold a virtual meeting on-line a decision we find alarming.

We strongly support the use of new technologies to make annual meetings accessible to stakeholders who cannot attend in person. This will make “attendance” simpler for investors globally and is a creative tool expanding outreach.

But we do not believe that Internet-only meetings should be substituted for traditional in-person annual meetings. Instead they should be complementary. We believe the tradition of in-person annual meetings plays an important role in holding management accountable to stockholders.

In contrast, online-only annual meetings could allow companies to control which questions and concerns are heard and manipulate the exchanges between shareowners and the company. Face-to-face annual meetings allow for an unfiltered dialogue between shareholders and management.

The Council of Institutional Investors, a coalition of America’s largest pension funds with portfolios exceeding \$3 trillion, has among its published corporate governance guidelines for public companies, “Cyber meetings should only be a supplement to traditional in-person shareholder meetings, not a substitute.”

Additionally, we believe in-person annual meetings are necessary for several reasons:

- Annual meetings are one of the few opportunities for top management and the Board to interact directly, face-to-face, with a cross-section of their shareholders.
- The digital divide persists in the United States and not all shareholders have access to computers.
- Annual meetings provide for direct questions to be posed to the Chair of the Audit, Compensation or Governance Committees of the Board.
- While some corporations argue eliminating face-to-face annual meeting can reduce costs and improve efficiency, we believe the investment in creating a physical space for shareholder meeting is money well spent.
- We believe Comcast’s decision is a controversial governance step for our company. This decision sets a precedent creating a “slippery slope” encouraging other companies to insulate themselves from shareholders. Imagine a company that wanted to downplay investor frustration over compensation policies or practices, or poor business decisions leading to substandard financial performance or questionable governance or environmental records. “Virtual” on-line meetings would be a perfect way to insulate them from shareholder interaction or to portray any opposition as insignificant. Imagine if Wells Fargo had a virtual meeting process and investors wanted to attend the AGM to discuss the recent fraud and steps to insure it didn’t happen again.
- In addition, if there was a major crisis with a company, a merger being proposed or a significant shareholder proposal, investors would want an in person stockholder meeting.

**RESOLVED:** Shareholders request the Comcast Board adopt a corporate governance policy affirming the continuation of in-person annual meetings in addition to internet access to the meeting, adjust its corporate practices accordingly, and publicize this policy to investors.

**Concluding Statement:** We ask our fellow shareowners to vote for this resolution supporting shareholder democracy and the longstanding tradition of in-person annual stockholder meetings.

## **Review Public Policy Advocacy on Climate — Devon Energy Corp**

**WHEREAS:** The Intergovernmental Panel on Climate Change (IPCC), the world's leading scientific authority on climate change, confirmed in 2013 that warming of the climate is unequivocal and human influence is the dominant cause. Extreme weather events have caused significant loss of life and billions of dollars of damage. Many investors are deeply concerned about existing and future effects of climate change on society, business and our economy.

The IPCC estimates that a 50% reduction in greenhouse gas emissions globally is needed by 2050 (from 1990 levels) to stabilize global temperatures, requiring a U.S. target reduction of 80%.

Urgent action is needed to achieve the required emissions reductions. We believe the U.S. Congress, Administration as well as states and cities, must enact and enforce strong legislation and regulations to mitigate and adapt to climate change, reduce our use of fossil fuels and move us to a renewable energy future.

Accordingly, we urge companies in the energy sector to review and update their public policy positions on climate.

Investor concern about climate lobbying is growing. The Principles for Responsible Investment (PRI) recently published "Investor Expectations on Corporate Climate Lobbying." Endorsed by investors with \$4 trillion in AUM, the statement calls on companies to insure that their public policy advocacy supports efforts to mitigate and adapt to climate change.

The public perception is that oil and gas companies often oppose laws and regulations addressing climate change or renewable energy.

Consequently, company political spending and lobbying on climate or energy policy, including through third parties, is increasingly scrutinized. For example, investors question companies' public policy advocacy through the U.S. Chamber of Commerce, which often obstructs progress on climate-related legislation and in 2015 sued the EPA attempting to block its climate change initiative, the Clean Power Plan.

In contrast, in October 2015 ten of the world's oil companies, including BP and Shell, called publicly for strong global climate goals and supported reducing their Greenhouse Gas emissions.

**RESOLVED:** Shareholders request that the Board commission a comprehensive review of Devon's 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. Shareholders also request that Devon prepare (at reasonable cost and omitting confidential information) a report describing the completed review.

**Supporting Statement:** We recommend that this review include:

- Whether Devon's current company positions on climate legislation and regulation are consistent with the reductions deemed necessary by the IPCC;

- The level of Board oversight of the company's public policy advocacy on climate;
- Direct and indirect expenditures (including dues and special payments) for issue ads designed to influence elections, ballot initiatives or legislation related to climate changes;
- How Devon follows and analyzes climate research pertinent to oil companies and whether management engages with scientists and climate experts; and
- Proposed actions to be taken as a result of the review.

## **Executive Pay Tied to Resilience to Low-Carbon Scenarios — Devon Energy Corp**

**BE IT RESOLVED:** Shareholders request that Devon Energy issue a report that assesses, in light of global concerns about climate-change and the resultant pressures to transition to a low carbon economy, the benefits and risks of continuing to use oil and gas reserve additions as a metric in named executives' compensation. The report should be produced at reasonable cost and omit proprietary information.

**WHEREAS:** As long-term shareholders, we believe that compensation metrics should incentivize the creation of sustainable value. We further understand that the standards for sustainable value are changing as the global imperative to limit climate change becomes more urgent and energy markets transition toward a low carbon economy. Our company's incentive compensation should reflect this global change.

The Paris Agreement to accelerate greenhouse gas reductions underscores the challenges faced by the oil and gas industry in this changing environment. Government policies to speed the transition to a low carbon economy -- including fuel efficiency standards, carbon pricing, and carbon emission standards -- compel new planning metrics. Similarly, low carbon market forces, including competition from cleaner technologies compel new responses.

Emphasizing these trends, in October 2016, Fitch Ratings urged energy companies to plan for "radical change."

Shareholders are concerned that tying executive compensation to growth of oil or gas reserves, without reference to the economic viability of those reserves at varying cost and price levels, may incentivize a continued focus on reserve growth at a time when management should be planning for a changing energy economy. This incentive may inappropriately encourage the addition of reserves which are likely to become stranded in a low carbon economy. Carbon Tracker estimates oil majors' combined upstream assets would be worth \$140 billion more if restricted to projects consistent with limiting climate change to 2 degrees. This compensation incentive may also discourage management from considering innovative new strategies such as diversification. Standard and Poor's notes that under a low price "stress scenario" associated with declining demand, the speed with which companies react and modify their strategies, including their investments, is an important potential rating consideration.

The recent volatility in oil and gas prices has only heightened the importance of management evaluating the costs and benefits of developing new oil and gas reserves, rather than simply amassing additional reserves in response to compensation incentives.

Accordingly, shareholders ask the company to assess the value of continuing to tie executive compensation to growth of oil and gas reserves; whether severing the link between reserves growth and

executive compensation would better reflect increasing uncertainty over climate regulation and a decarbonizing global energy market; and what metrics more closely align senior executives' and long-term shareholders' interests.

## **Business Plan for 2C Warming Scenario — Dominion Resources**

**WHEREAS:** In November 2016 the Paris Agreement entered into force and its goal of keeping global temperature rise well below 2 degrees Celsius will begin to shape national policy decisions. To meet this goal the International Energy Agency estimates that the global average carbon intensity of electricity production will need to drop by 90 percent. As long-term shareholders, we would like to understand how Dominion Resources is planning for the risks and opportunities presented by global efforts to keep global temperatures within acceptable boundaries.

In June 2016, the credit rating agency Moody's indicated that they would begin to analyze carbon transition risk based on scenarios consistent with the Paris Agreement, and noted the high carbon risk exposure of the power sector.

Rapid expansion of low carbon technologies including distributed solar, battery storage, grid modernization, energy efficiency and electric vehicles provide not only challenges for utility business models but also opportunities for growth. Many large corporations are actively seeking to increase their use of renewable energy, providing a significant market opportunity for forward-thinking utilities. The International Energy Agency and the International Council on Clean Transportation forecast that electrification of transport will play a critical role in achieving the necessary greenhouse gas reductions by 2050.

Dominion Resources is the 16th largest CO<sub>2</sub> emitter in the U.S. Dominion does not have a GHG reduction goal, and does not provide information on its long-term strategy or plan to decarbonize in ways that are consistent with the Paris Climate Agreement. In its recent Integrated Resource Plan in Virginia, the company proposes complying with the EPA's Clean Power Plan by reducing its CO<sub>2</sub> emission rate while increasing absolute CO<sub>2</sub> emissions, which is inconsistent with the Paris Climate Agreement. As investors, we are concerned that Dominion is not properly accounting for the risk of its current high investment in carbon-intensive generation.

A 2 degree scenario analysis of our company's current generation and future plans will generate a more complete picture of current and future risks and opportunities than business as usual planning. By assessing the impact of a 2 degree scenario on the company's full portfolio of power generation assets and planned capital expenditures through 2040, including the financial risks associated with such scenarios, the company can better plan for future regulatory, technological and market changes.

**RESOLVED:** Shareholders request that Dominion Resources, with board oversight, publish an assessment (at reasonable cost and omitting proprietary information) of the long term impacts on the company's portfolio, of public policies and technological advances that are consistent with limiting global warming to no more than two degrees Celsius over pre-industrial levels.

**Supporting Statement:** This report could include:

- How Dominion could adjust its capital expenditure plans to align with a two degree scenario; and

- Plans to integrate technological, regulatory and business model innovations such as electric vehicle infrastructure, distributed energy sources (storage and generation), demand response, smart grid technologies, and customer energy efficiency as well as corresponding revenue models and rate designs.

## **Climate Change Impacts of Increased Biomass Use — Dominion Resources**

**WHEREAS:** In 2015, the Paris Accord established global agreement on the need to limit global warming to 2 degrees Celsius. Limiting global warming requires the electric power sector to rapidly move away from fossil fuels. To do so, utilities and states are seeking alternatives to fossil fuels, including the incineration of organic matter – biomass — to generate energy.

Dominion currently owns approximately 236 MW of biomass generating facilities and plans to invest significantly more in biomass facilities, projecting to onboard over 2,000 MW of biomass capacity by 2020. This would represent approximately a third of its planned renewables. Dominion has stated that waste wood, a fuel utilized at its biomass plants is “renewable” and that “[a]lthough biomass burned as a fuel emits carbon dioxide, an equal amount of carbon is released into the atmosphere that would have been returned to it when the trees decayed as part of their natural life cycle”.

Claims that biomass is “carbon neutral” are controversial, and rely on other trees absorbing the carbon that results from burning biomass over decades or centuries, an outcome which is not guaranteed and relies on forest management outside the scope of most utilities’ operations. Indeed, scientists have found that “[f]orest biomass generally emits more greenhouse gases than fossil fuels per unit of energy produced.” (Manomet Center, 2010). Research has also found that burning wood for electricity may release up to 30% more CO<sub>2</sub> per unit of energy than coal, since biomass materials are less energy dense and therefore also less efficient than coal. (Manomet Center, 2010).

In addition to being potentially worse for the climate than fossil fuels, biomass creates incentives for deforestation, which further intensifies climate change. As biomass use escalates, “...the scale of demand for commercial and industrial applications cannot feasibly be met by the relatively small amounts of wastes”, creating a need to procure increasing amounts of woody biomass. (Wood Bioenergy: Green Land Grabs For Dirty ‘Renewable’ Energy, Global Forest Coalition, 2015). Scaling biomass may lead to an increase in demand for virgin wood resources, which has resulted wood commodity price spikes, and raises deforestation concerns.

**RESOLVED:** Shareholders request that Dominion prepare a report on the climate change impacts of its increased use of biomass, at reasonable cost and excluding proprietary information, evaluating the net greenhouse gas impact from each of the company’s current and planned biomass facilities, on a timeframe relevant to the near term need to reduce CO<sub>2</sub> emissions, and assessing risks to the company’s finances and operations posed by emerging public policies on climate change as they relate to biomass.

## **Sustainability Reporting — Emerson Electric Company**

**RESOLVED:** Shareholders request Emerson Electric (Emerson) issue a sustainability report describing the company’s policies, performance, and improvement targets related to key environmental, social and

governance (ESG) risks and opportunities. The report should be available on the company website by December 31, 2017, prepared at reasonable cost and omitting proprietary information.

**Supporting Statement:** We believe tracking and reporting ESG practices strengthens a company's ability to compete in today's global business environment, which is characterized by finite natural resources, changing legislation, and heightened public expectations for corporate accountability. Reporting also helps companies capture value from existing sustainability efforts, identify gaps and opportunities, develop company-wide communications, and recruit and retain employees.

Emerson's corporate repositioning offers an opportunity to establish ESG performance goals and develop a framework for reporting to shareholders, in alignment with Chairman Farr's statement that Emerson is "undertaking several initiatives that will strengthen our core business and drive both near- and long-term value for our customers and shareholders." (<http://www.emerson.com/SiteCollectionDocuments/AnnualReport2015/letter.html>)

A 2014 study by Harvard Business School on corporate investment in ESG practices reports consistent outperformance among sustainability leaders and suggests a supporting factor is the "propensity to engage with stakeholders and disclose non-financial information to the market." The study concluded "a company can be rewarded for adopting [ESG] practices: higher profits and stock return, a lower cost of capital, and better corporate reputation scores are the key benefits enjoyed..." (<https://corpgov.law.harvard.edu/2015/08/05/corporate-investment-in-esg-practices/>)

Currently, Emerson's corporate citizenship website includes short descriptions of programs and guiding principles related to ESG issues. However, these disclosures are mainly anecdotal and focus on the environmental benefits of the company's products rather than providing information about Emerson's operational ESG performance.

Sustainability reports commonly include data on indicators such as occupational safety and health, vendor and labor standards, waste, water usage, energy efficiency, workforce diversity, product-related environmental impacts, and goals by which to judge the company's performance and management of these issues. As shareholders, we believe management of the above indicators can reduce regulatory, legal, reputational and financial risk to the company and its shareholders. In last year's proxy statement, Emerson indicated partial management of these important issues; however, Emerson does not disclose quantitative, company-wide data, leaving investors unable to assess the company's competitive positioning.

In contrast, Schneider Electric, a peer in the electrical components and equipment industry, uses a materiality matrix to prioritize ESG issues and publishes quarterly updates on progress toward sixteen ESG goals. General Electric tracks multiple ESG goals (several of which are quantitative and time bound) and publishes multiyear progress reports.

Emerson is missing an opportunity to communicate with its shareholders about the company's strategy to manage these potentially material factors. Emerson may also be failing to recognize and act on ESG-related opportunities.

Last year 47% of shares (excluding abstentions) voted in favor of this resolution. Such strong support presents a clear opportunity for the company to demonstrate it is listening and responding to its shareholders.



## Proxy Voting Policies - Climate Change — JPMorgan Chase & Co

JPMorgan Chase (JPM) is a global leader in the financial services industry with commendable policies and practices addressing environmental, social, and corporate governance (ESG) topics.

JPM's Environmental and Social Policy Framework states, "JPMorgan Chase recognizes that climate change poses global challenges and risks... We believe the financial services sector has an important role to play as governments implement policies to combat climate change, and that the trends toward more sustainable, low-carbon economies represent growing business opportunities."

As a lender, JPM reduced credit exposure to companies deriving a majority of revenues from extraction and sale of coal and limited project financing of new coal-fired power plants.

In one of many statements by global leaders highlighting climate risk, Mark Carney, Governor of the Bank of England stated "the combination of the weight of scientific evidence and the dynamics of the financial system suggest that, in the fullness of time, climate change will threaten financial resilience and longer-term prosperity."

JPM subsidiaries invest money on behalf of clients and, as fiduciaries, are responsible for recommending votes and voting proxies of public equities. Proxy voting is a primary mechanism for investors to express to management their opinions on many policies and practices.

J.P. Morgan Asset Management is a member of the Principles for Responsible Investment, a global network of investors and asset owners representing approximately \$62 trillion in assets. One of the Principles encourages investors to vote conscientiously on ESG issues.

JPMorgan Asset Management focuses appropriately on clients' economic interests in voting proxies and frequently votes for important governance reforms proposed by shareholders believing these issues affect shareholder value.

Yet JPM's recent public proxy voting record reveals votes against virtually all shareholder resolutions on climate change (except the few supported by management), such as requests for enhanced disclosure or adoption of greenhouse gas reduction goals, even when independent experts find a strong business case for support.

In contrast, funds managed by investment firms such as AllianceBernstein, Morgan Stanley, Neuberger Berman, and Wells Fargo supported the majority of these resolutions. Goldman Sachs, MFS Investment Management, and State Street Global Advisors also voted for many climate change resolutions.

JPM's voting practices appear inconsistent with its policies and statements addressing climate change and pose reputational risk for the company. Moreover, proxy voting practices that ignore climate change fail to recognize significant company-specific and economy-wide risks associated with negative impacts of climate change. For example, corporations that effectively address climate issues impacting their businesses are protecting long-term shareholder value.

Thus we believe it is JPMorgan Asset Management's fiduciary duty to review how climate change impacts our economy and portfolio companies and evaluate how shareholder resolutions on climate may impact long-term shareholder value as they vote proxies.

**RESOLVED:** Shareowners request that the Board of Directors initiate a review and issue a report on our proxy voting policies and practices related to climate change prepared at reasonable cost and omitting proprietary information.

## Majority Vote — JPMorgan Chase & Co

**RESOLVED:** JPMorgan Chase & Co. ("JPMorgan") shareholders ask the Board to take or initiate steps to amend Company governing documents to provide that all non-binding matters presented by shareholders shall be decided by a simple majority of the votes cast FOR and AGAINST an item. This policy would apply to all such matters unless shareholders have approved higher thresholds, or applicable laws or stock exchange regulations dictate otherwise.

**Supporting Statement:** This proposal seeks greater transparency, clarity, and understanding around how informed stockholders vote on shareholder proposals. In voting, the meaning of "Abstain" is defined by the Oxford English dictionary as: To formally decline to vote either FOR or AGAINST a proposal...

A "simple majority" formula, therefore, includes votes cast FOR and AGAINST (but not abstentions). It provides the most democratic, clear, and accurate picture of the intent of shareowners who are both informed and decided, while not including the votes of abstaining voters who, by definition, have declined to express an opinion.

When voters choose to mark ABSTAIN (whether they are confused, disinterested, or lack time to become fully informed), it is apparent that their votes should be regarded as neither FOR nor AGAINST a proposal.

However, JPMorgan unilaterally counts ABSTAIN votes as if AGAINST every shareholder proposal. 'Notice' of this policy decision is buried on page 100 of 2016's 103-page proxy.

Is it reasonable for JPMorgan to assert it knows the will of undecided voters (and to artificially construe abstentions in favor of management)?

JPMorgan writes as if its use of the Delaware "default standard" (which includes abstentions) is obligatory. However, Delaware does not mandate this nominal 'standard' – it is assigned as a last resort when companies do not proactively choose "simple majority" voting.

Research has demonstrated that the nominal 'default standard' systematically disadvantages shareholders: [http://bit.ly/Voting-Research\\_Corporate-Secretary](http://bit.ly/Voting-Research_Corporate-Secretary).

How? It does this by:

- Depressing the appearance of support for stockholder concerns. The math is simple: When abstaining shareholders decline to express an opinion, but instead are treated as if they voted AGAINST a proposal, the tally is lowered and JPMorgan benefits (because it routinely opposes stockholder proposals).

- Subverting vote outcomes. Historically, these practices have allowed companies to describe numerous true majority votes on shareholder proposals as, instead, having 'failed'.
- Distorting communication. Annual meeting votes offer the sole opportunity for most shareholders to communicate with Boards. Counting abstentions as de facto votes AGAINST shareholder proposals, management changes how outcomes are reported and how the public perceives support for stockholder concerns.

In contrast to how shareholder proposals are treated, JPMorgan's Director Election (where management prefers the appearance of strong support) does not count abstentions. Thus, management and shareholder proposals are not treated "equally" or "identically"; though JPMorgan has complete discretion over such voting inconsistencies.

To avert voting discrepancies like these, the Council of Institutional Investors has declared: "...abstentions should be counted only for purposes of a quorum."

**THEREFORE:** Support fairness, accuracy, and good governance at JPMorgan by voting FOR simple majority vote-counting on shareholder proposals.

## **Environmental Impacts of Non-Recyclable Packaging — Mondelez International**

**WHEREAS:** Mondelēz International's environmental policy states the company "is committed to reducing the environmental impact of our activities, preventing pollution and promoting the sustainability of the natural resources upon which we depend..." yet a significant amount of brand product packaging is not recyclable and new studies suggest plastic packaging that degrades in waterways is toxic to marine animals and potentially to humans. The environmental cost to society of consumer plastic products and packaging exceeds \$139 billion annually, according to the American Chemistry Council. Mondelēz's specific use of plastic materials incurs an estimated \$115 million in annual environmental costs.

Our iconic brands like Oreo and Chips Ahoy are increasingly packaged in flexible film or other plastic packaging, such as pouches, that are not recyclable. Using non-recyclable packaging when recyclable alternatives are available wastes valuable resources. Only 14% of plastic packaging is recycled. Billions of discarded plastic wrappers and pouches representing significant amounts of embedded energy are incinerated or lie buried in landfills. Many of these brands could be sold in recyclable fiber or plastic packaging.

Non-recyclable packaging is more likely to be littered and carried into waterways. In the marine environment, plastics break down into small indigestible particles that birds and marine mammals mistake for food, resulting in illness and death. A recent assessment of marine debris by a panel of the Global Environment Facility concluded that an underlying cause of debris entering oceans is "design and marketing of products internationally without appropriate regard to their environmental fate or ability to be recycled in the locations where sold..."

If no actions are taken, oceans are expected to contain more plastic than fish by 2050! California spends nearly \$500 million annually preventing trash, including packaging, from polluting beaches, rivers, and oceanfront. Scientific studies suggest a synergistic effect between persistent toxic chemicals and plastic

debris. Plastics absorb toxics such as dioxins from water and transfer them to the marine food web and potentially to human diets, increasing the risk of adverse effects to wildlife and humans.

Making all packaging recyclable to the extent possible is the first step to reduce the threat posed by plastic debris in waterways. Colgate-Palmolive, PepsiCo, Procter & Gamble, and Walmart have set public packaging recyclability goals. Companies who aspire to corporate sustainability yet use these risky materials should explain why they use so much non-recyclable packaging. Companies should also work with recyclers and municipalities to assure that more recyclable packaging actually gets collected and recycled.

**RESOLVED:** Shareowners of Mondelēz International request the Board to issue a report at reasonable cost, omitting confidential information, assessing the environmental impacts of continuing to use non-recyclable brand packaging.

**Supporting Statement:** Proponents believe the report should include an assessment of the reputational, financial, and operational risks associated with continuing to use non-recyclable brand packaging, discuss investments in packaging recycling technologies, and to the extent possible, goals and a timeline to phase out non-recyclable packaging.

## **Business Plan for 2C Warming Scenario — Noble Energy Inc.**

**WHEREAS:** Climate change, and actions to mitigate and adapt to it, will meaningfully affect the demand for, and costs associated with, carbon-based fuels.

Global action on climate change is accelerating. In November 2016 the Paris Agreement entered into force and its goal of keeping global temperature rise well below 2 degrees Celsius is already shaping national policy decisions.

Action to address climate change is likely to have a negative impact on demand for oil. According to the International Energy Agency (IEA), transportation accounts for more than one fifth of global carbon dioxide emissions, requiring rapid adoption of new technologies to keep temperatures within limits.

The IEA forecasts that electrification of transport will play a critical role in achieving required greenhouse gas reductions. In October 2016, Fitch Ratings described electric cars as a “resoundingly negative” threat to the oil industry and urged energy companies to plan for “radical change.”

In June 2016, the credit rating agency Moody’s indicated that it would begin to analyze carbon transition risk based on scenarios consistent with the Paris Agreement, and noted the high carbon risk exposure of the energy sector.

The prolonged downturn in oil prices has underscored the risks associated with investing in complex, high cost projects like the deepwater projects Noble is counting on for growth. The uncertainty around future demand growth in light of climate change has led competitors like ConocoPhillips to test capital planning decisions against multiple carbon-constrained scenarios to avoid the risk of stranded assets.

The increasing likelihood of public policy action and viability of technological advancements aimed at

addressing climate change make it vital that Noble provide investors with more detailed analyses of the potential risks to its business under a range of scenarios. While Noble's website notes that climate policy "could have a significant impact on our future operations and reduce demand for our products" it has not presented sufficiently detailed information to allow investors to assess the resilience of our company's portfolios under various carbon-constrained scenarios.

**RESOLVED:** Shareholders request that by 2018 Noble Energy publish an assessment of long term portfolio impacts of public climate change policies, at reasonable cost and omitting proprietary information. The assessment can be incorporated into existing reporting and should analyze the impacts on Noble Energy's oil and gas reserves and resources under a scenario in which reduction in demand results from carbon restrictions and related rules or commitments adopted by governments consistent with the globally agreed upon 2 degree target. The reporting should assess the resilience of the company's full portfolio of reserves and resources through 2040 and beyond and address the financial risks associated with such a scenario.

## **Business Plan for 2C Warming Scenario — Occidental Petroleum Corporation**

**RESOLVED:** Shareholders request that Occidental Petroleum Corporation (Occidental), with board oversight, produce an assessment of long-term portfolio impacts of plausible scenarios that address climate change, at reasonable cost and omitting proprietary information. The assessment, produced annually with the initial report issued prior to the 2018 Annual Meeting of Stockholders, should explain how capital planning and business strategies incorporate analyses of the short- and long-term financial risks of a lower carbon economy. Specifically, the report should outline the impacts of multiple, fluctuating demand and price scenarios on the company's existing reserves and resource portfolio - including the International Energy Agency's "450 Scenario," which sets out an energy pathway consistent with the internationally recognized goal of limiting the global increase in temperature to 2 degrees Celsius.

**Supporting Statement:** Long-term Occidental investors expect the company to generate continued shareholder value as energy policies evolve. Climate change, and actions to mitigate and adapt to it, will meaningfully affect the demand for, and costs associated with, locating and extracting carbon-based fuels.

The likelihood of widespread implementation of public policies related to climate change significantly increased in 2016, concurrent with the Paris Agreement reached at the 21st session of the United Nations Framework Convention on Climate Change Conference of the Parties (COP21). Under the Paris Agreement, countries agreed to take action to keep the increase in global temperature to "well below" 2 degrees Celsius, and to pursue efforts to limit it to 1.5 degrees Celsius. Accordingly, governments and companies are pursuing mitigation strategies including increasing energy efficiency and sourcing renewable energy, which will likely affect the demand for carbon-based fuels. Notably, the two largest global emitters—the United States and China—agreed in 2014 to policy and regulatory actions to reduce greenhouse gas emissions, and expanded those commitments in 2016.

Occidental recognizes in its Securities and Exchange Commission filings that actions that place a price on carbon can have a significant impact on its business. Due to the increased likelihood of public policy action and viable technological advancements to address climate change, investors require analyses

regarding the potential impact on Occidental's resources. Shareholders are therefore requesting information to help assess Occidental's long-term resilience and how it expects to perform under a range of carbon scenarios. Approximately forty-nine percent of shares voted supported this resolution in 2016\*.

Occidental's competitors are providing additional disclosure:

- Ten oil and gas companies announced a shared ambition to limit the global average temperature rise to 2 degrees Celsius (Oil and Gas Climate Initiative);
- Shell, BP, and Statoil endorsed the "Strategic Resilience for 2035 and Beyond" shareholder resolutions, which received almost unanimous support in 2015; Suncor endorsed a similar resolution with overwhelming support in 2016;
- ConocoPhillips and Total test capital planning decisions against multiple carbon-constrained scenarios and disclose the results.

Publication of the requested report will demonstrate to shareholders that Occidental is strategically planning to remain competitive in a carbon-constrained future and generate continued value for shareholders.

\*excluding abstentions

## **Review Public Policy Advocacy on Climate — Occidental Petroleum Corporation**

Occidental Petroleum has gone through a major transition, having spun off its California oil and gas business. In an October 2014 press release, the company emphasizes Occidental Petroleum is "committed to safeguarding the environment, protecting the safety and health of employees and neighboring communities and upholding high standards of social responsibility in all of the company's worldwide operations."

We believe public policy advocacy by Occidental should be carefully scrutinized to assess the impact on the environment as well as our company's reputation and to insure that our company's lobbying and political spending is consistent with our environmental and social standards. Occidental spent over \$24 million on lobbying from 2013-2015 which does not include lobbying expenditures in states not requiring disclosure.

Occidental Petroleum decided to withdraw from the American Legislative Exchange Council (ALEC) which aggressively campaigns against renewable energy regulation at the state level. We commend the company for this decision. Renewable energy is a very important tool to combat climate change.

However, Occidental is a prominent member of the U.S. Chamber of Commerce which spent \$1.2 Billion on lobbying since 1998, has sued the EPA for its climate leadership and is actively campaigning against the new EPA Clean Power Plan. We urge management to use its voice in the Chamber to call for more climate sensitive policies.

Investor concern about climate lobbying is growing. The Principles for Responsible Investment (PRI) published a set of Investor Expectations on climate lobbying endorsed by investors with \$4 Trillion in

assets calling on companies to insure their public policy advocacy supports efforts to mitigate and adapt to climate change.

The public perception is that oil and gas companies, including Occidental, often oppose laws and regulations addressing climate change or renewable energy. Thus we are urging this review. This resolution received 28% vote in 2016.

**RESOLVED:** Shareholders request that the Board of Directors initiate a comprehensive review of Occidental's public policy advocacy on climate including an assessment of the organizations in which Occidental Petroleum is a member, or otherwise supports financially, regarding their lobbying on legislation at federal, state, or local levels. A summary report of this review, prepared at reasonable cost and omitting proprietary information, should be reviewed by the Board Governance Committee and made available to shareholders.

**Supporting Statement:** We propose the review:

1. Examine the philosophy, objectives and actions taken by trade associations or organizations Occidental supports and review their public positions and lobbying related to the environment and climate change.
2. Assess the consistency between our company's stated policies, principles, and Code of Conduct with those organizations;
3. Determine if the relationship carries reputational or business risk with a potential negative impact on the company and its shareholders;
4. Evaluate management's rationale for its involvement in and financial support of the trade association or organization;
5. Review the Board's oversight procedures;
6. Assess how management analyzes climate research highlighting risks and opportunities pertinent to oil companies.

## **Reduce Pesticide Use — Pepsico Inc.**

Synthetic pesticide use is expected to grow 7% annually and reach \$61.5 billion in market value by 2017.

Correlations between pesticide exposure and increased cancer risk can be found in a number of studies. According to the U.S. President's Cancer Panel, approximately forty chemicals found in EPA-registered pesticides are classified as "known, probable or possible" cancer-causing agents. In July, 2016, scientists and health providers released a scientific Consensus Statement as a national call to action to significantly reduce exposures to chemicals and pesticides.

Practices such as applying glyphosate to crops before harvesting—a protocol that makes harvesting easier but may result in increased pesticide residues on crops—are raising concerns. In 2016, the Food and Drug Administration announced it planned to begin testing for glyphosate residues on foods.

Neonicotinoids have been implicated as a contributor to the decline of pollinator populations. With crops reliant on pollinators valued between \$235-\$577 billion, chronic declines in populations pose a threat to our economy and global food system.

Consumer interest in knowing how food is grown and its impacts on health and the environment is growing. According to a Consumers Reports survey, eighty-six percent of people believe it is critical to reduce pesticide exposure.

Given these concerns, regulatory actions are increasing:

- In 2013, the EU banned three neonicotinoids;
- In 2016, Minnesota enacted restrictions on neonicotinoids, and is seeking legislative authority to regulate seeds treated with pesticides before they're planted;
- In 2015, EPA proposed a ban on the insecticide chlorpyrifos for agricultural use;
- In 2016, California regulators proposed rules banning farmers from spraying pesticides within a quarter mile of any school or day care facility.

Further several companies are tracking and reducing pesticide use:

- Unilever discloses amounts of pesticides avoided by farmers using Integrated Pest Management (IPM) practices;
- Whole Foods' has committed to reduce pesticide use and its "Responsibly Grown Pesticide Policy targets pesticides which pose the greatest risk to consumers [and] pollinators";
- Sysco's IPM Program reduced pesticide use by nearly 900,000 pounds over three years. Sysco also tracks pesticides avoided that affect pollinators.

PepsiCo's disclosures, in contrast, do not provide sufficient information to determine how it is effectively managing pesticide risks. PepsiCo's Sustainable Farming Initiative guides growers to "optimize" the use of pesticides. However it does not disclose metrics, detailed goals or progress. Further, its 2025 Performance with Purpose 2025 Agenda, which provides specific details on a range of sustainability-related issues, is notably silent on pesticides.

**RESOLVED:** Shareholders request that the Board publicly report on company strategies or policies currently deployed, or under consideration, to protect public health and pollinators through reduced pesticide usage in the supply chain.

**Supporting Statement:** While the company has the discretion to determine the precise content of the policy, proponents believe the report should include:

- Practices and measures, including technical assistance and incentives, provided to growers to avoid or minimize the use of pesticides;
- Quantitative metrics tracking amount of pesticides avoided.

## **Human Rights Policy Stressing Right to Health (Tobacco) — Philip Morris International**

**WHEREAS:** In 2011 the United Nations released: "Guiding Principles on Business and Human Rights." Among peoples' basic rights are the right to life and liberty, education and welfare, including the right to health. In an effort to abide by these Principles, PMI became a member of the UN's Global Compact on Human Rights on June 19, 2015.

Later, The New York Times featured extended articles outlining how PMI, through its involvement in the



United States Chamber of Commerce, has undermined nations' efforts to protect their citizens from smoking-related harm and deaths ("U.S. Chamber of Commerce Works Globally to Fight Antismoking Measures," June 30, 2015; "U.S. Chamber Fights Smoking Laws While Hospitals and Insurers Sit on Its Board," July 1, 2015; "Big Tobacco's Staunch Friend in Washington: U.S. Chamber of Commerce," October 9, 2015).

The Times noted this effort involves "a three-pronged strategy in the Chamber's global campaign to advance the interests of the tobacco industry" in face of countries' efforts to curb the use of tobacco: 1) "the Chamber lobbies alongside its foreign affiliates to beat back antismoking laws;" 2) "in trade forums, the Chamber pits countries against each other and 3) in the widely-reported efforts of the Chamber to "defend the ability of the tobacco industry to sue under future international treaties, notably the Trans-Pacific Partnership" (TPP).

A February 25, 2015 Washington Post piece reported that a section of the then-proposed TPP's "Investor-State Dispute Settlement" (ISDS) was used by Philip Morris "to stop Uruguay from implementing new tobacco regulations intended to cut smoking rates." However, when this issue was taken to the World Bank's International Center for Settlement of Investment Dispute, it decided in favor of Uruguay's right to regulate tobacco packaging for the public health and has ordered PMI to pay \$7 million to cover fees and expenses (<https://business-humanrights.org/en/intl-tribunal-rules-uruguay-has-right-to-protect-public-health-through-tobacco-regulation-in-case-brought-by-philip-morris>).

Commenting on "Big Tobacco's controversial, ailing crusade" such as the above, The Economist noted (August 6, 2016) that such "avenues may be closing" due to recent rulings by the World Bank and the European Court of Justice that make it "likely that more governments will in future prioritize public health over IP."

PMI has a right to protect and ensure its intellectual property rights (IP). However, the proponents of this resolution believe any related rights are secondary to human rights, especially peoples' right to health and governments' rights to ensure their citizens' health, especially when the degree and expanse of this global corporate/industry effort to undermine such governments' efforts is not publicly known.

**RESOLVED:** that PMI's independent directors create a Review Committee to review, adapt, and monitor the Company's human rights policy to ensure that its global and national lobbying and marketing practices, as well as those of industry bodies to which it belongs, are not undermining efforts of sovereign countries to protect their citizen's health. This Review Committee shall report its findings annually in conjunction with PMI's annual meeting.

## **Environmental Impacts of Continued Use of Foam Packing — Target Corporation**

**WHEREAS:** Target Corp. has stated "sustainability drives decisions we make across our business," yet continues to use problematic polystyrene-based foam packing materials in e-commerce while competitors such as Dell and Ikea are phasing them out.

The Sustainable Packaging Coalition, of which Target is a member, defines sustainable packaging as "beneficial, safe and healthy for individuals and communities throughout its life cycle." The International

Agency for Research on Cancer has determined that styrene, used in the production of polystyrene, is a possible human carcinogen. Epidemiologic studies suggest an association between occupational styrene exposure and an increased risk of leukemia and lymphoma.

Polystyrene foam used for beverage cups, takeout containers and packing materials, is rarely recycled. Most used foam ends up in a landfill where it can remain for hundreds of years. It is also often swept into waterways and is one of the top items found in ocean beach cleanups. Foam packaging materials break down into small indigestible pellets which animals mistake for food. Ingestion can result in death as demonstrated in birds, turtles, and whales.

Foam has also been shown to transfer hazardous chemicals to wildlife. Plastics absorb toxics like PCBs, pesticides, and metals from water, transferring them to the marine food web and potentially to human diets, increasing risk of adverse effects to wildlife and humans. Foam may pose a higher risk to marine animals than other plastics due to its hazardous constituent chemicals and research showing it can accumulate high concentrations of water borne toxins in a short time frame. Polystyrene has caused decreased reproduction in laboratory populations of oysters and fish.

Antigua and Barbuda, Bangladesh, Barbados, France, Guyana, Haiti, Rwanda, Taiwan and states in India and Malaysia have enacted bans on foam packaging. More than 100 U.S. cities or counties have banned or restricted foam packaging. The problem can be exacerbated in developing countries with less sophisticated solid waste management systems.

Fresh waters are also threatened by plastics like polystyrene. A recent study of 29 rivers flowing into the Great Lakes found that every sample carried microplastics, often in concentrations far larger than detected in the lakes themselves.

E-commerce competitors Ikea and Dell have made public commitments to phase out use of foam in favor of safer, more sustainable materials like molded pulp.

**RESOLVED:** Shareowners of Target request that the board of directors issue a report at reasonable cost, omitting confidential information, assessing the environmental impacts of continued use of foam packing materials, including quantifying the amount that could reach the environment, and assessing the potential for increased risk of adverse health effects to marine animals and humans.

**Supporting Statement:** Proponents believe the report should also include assessment of the reputational, financial and operational risks associated with continued use of foam packing materials and a timeline to phase out use if possible. We believe the requested report is in the best interest of Target and its shareholders. Leadership in this area will protect our brand.

## **Reduce Food Waste — Target Corporation**

**WHEREAS:** 40% of food produced in the U.S. goes uneaten, costing the American economy \$218 billion per year.

Greenhouse gas emissions from wasted food in the U.S. are equivalent to the annual emissions of 39 million cars. Globally, if food waste were a country, its emissions would be 3rd, behind only China and

the United States. Production of uneaten food consumes 21 % of U.S. freshwater, 19% of fertilizer and 18% of cropland.

Approximately 40 million Americans, including 13 million children, are food insecure; reducing food waste by 15% could feed 25 million people every year.

Some retailers are taking action and realizing financial benefits. Stop & Shop saved an estimated \$100 million annually by reducing losses of perishables, while providing items that were 3 days fresher on average. Price Chopper reduced bakery losses by \$2 million in one year, while increasing sales by 3%.

The EPA established the first national food waste reduction target in 2015, striving for a 50% reduction by 2030. Fifteen companies recently made the same commitment; these "food loss and waste 2030 champions" include Walmart, Ahold USA, and Delhaize America. The 400 members of The Consumer Goods Forum have committed to halve food waste by 2025.

Several states have laws preventing retailers from sending food to landfills, creating regulatory risk for those who lack adequate diversion strategies. Many organizations are working to raise awareness of the impacts of food waste that may lead to negative media attention.

Target does not specifically discuss food waste management and reduction efforts or provide food waste data. Alarmingly, Target failed to achieve its 2009-2015 waste reduction goal due primarily to challenges in expanding alternative food disposal infrastructure. While Target provides a breakdown of its other waste streams (cardboard, plastics, glass, etc.), proponents see an opportunity for Target to provide assurance to shareholders that it is effectively managing the risks and costs associated with food waste.

In light of these political and industry trends, we believe Target Corporation and its shareholders are positioned to benefit from a comprehensive approach to food waste prevention and strategic diversion that can cut costs, provide competitive advantage, strengthen brand reputation, save resources, help alleviate hunger, and reduce greenhouse gas emissions.

**RESOLVED:** Shareholders request Target issue a report, to be prepared in reasonable time, at reasonable cost, and omit proprietary information, on company-wide efforts (above and beyond its existing reporting) to assess, reduce, and optimally manage food waste.

**Supporting Statement:** Items to be covered in the report can include:

- Scope, frequency, and results of audits to determine the causes, quantities, and destinations of food waste
- Estimated cost savings from optimized food purchasing, handling, and disposal
- Prioritization of strategies based on EPA's Food Recovery Hierarchy
- Identification of additional revenue streams and possible tax benefits from new uses of previously wasted food
- Time bound reduction goals specifically for food waste and progress towards meeting these goals.

## **CEO to Worker Pay Ratio — TJX Companies**

**WHEREAS:** Recent events have increased concerns about the extraordinarily high levels of executive

compensation at many U.S. corporations. Concerns about the structure of executive compensation packages have also intensified, with some suggesting compensation systems incentivize excessive risk-taking.

In a Forbes article on Wall Street pay, the director of the Program on Corporate Governance at Harvard Law School noted that “compensation policies will prove to be quite costly—excessively costly—to shareholders.” Another study by Glass Lewis & Co. declared that compensation packages for the most highly paid U.S. executives “have been so over-the top that they have skewed the standards for what’s reasonable.” That study also found CEO pay may be high even when performance is mediocre or dismal.

A September 2015 Harvard Business Review piece noted that a recent global study found that CEO-to-worker pay ratio in most countries is “at least 50 to one,” but “in the United States it’s 354 to one.”

MSCI’s 2016 ESG Trends To Watch noted a shift in investor focus from sector- and country-level impacts of income inequality to links between intra-company pay structures and economic growth. They cite OECD’s estimates that growing inequality has cumulatively shaved seven percentage points from growth of GDP in the U.S. between 1990 and 2010. Contrary to popular belief that higher wages will hurt the bottom line, MSCI found that companies with low pay gaps had higher operating profit margins than companies with high gaps in pay between their CEOs and average workers.

Some companies have begun disclosing CEO-to-worker pay ratios in anticipation of the Pay Ratio Disclosure Rule approved by the Securities and Exchange Commission in August 2015. Beginning in 2018, that rule will require issuers to report the ratio between median employee compensation and the CEO’s total compensation.

**RESOLVED:** Shareholders request the Board’s Compensation Committee initiate a review of our company’s executive compensation policies and make available, upon request, a summary report of that review by October 1, 2017 (omitting confidential information and processed at a reasonable cost). We request that the report include: 1) A comparison of the total compensation package of senior executives and our employees’ median wage (including benefits) in the United States in July 2007, July 2012 and July, 2017; 2) an analysis of changes in the relative size of the gap and an analysis and rationale justifying this trend; 3) an evaluation of whether our senior executive compensation packages (including, but not limited to, options, benefits, perks, loans and retirement agreements) should be modified to be kept within boundaries, such as that articulated in the previously proposed Excessive Pay Shareholder Approval Act; and 4) an explanation of whether sizable layoffs or the level of pay of our lowest paid workers should result in an adjustment of senior executive pay to more reasonable and justifiable levels and how the Company will monitor this comparison annually in the future.

## **Executive Pay: Incorporate Diversity Metrics — TJX Companies**

**WHEREAS:** In an increasingly complex global marketplace, the ability to draw on a wide range of viewpoints, backgrounds, skills, and experience is critical to a company's success;

McKinsey & Company research shows that gender diverse companies are 15% more likely to outperform while ethnically diverse companies were 35% more likely to outperform non-diverse firms;

McKinsey also showed that women are less likely to receive the first critical promotion to manager—so far fewer end up on the path to leadership—and they are less likely to be hired into more senior positions. In 2015, 90% of new CEOs were promoted or hired from CEO-pipeline roles, and 100% of them were men;

In December 2016, a group of 27 major companies joined the newly-launched Paradigm for Parity coalition, an organization committed to achieving gender parity across all levels of corporate leadership. Corporations that have joined are committed to having 50% women in top management roles by 2030;

Shareholders believe that it is crucial for the Company's senior management to reflect the diversity of its employees and customers. According to Forbes, TJX's customer profile is a 25 to 44 year old female customer with middle to upper-middle income, while labor force statistics indicate that 49.8% of retail employees are female and 33.1% are minorities;

Unfortunately in the past 5 years, TJX's senior management team has remained 0% minority and at most 16% female. Of the six executive officers listed on TJX's website, the one female (former CEO Carol Meyrowitz) left her full-time position with the company in 2016, leaving the executive offices filled entirely with white men. Given the primarily female customer base, this shift in the executive team is particularly alarming;

An article published on the Harvard Law School Forum on Corporate Governance and Financial Regulation indicated that management-level diversity "signals that women's and minorities' perspectives are important to the organization, and that the organization is committed to inclusion not only in principle but also in practice. Further, corporations with a commitment to diversity have access to a wider pool of talent and a broader mix of leadership skills than corporations that lack such a commitment";

Shareholders are concerned that TJX's dearth of senior management diversity may be adversely affecting shareholder value and believe that adding diversity in senior level management as a clear metric in our CEO's compensation package creates an incentive to strive for excellence in this area just as our financial metrics incent performance.

**RESOLVED:** Shareholders request that the Board's Compensation Committee, when setting CEO compensation, include metrics regarding diversity among senior executives as one of the performance measures for the CEO under the Company's annual and/or long-term incentive plans. For the purposes of this proposal, "diversity" is defined as gender, racial, and ethnic diversity.

## **Indigenous Peoples Rights — Wells Fargo & Co**

**RESOLVED,** shareholders ask Wells Fargo & Company (WFC) to develop and adopt a global policy regarding the rights of indigenous peoples (the "policy") which includes respect for the free, prior and informed consent of indigenous communities affected by WFC financing.

The policy should acknowledge rights of indigenous peoples to the following:

- property, culture, religion, and non-discrimination in relation to lands, territories and natural

resources, including sacred places and objects;

- health and physical well-being in relation to a clean and healthy environment;
- setting and pursuing their own priorities for development; and
- making authoritative decisions about external projects or investments.

The policy should include a description of WFC's process for identifying, addressing, and periodically evaluating the impact of its business activities on:

- lands and natural resources subject to traditional ownership or under customary use;
- relocation of indigenous peoples from lands and natural resources they have traditionally owned or used; and
- cultural heritage that is essential to the identity and/or cultural, ceremonial, or spiritual aspects of indigenous peoples' lives.

The policy should include the oversight mechanisms for its continued development, evaluation and implementation, as well as the process by which indigenous peoples are consulted in developing the policy. The policy should describe the process by which the board of directors will monitor implementation of the policy. The policy should be posted on the WFC website by May 2018.

**Supporting Statement:** As long-term stockholders, we favor policies and practices that protect and enhance the value of our investments. There is increasing recognition that company risks related to the violations of indigenous peoples' rights, such as reputational damage, project delays and disruptions, and litigation, can adversely affect shareholder value. For example, WFC has suffered reputational damage and loss of customers due to its funding of the Dakota Access Pipeline ("Environmentalists Target Bankers behind Pipeline," New York Times, November 7, 2016, available at [http://www.nytimes.com/2016/11/08/business/energy-environment/environmentalists-blast-bankers-behind-dakota-pipeline.html?\\_r=0](http://www.nytimes.com/2016/11/08/business/energy-environment/environmentalists-blast-bankers-behind-dakota-pipeline.html?_r=0)).

We believe companies should adopt policies and processes to anticipate, mitigate, manage, and monitor the risks posed by violations of the rights of indigenous peoples in their operations. The importance of such policies is reflected in the United Nations Guiding Principles on Business and Human Rights approved by the UN Human Rights Council in 2011, which urge that "business enterprises should have in place ... a policy commitment to meet their responsibility to respect human rights... enterprises should respect the human rights of individuals belonging to specific groups or populations that require particular attention, where they may have adverse human rights impacts on them. In this connection, United Nations instruments have elaborated further on the rights of indigenous peoples ..." (<http://www.business-humanrights.org/media/documents/ruggie/ruggie-guiding-principles-21-mar-2011.pdf>)

We believe that an indigenous peoples' rights policy would help WFC anticipate and mitigate such risks for future activities.

## **Business Standards/Vision and Values/ Risk Management — Wells Fargo & Co**

In September 2016, Wells Fargo reported a \$185 million settlement with the Consumer Financial Protection Bureau due to long-term and widespread consumer fraud, including setting up two million deposit and credit-card accounts for clients without their permission.

Wells Fargo dismissed 5,300 employees for these illegal acts over 5 years, mostly sales employees with approximately 10% at the branch manager level.

The bank faced a firestorm of public criticism and CEO John Stumpf was required to testify before the Senate Banking Committee and House Financial Services Committee where he faced sharp bipartisan criticism. The U.S. Department of Justice is currently investigating the company which could lead to civil or even criminal charges. Additionally, the U.S. Department of Labor is conducting a “top-to-bottom review” for possible violations of federal labor laws. Separately, the Comptroller of California and Treasurer of Illinois have suspended their business relationships with the bank as a result of the scandal.

This is not the first time that lack of oversight of policies and practices led to systematic, ethical lapses and alleged illegal activities at Wells Fargo. In 2012 the bank entered into a \$175 million settlement with the Department of Justice over allegations of widespread “discriminatory steering” of African-American and Hispanic borrowers into high-cost loans.

Multiple charges of discrimination and fraud have resulted in significant financial penalties and reputational repercussions that will undermine the confidence of customers, investors, and the public. Further, these impacts are expected to result in a loss of shareholder value.

While the Board initiated compensation clawbacks, for CEO Stumpf and Carrie Tolstedt totaling \$60 million, investors and customers still do not have a clear understanding of the scope of the fraud or the strategies in place to address it in order to determine whether they are sufficient to prevent future lapses.

**RESOLVED:** Shareholders request that the Board commission a comprehensive report, available to shareholders by October 2017, on the root causes of the fraudulent activity and steps taken to improve risk management and control processes. The report should omit proprietary information and be prepared at reasonable cost.

**Supporting Statement:** Shareholders believe a full accounting of the systemic failures allowing these unethical practices to flourish are critical to rebuilding credibility with all stakeholders and will strengthen risk management systems going forward.

The review and report should address the following:

1. An analysis of the impacts on the bank, its reputation, customers, and investors;
2. Changes implemented or planned to strengthen corporate culture and instill a commitment to high ethical standards at all employee levels;
3. Improvements in risk management and controls, including new or revised policies and investment in people or technological solutions;
4. Evidence that incentive systems are aligned with customers’ best interests.
5. Changes in Board oversight of risk management processes;
6. Assessment plans to evaluate the adequacy of changes instituted over time;
7. Other steps to rebuild trust with key stakeholders—regulators, customers, and shareholders.

## Executive Pay Tied to Ethical Business Conduct — Wells Fargo & Co

**RESOLVED:** Shareholders request the Board Compensation Committee assess the feasibility of integrating responsiveness to sustainability metrics and Code of Ethics Business Conduct ("Code") into the performance measures of senior Wells Fargo executives under the Company's compensation incentive plans and report the results to shareholders.

**Supporting Statement:** Effectively managing for sustainability offers positive opportunities for companies and, we believe, should be one key metric by which executives are evaluated. Wells Fargo has published in-depth information about its sustainability leadership and how this is good business for the bank. The bank also strongly endorses their Code as guiding principles for employees.

However, widespread fraud impacting 2 million customer accounts, a fine of \$185 million by the Consumer Financial Protection Bureau and dismissal of 5,300 bank employees highlights the urgent necessity of setting new standards for compensation and bonuses that reinforce ethical behavior and penalize irresponsible or illegal behavior.

Linking sustainability metrics and Wells Fargo Code of Ethics and Business Conduct to executive compensation could reduce risks, incent employees to meet sustainability and ethical goals and increase accountability. Examples might include: greenhouse gas emission reduction measurements, whether employee behavior violated Wells Fargo's Code, progress on diversity, how often the bank was fined or faced legal action.

Numerous studies suggest companies that integrate environmental, social and governance factors into their business strategy and executive compensation formulas reduce reputational, legal and regulatory risks and improve long-term performance.

And numerous companies already include sustainability and ethical conduct as a factor in bonus pay as they evaluate executive performance. This includes companies like Intel and IBM.

According to the largest study of CEOs on sustainability to date (CEO Study on Sustainability 2013, UN Global Compact and Accenture):

- 76 percent believe embedding sustainability into core business will drive revenue growth and new opportunities.
- 93 percent regard sustainability as key to success.
- 86 percent believe sustainability should be integrated into compensation discussions, and 67 percent report they already do.

The Glass Lewis report *In Depth: Linking Executive Pay to Sustainability* (2016) finds a "mounting body of research showing that firms that operate in a more responsible manner may perform better financially."

A 2012 report by the United Nations Principles for Responsible Investment and the UN Global Compact found "the inclusion of appropriate Environmental, Social and Governance (ESG) issues within executive management goals and incentive schemes can be an important factor in the creation and protection of long-term shareholder value."



In addition, having a clear signal that compensation is linked to living up to the bank's Code and "Vision and Values" reinforces positive ethical conduct. We believe the consumer fraud and resultant scandal should be addressed in part by amending the executive pay and bonus formula.

Adopting this proposal may mitigate risks associated with CEO and executive pay and encourage more sustainable operations. The proponents encourage shareholders to vote in support.