ACIR 2016 Proxy Voting Report

Organized by:

I. Topic
   1. Proxy Action (and related ACIR Proxy Voting Guideline)
      a. Example Resolution
      b. Relevant Corporations
      c. Argument for
      d. Argument Against
      e. Recommendation

A. Executive Summary
Below is a list of shareholder resolution proposals (also called ‘proxy actions’) relevant to the Advisory Committee on Investor Responsibility at The New School. Each of these proposals (which often apply to multiple companies) requires a vote from the committee. The proposals may be relevant to either Corporate Political Spending or Environmental Sustainability, which are ‘prioritized topics’ or campaigns by the ACIR. Votes can be cast as: Support, Oppose, or Abstain. A majority vote from the ACIRs voting members is required to pass a proxy vote decision. Votes must take place for each ‘Proxy Action’. Results of a vote will apply to all corporations listed. A vote can be called to remove any corporation from a ‘Proxy Action’ before the vote has taken place. Please note that many proposals use similar language and have similar goals, but have been arranged to be voted on separately to prevent any debate over divergent details among the proposals. Finally, we have included a list of previously voted on proxy resolutions. These resolutions have, in some fashion, been re-submitted for this proxy season. Voting members may call for a re-vote on any of these resolutions as they relate to present circumstances. Resolutions not called for re-vote will be submitted with decisions established in preceding reports to OFB and relevant Investment Managers.
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C. 2016 Proxy Actions

I. Corporate Political Spending

1. Proxy Action: Prohibit government service golden parachutes

a. Example Resolution: RESOLVED: Shareholders of Morgan Stanley (the “Company”) request that the Board of Directors adopt a policy prohibiting the vesting of equity-based awards for senior executives due to a voluntary resignation to enter government service (a “Government Service Golden Parachute”).

For purposes of this resolution, “equity-based awards” include stock options, restricted stock and other stock awards granted under an equity incentive plan. “Government service” includes employment with any U.S. federal, state or local government, any supranational or international organization, any self-regulatory organization, or any agency or instrumentality of any such government or organization, or any electoral campaign for public office. This policy shall be implemented so as not to violate existing contractual obligations or the terms of any compensation or benefit plan currently in existence on the date this proposal is adopted, and it shall apply only to equity awards or plan amendments that shareholders approve after the date of the 2016 annual meeting.


c. Argument for: While government service is commendable, we question the practice of our Company providing accelerated vesting of equity-based awards to executives who voluntarily resign to enter government service. The vesting of equity-based awards over a period of time is a powerful tool for companies to attract and retain talented employees. But contrary to this goal, our Company’s equity incentive compensation plan’s award certificates contain a “Governmental Service Termination” clause that provides for the vesting of equity awards for executives who voluntarily resign to pursue a government service career (subject to certain conditions). We believe that compensation plans should align the interests of senior executives with the long-term interests of the Company. We oppose compensation plans that provide windfalls to executives that are unrelated to their performance. For these reasons, we question how our Company benefits from providing Government Service Golden Parachutes1.

d. Argument against: The Proposal fails to define the key term “Senior Executives,” which is subject to differing interpretations. The Proposal falls within the criteria for exclusion established by the Staff under Rule 14a-8(i)(3) because a key term in the Proposal — “senior executives” — is vague, indefinite and undefined and the application of the term is subject to differing interpretations. As a result, the Proposal fails to provide sufficient guidance concerning its implementation.

Also, the Proposal is ambiguous in its Intended Application to Equity Awards and Plan Amendments. In light of these ambiguities, it is not possible for either the Company or its shareholders to determine with any reasonable certainty the consequences of adoption of the Proposal. As noted above, this is particularly problematic given that the Proposal seeks to impose specific economic consequences but does not define with any reasonable certainty in what manner (i.e., to what awards or plans) those consequences should be applied. For the reasons stated above, the Company believes that the Proposal is properly excludable under Rule 14a-8(i)(3).

Recommendation: Abstain; This proposal is beyond the scope of Proxy Voting Guidelines (PVG) and ACIR’s concerns because it requests companies to adopt a policy prohibiting “Government Service Golden Parachute” to prevent providing senior executive benefits which are unrelated to their performance.

II. Environmental Sustainability

1. Proxy Action: Phase out antibiotic use in animal feed (PVG, pp. ix, bullet 1)

   a. Example Resolution: “RESOLVED: Shareholders request that the Board update the 2015 McDonald’s Global Vision for Antimicrobial Stewardship in Food Animals by adopting the following policy regarding use of antibiotics by its meat suppliers:

   * Prohibit the use of antibiotics important to human medicine globally in the meat supply chain (including for chicken, beef, and pork), for purposes other than disease treatment or non-routine control of veterinarian-diagnosed illness (e.g. prohibit use for growth promotion and routine disease prevention also known as prophylaxis).

   * Identify timelines for global implementation of vision including for meats currently not supplied by dedicated suppliers.”

   b. Relevant Corporations: McDonald’s, Wendy’s

   c. Argument for: WHEREAS, the World Health Organization, the U.S. Centers for Disease Control and Prevention, and the President’s Council on Science and Technology have reported antibiotic resistance is a global public health crisis that threatens to overturn many of the medical advances made over the last century. Antibiotic resistant infections cause over 2 million illnesses and 23,000 deaths each year in the U.S. with a cost to society of $55 to $70 billion, a major factor of which is the overuse of these lifesaving drugs in human medicine and in animal agriculture. WHEREAS, in the U. S., over 70 percent of antibiotics in classes important for human medicine are sold for use in food producing animals. WHEREAS, antibiotics are often used to increase the rate at which animals gain weight or to prevent illness caused by unhealthy conditions on farms, rather than to treat illness. WHEREAS, in 2015 McDonald’s updated its policy for U.S restaurants to source only chickens that are not raised with antibiotics important to human medicine, demonstrating the growing value of meat raised with fewer antibiotics. However, McDonald’s has not committed to similar sourcing for chicken outside the U.S., nor for sourcing of beef or for pork from animals raised without antibiotics important to human medicine. Instead, McDonald’s continues to purchase from suppliers that allow antibiotics important to human medicine to be used routinely (e.g. for growth promotion or disease prevention).

   d. Argument against: The implementation of this proposal could make meat, dairy, and eggs more expensive, particularly since the animals would require more feed. In October, the Animal Agricultural Alliance, a coalition of food producers, issued a report arguing that modern agricultural practices are necessary to feed millions of people. (The report also made the case that the farm industry was already using drugs judiciously.)

   e. Recommendation: Support; This proposal is in line with the PVGs as it calls for the relevant

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corporations to “phase out all toxic chemicals where safe alternatives are available, and report on their progress in doing so or on the feasibility of doing so.”

2. Proxy Action: Report on pig gestation crates (PVG, pp. viii, bullet 3)
   a. Example Resolution: “RESOLVED, that shareholders request that Tyson Foods disclose to shareholders within six months after the 2016 annual meeting, at reasonable cost and omitting proprietary information-the potential risks and operational impacts associated with indefinitely allowing "gestation crates" in its supply system, including those regarding impacts on animal cruelty, brand reputation, customer relations, public perception, and regulatory compliance.”
   b. Relevant Corporations: Tyson foods
   c. Argument for: Confining pigs in gestation crates is out of step with the mainstream sentiments of the American public, and the movement away from gestation crate pork will only continue growing. Already, Tyson has lost significant customers o over its position on this issue—something the Company has failed to disclose. And the chorus of expert voices from within the meat industry, from food retailers, scientists, analysts and more demonstrate that continuing to defend and use crates—as Tyson does—poses significant risks.

   Tyson has proven itself unable to adequately ensure even the most basic standards of care throughout its pork supply chain – as evidenced by the criminal cruelty convictions and rampant abuse documented at Tyson contract facilities – and its assurances made to shareholders and the public on the topic of animal treatment fall flat.

   Given the above implications, it is in shareholders’ best interest to support this modest resolution, which simply requests that the Board of Directors disclose the potential risks and impacts associated with Tyson’s current policies on the issue of caging animals in gestation crates.4

   d. Argument against: “We believe our Board of Directors’ statement in opposition to the original proposal, published on page 20 of the annual proxy statement, speaks for itself,” Tyson told MEAT+POULTRY. “Our company’s positions on animal well-being and sow housing are available on our website.” …The board said in part: “With respect to the subject matter of the proposal, animal experts acknowledge that both individual and group sow housing systems have advantages and disadvantages when it comes to animal well-being. We believe the most important aspect of animal health is the care they receive from farmers, and we believe the family farmers who supply us share our commitment to proper animal treatment and desire for continued improvement.”

   e. Recommendation: Support; This proposal is in line with the PVGs as it requires the company to disclose to shareholder information about potential risks to animals and therefore, it is related to the proxy guideline viii, bullet 3 which encourages supporting proposals asking companies to develop animal welfare standards.

3. Proxy Action: Commend animal welfare policy
   a. Example Resolution: “RESOLVED, that shareholders applaud Kellogg- via this complimentary resolution- for its decision improve animal welfare in its supply system by switching to cage-free eggs.”

4 http://www.sec.gov/Archives/edgar/data/100493/000121465913007203/j1220130px14a6g.htm
b. Relevant Corporations: Kellogg

c. Argument for: “In 2015, Kellogg announced, with support from The Humane Society of the United States, that it will improve animal welfare in its supply chain by switching to 100% cage-free eggs. The decision to switch to cage-free eggs is indeed good for both corporate responsibility and Kellogg’s bottom line, as more consumers than ever care about issues like animal welfare. By voting FOR this simple advisory proposal, shareholders can applaud the company for making this switch.”

Note: Kellogg accepted the proposal in 2015 but has committed to so by the end of 2025

d. Argument against:

“"We are proud of the progress we've made to date as we've sourced an increasing number of cage-free eggs,” said Diane Holdorf, Chief Sustainability Officer at Kellogg Company. "While we hope these transitions come sooner than 2025, we understand that the development of alternative housing methods takes time and are committed to working with our suppliers to establish the appropriate path forward."”

e. Recommendation: Support; This proposal is in line with the PVGs as it is related to the proxy guideline viii, bullet 3 which encourages supporting proposals asking companies to develop animal welfare standards.

4. Proxy Action: Report on distributed energy

a. Example Resolution: “BE IT RESOLVED: With board oversight, shareholders request that Entergy create a report by October 2016 (at reasonable cost and omitting proprietary information) describing how Entergy could adapt its company-wide business model to significantly increase deployment of distributed-scale non-carbon-emitting electricity resources as a means of reducing societal greenhouse gas emissions and protecting shareholder value.”

b. Relevant Corporations: Entergy, OGE Energy, PPL Corporation, Westar Energy

c. Argument for: Moody's reports “a proactive regulatory response to distributed generation is credit positive as it gives utilities improved rate designs and helps in the long-term planning for their infrastructure.” Navigant Research notes, “Utilities that proactively engage with their customers to accommodate distributed generation - and even participate in the market themselves - limit their risk and stand to benefit the most.” Entergy recognizes the importance of a "diverse, modern and efficient" generation portfolio, acknowledging “factors that could affect market prices for electricity and fuel” include the “availability of competitively priced alternative energy sources and the requirements of a renewable portfolio standard.”

d. Argument against: “Distributed energy resources and renewables account for only a tiny portion of Entergy's generation capacity. Further, as Entergy faces challenges relicensing and decommissions more non-emitting nuclear generation plants, the GHG profile of Entergy’s portfolio could increase.”

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Recommendation: Support; this proposal aligns with the PVGs as requests the company to adapt its business model which is totally in line with GHG emission reduction goals which is encouraged as voting guideline.

5. Proxy Action: Set renewable energy targets
   a. Example resolution: “Resolved: Shareholders request Akamai Technologies senior management, with oversight from the Board of Directors, set company-wide quantitative targets by September 2016 to increase renewable energy sourcing and/or production.”


c. Argument for: As stated in shareholders’ resolution: “Sourcing renewable energy will make our company more responsive to a global business environment characterized by heightened public expectations and volatile energy prices. The transition to a low-carbon economy necessary to prevent the most harmful effects of climate change requires companies dramatically reduce their direct and indirect greenhouse gas (GHG) emissions. We believe investing in renewable energy reduces the company’s exposure to changing energy prices and will move it closer to achieving its GHG reduction targets.

In order to mitigate the worst impacts of climate change, the IPCC estimates U.S. target reduction of 80 percent. Sustainability practices matter to investors, as effective sustainability management and value creation are strongly linked. The rapid growth of the digital economy has given the information technology sector the opportunity to drive significant change in the demand and consumption of clean energy. With the continued growth of global cloud computing and the corresponding demand for more energy, there is a stronger emphasis on the need for companies to diversify their energy sources. Although energy efficiency is crucial for reducing emissions, there is a limit to how far operational efficiencies can carry a company relative to the reductions needed to mitigate the impacts of climate change.

Akamai Technologies does not currently have renewable energy targets that demonstrate a proactive approach to reducing exposure to volatile energy prices, reducing reputational risk, and meeting the global need for cleaner energy. By establishing renewable energy commitments, the company can strengthen its climate change strategy.

We are concerned Akamai Technologies may be lagging behind industry peers like Rackspace, Equinix, Amazon Web Services, Salesforce, Intel, Microsoft, and SAP who all have goals to source 100% of their energy needs from renewable sources. These companies have demonstrated the feasibility of investing in renewable energy to reduce emissions and power their businesses.”  

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d. Argument against: First, the proposal is excludable because it implicates the Company’s ordinary business operations by: (i) focusing on cost-saving measures and the day-to-day financial management of the Company; (ii) micro-managing (a) the deadline for the Company to set such quantitative targets, which may not be feasible or in the best interest of the Company given the Company’s growth, current energy initiatives, and business considerations, (b) the manner in which the Company chooses to pursue initiatives to reduce greenhouse gas (GHG) emissions and engage in sustainable and environmentally friendly initiatives. Second, the proposal is excludable because the Company’s management has already enacted policies regarding sustainable operations with the primary goal of reducing the Company’s environmental impact pursuant to the initiatives discussed in the Company’s 2014 Corporate Social Responsibility Report, and these policies and initiatives compare favorably with the guidelines and requested practices embodied in the proposal.

6. Proxy action: Report on stranded assets business risks
   a. Example resolution: BE IT RESOLVED: Shareholders request Anadarko to prepare and publish a scenario analysis report by September 2015, omitting proprietary information, describing how the Company will address the risk of stranded assets presented by global climate change and associated demand reductions for oil and gas, including analysis of long and short term financial and operational risks to the company.


   c. Argument for: "While Anadarko generally acknowledges the risks associated with climate change regulations and commodity market shifts, Anadarko provides no quantification of likely impact, no analysis of the extent to which such regulations/risks could affect the company’s value, or whether or how the company plans to address such risks. Mere acknowledgement does not substitute for rigorous analysis or provide information about whether the company is prepared to adjust its operations as necessary to reduce risk. Given the likelihood that these identified risks have the potential to dramatically affect shareholder value, especially given Anadarko’s investment in higher-cost unconventional and deep water reserves, shareholders are asking Anadarko to undertake the requested scenario and related analysis. Shareholders believe that companies that have undertaken such analysis, using a range of demand and price scenarios, and that have developed plans to manage, mitigate, and adapt to changing energy markets are more likely to remain competitive. Moreover, this analysis will help Anadarko assess the utility of future investments in high cost resources versus diversifying into low carbon products or returning capital to shareholders. This information will also assist shareholders in understanding Anadarko’s ability to compete with low cost, low carbon substitutes for its products."

   d. Argument against: Anadarko’s Opposition Arguments are as follows:
      1. The company is taking actions to reduce greenhouse gas emissions and has established an Air-Quality Committee to address emissions.
      2. The company states that it addresses climate related risks and opportunities in its Carbon Disclosure Project Report.
      3. In its 2013 sustainability report, the company cites to a variety of forecasts from which it concludes that there is not a substantial risk that its reserves will not be monetized, and that markets are currently valuing carbon assets rationally.

   e. Recommendation: Support; This proposal aligns with our PVGs as it calls firms to review their assets in the light of the global climate change and associated demand reductions for oil and gas.

11 http://www.sec.gov/Archives/edgar/data/773910/000121465915003358/j427151px14a6g.htm
12 http://www.sec.gov/Archives/edgar/data/773910/000121465915003358/j427151px14a6g.htm
13 http://www.sec.gov/Archives/edgar/data/773910/000121465915003358/j427151px14a6g.htm
7. Proxy action: Change reserve replacement accounting
   a. Example resolution: "BE IT RESOLVED: Proponents request that, by February 2017 and annually thereafter in a publication such as the annual or CSR report, Chevron quantify and report to shareholders its reserve replacements in BTUs, by resource category, to assist the Company in responding appropriately to climate-change induced market changes. Such reporting shall be in addition to reserve reporting required by the Securities and Exchange Commission, and should encompass all energy resources produced by the company."

   b. Relevant Corporations: Chevron, Exxon Mobil

   c. Argument for: "Company management must have maximum flexibility to optimize production and development of energy reserves in line with these changing market conditions and opportunities. Further, management should, be incentivized to adopt a stable, long-term revenue path that includes replacing carbon holdings with renewable energy. The current system of oil and gas reserve replacement accounting hampers such flexibility and creates inappropriate incentives. Moving to a system that accounts for resources in energy units, such as the internationally accepted standard British Thermal Units (BTU), instead of oil and gas, will create a new measure of successful operation and incentivize a stable transition to a climate-appropriate resource mix. It will also help foster better company valuations by investors, creditors, and analysts, thus improving capital allocation and reducing investment risk."

   d. Argument against: Exxon had argued that the proposal was vague and that it already publishes carbon-related information for shareholders, including a 2014 report on its website entitled, "Energy and Carbon – Managing the Risks."

   e. Recommendation: Support; this proposal aligns with PVG’s as it requests the company to take an action of changing its reserve replacement accounting and reporting system with a more flexible approach which accounts for resources in energy units such as BTU instead of oil and gas in order to create a new measure of successful operation and incentivize a stable transition to a climate-appropriate resource mix. This request relates to the guideline that asks managers to support proposals that ask companies to develop and promote alternative energy resources, such as geothermal, solar and wind power.

8. Proxy action: Increase authorized dividend given stranded assets
   a. Example resolution: “RESOLVED: Shareholders hereby approve, on an advisory basis, Arjuna Capital/Baldwin Brothers’ proposal that Chevron commit to increasing the total amount authorized for capital distributions (summing dividends and share buybacks) to shareholders as a prudent use of investor capital in light of the climate change related risks of stranded carbon assets.”

   b. Relevant Corporations: Chevron, Exxon Mobil

   c. Argument for: “In the face of global climate change, we believe investor capital is at risk from investments in projects that may prove economically stranded and unburnable if fossil fuel demand is reduced through public policy carbon restrictions or pricing and competition from renewables. Global governments have agreed “the increase in global temperature should be below 2 degrees Celsius.” The International Energy Agency (IEA) states, "No more than one-third of proven reserves of fossil fuels can be consumed prior to 2050 if the world is to achieve the 2°C goal."

   15 http://mobile.reuters.com/article/idUSKCN0WP2TG
A 2015 Citigroup report estimates the value of unburnable fossil fuel reserves could amount to over 100 trillion dollars out to 2050: “Lessons learned from the stranding of assets via the recent fall in the oil price gives food for thought about what the impact of the introduction of carbon pricing (or similar measures from Paris COP21) on higher-cost fossil fuel reserves might be. Investors are concerned Chevron is at risk of eroding shareholder value through investments in what may prove stranded, uneconomical assets in a low carbon demand scenario. Chevron’s capital expenditures grew over 300 percent from 2005 to 2014, coinciding with declining net income since 2012. Chevron cut total capital distributions (summing dividends and share buybacks) to shareholders 26 percent over the last twelve months, calling the sustainability of the dividend into question.”

d. Argument against: “The Proposal is Not Excludable Under Rule 14a-8(i)(12)(ii)
1. The Proposal has a fundamentally different subject matter focus from the 2011 shareholder proposal, and is thus not excludable under Rule 14a-8(i)(12)(ii), as the subject matter has only been voted on one time and received the support necessary for resubmission. The Proposal is Not Excludable Under Rule 14a-8(i)(13).
2. The Proposal was Written for Consistency with Rule 14a-8(i)(13), which Bars a Mandatory Formula in Proposals Requesting a Dividend Policy. Proxy rules allow shareholders to request a company alter its dividend policy in a certain direction, but shareholders cannot dictate by how much, through the use of a formula.
3. Rule 14a-8(i)(7). The Subject Matter of the Proposal Does Not Infringe on the Company’s Ability to Run the Company on a Day-to-Day Basis and Does Not Seek to Micro-Manage the Company.”

e. Recommendation: Support; This proposal aligns with the ACIR’s PVGs as it represents a favorable act for climate change objectives. Eroding shareholder value due to stranded investments in the framework of global climate change and associated actions pushes firms to reconsider their assets.

9. Proxy action: Change executive pay link to fossil fuel reserves
a. Example resolution: “BE IT RESOLVED: Shareholders of Devon Energy request that, to help ensure the Company responds appropriately to climate-change induced market changes, the Compensation Committee adopt a policy to not use “oil and gas reserve addition” metrics to determine the amount of senior executive’s incentive compensation.”

b. Relevant Corporations: Chesapeake Energy, Devon Energy

c. Argument for: “As long-term shareholders, we believe that incentive compensation metrics should promote the creation of sustainable value. The recent Paris agreement by 195 nations, to accelerate global greenhouse gas emissions reductions, underscores the challenges faced by the oil and gas industry in maintaining value as the need to limit global climate change becomes more urgent. Climate change has prompted investors and analysts to consider scenarios in which climate change regulations significantly diminish oil demand. In an article entitled “What a Carbon Constrained Future Could Mean for Oil Companies’ Creditworthiness” (March 1, 2013), 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, would be an important potential rating consideration.

The recent volatility in oil and gas prices has heightened the importance of evaluating breakeven costs of producing oil and gas in a carbon constrained environment rather than simply amassing additional reserves and resources. Devon however continues to use reserves additions as one of the metrics to determine named executive compensation, without reference to the economic viability of those reserves at varying cost and price levels.

We are concerned that basing executive compensation on reserves growth may encourage the addition of reserves that are so costly to produce that projects may be cancelled or impairments taken if prices fall due to low demand associated with climate change factors.

Accordingly, we believe that severing the link between reserves growth and executive compensation would better reflect increasing uncertainty over climate regulation and future oil and gas demand and would more closely align senior executives’ and long-term shareholders’ interests.\(^\text{18}\)

“CEOs need to have their incentives aligned with generating value for shareholders. When they are rewarded for finding reserves that may become stranded under certain future oil pricing scenarios, the system is broken and bad outcomes are more likely,” said Tim Brennan, chief financial officer and treasurer at the Unitarian Universalist Association, which filed resolutions with Marathon Oil and ConocoPhillips.\(^\text{19}\)

d. Argument against: No argument against is found.

e. Recommendation: Support: Although the main objective is to help ensure the Company responds appropriately to climate-change induced market changes, but the proposed policy to address it by not using “oil and gas reserve addition” metrics to determine the amount of senior executive’s incentive compensation aligns with PVGs in terms of calling for the adoption of GHG reduction goals, on part of the companies, from products and operations can also lead to shifting more toward alternative energy.

10. Proxy action: Adopt water stewardship policy

a. Example resolution: “Resolved: Shareholders request the Board of Directors adopt and implement a water stewardship policy designed to reduce risks of water contamination at Sanderson Farms’ owned facilities, facilities under contract to Sanderson Farms, and its suppliers.”

b. Relevant corporations: Sanderson Farms, Tyson Foods

c. Argument for: “The water stewardship policy could be added to the existing Corporate Responsibility Program. The policy should: Encourage leading practices for nutrient management and pollutant limits in its direct operations, contract Farms, and suppliers and provide financial and technical support to help implement the water stewardship policy; Develop and implement robust and transparent measures to prevent any and all water pollution incidents; Develop and implement specific time-hound goals to ensure conformance with the water stewardship policy; and Develop and implement a transparent mechanism to regularly disclose progress on adoption and implementation of the water stewardship policy.”\(^\text{20}\)

d. Argument against: “In light of Sanderson Farms’ demonstrated efforts, accomplishments and commitment to environmental sustainability, including those related to water conservation and quality, the Board believes our present policies and procedures appropriately and adequately address the concerns raised in the proposal. We believe the adoption and implementation of a water stewardship policy is

unnecessary, duplicative of our current policies and procedures, and would impose additional costs on the Company that will not create value either for our shareholders or the communities in which we operate."\(^21\)

e. Recommendation: Support; this proposal aligns with PVG’s as it request the company to adopt a policy which reduces the risk of water contamination and thus, it is related to proposals that ask management to reduce or eliminate emissions of pollutants into the air, water and soil, to the extent feasible.

11. Proxy action: Review and report on proxy voting
   a. Example resolution: “Resolved: Shareowners request that the Board of Directors issue a climate change report to shareholders by September 2016, at reasonable cost and omitting proprietary information. The report should assess any incongruities between the proxy voting practices of the company and its subsidiaries within the last year, and any of the company’s policy positions regarding climate change. This assessment should list all instances of votes cast that appeared to be inconsistent with the company’s climate change positions, and explanations of the incongruency. The report should also discuss policy measures that the company can adopt to help enhance congruency between its climate policies and proxy voting.”
   
b. Relevant corporations: Franklin Resources
   
c. Argument for: “This is one of the most important votes of the year because of the vitally important proxy proposal submitted by Zevin Asset Management, along with First Affirmative Financial and Friends Fiduciary Corporate. The proposal asks our company to report on incongruences between the proxy voting practices of Franklin Resources and its stated policy positions on climate change. If they are essentially ‘green-washing,’ this proposal should lead to a change in how they vote. If their proxy votes are already aligned with their policies and public statements, a report will provide an opportunity for good publicity.”\(^22\)

Look up the owners of almost any large-cap company in America and you will Vanguard, Fidelity, SSgA, BlackRock, Franklin and several other large funds at the top. While these funds battle each other for investors, those which are not private (like Fidelity) increasingly own a significant stake in each other’s business as well. The Japanese name for this horizontal web of joint partnerships is keiretsu. While American funds have sought to dismantle the keiretsu system in Japan, in order to enter that potentially lucrative market, they have helped to create a virtual democracy-free zone in corporate America by adopting proxy voting policies that result in voting with management and against shareholder initiatives on almost every issue. They all have a fiduciary duty to ensure proxies are voted in the best interest of their clients but no one has ever enforced that law. Your vote on this issue could lead the way toward improvement.”\(^23\)

d. Argument against: “The Proposal may be omitted from the 2016 Proxy Materials because:
   (I) the Proposal deals with matters relating to the FTI Advisers’ ordinary business operations, and therefore may be excluded under Rule 14a-8(i)(7);
   (II) if implemented, the Proposal would require the Company to take actions that the Company lacks the power or authority to do because the Company has no proxy voting policies or practices, and therefore may be excluded under Rule 14a-8(i)(6);
   (III) the Company and its Board of Directors (the “Board”) lack legal power and authority in implementing


\(^{22}\) [http://www.corpgov.net/2016/02/franklin-resources-proxy-score-58/](http://www.corpgov.net/2016/02/franklin-resources-proxy-score-58/)

\(^{23}\) [http://www.corpgov.net/2016/02/franklin-resources-proxy-score-58/](http://www.corpgov.net/2016/02/franklin-resources-proxy-score-58/)
the Proposal to alter the advisory contracts between the FTI Advisers and their Clients, and the Proposal therefore may be excluded under Rule 14a-8(i)(6);
(IV) the Company and its Board lack legal power and authority, and would violate federal law, in implementing the Proposal in violation of the FTI Advisers' legal and fiduciary duties to their Clients, and the Proposal therefore may be excluded under Rule 14a-8(i)(2) and Rule 14a-8(i)(6); and
(V) to the extent that aspects of the Proposal are legally permissible, those aspects of the Proposal have been substantially implemented by the Company and the FTI Advisers, and the Proposal therefore may be excluded under Rule 14a-8(i)(10).”


**III. Other Holdings Not Listed Above**

12. Proxy action: Review and report on ties to Israeli settlements

a. Example resolution: RESOLVED: Shareholders request that the Board form an ad hoc committee to reassess business policies and criteria, above and beyond legal compliance, for determining whether and when the company will initiate, conduct or terminate business involvements with Israel's Settlements, including supply chain, sales and distribution, and other business relationships (direct, partnerships, and licenses) and to monitor and report to shareholders on progress on meeting these policies at least annually, at reasonable expense and excluding proprietary information.”

b. Relevant corporations: Intel

c. Argument for: “The principal thrust of the Proposal and the Holy Land Proposal is the same: to address potential human rights and equal opportunity concerns arising from the Company's operations in Israel, including addressing whether there is disparate treatment of different national, racial, ethnic or religious groups. While the Holy Land Proposal addresses the Company's employment practices in Israel and the Proposal addresses the Company's “business relationships, via supply chain and other involvements with Israel's Settlements,” both are clearly focused on the fact that the Company maintains operations in Israel and both urge the Company to adopt policies for those operations to address concerns that the proposals assert may exist as a result of Israeli policies and other conditions in Israel. Thus, while the two proposals address their concerns from different angles, the principal thrust of the proposals remains the same. This common principal thrust and focus is further evidenced by the language contained in each of the proposals and their supporting statements. For example, both proposals focus on human rights and equal opportunity commitments to employees. The Holy Land Proposal states that “fair employment should be the hallmark of any American company at home or abroad,” and the Holy Land Principles calls for the Company to “[a]dhere to equal and fair employment practices in hiring, compensation, training, professional education, advancement and governance without discrimination based on national, racial, ethnic or religious identity” and to “[m]aintain a work environment that is respectful of all national, racial, ethnic and religious groups.” Similarly, the Whereas clauses of the Proposal reference the Company's “social responsibility commitments to its employees” and assert that “the mere suspicion of Intel's connection to [the Israeli] Settlements places its reputation and its commitments to employees and shareholders at risk.” Similarly, the Supporting Statement of the Proposal states that in implementing the
Proposal the Company should assess “how business relations, via supply chain and other involvements with Israel’s Settlements, places at risk its reputation and its commitments to employees.” Likewise, the Proposal repeats the Holy Land Proposal’s concern for “equal access” to work opportunities by minority employees in Israel and the Israeli Settlements.

d. Argument against: “Intel challenged the resolution on technical grounds, as well as arguing that certain provisions of the Holy Land Principles—specifically Principle 7, which speaks to forfeiture of tax incentives and other benefits in exchange for preferential treatment of one group over another—pertain to the company’s ordinary business operations (i-7).”

“Intel said it concerns ordinary business and constitutes more than one proposal, while Corning contended the issue is not significantly related to its business and has already been addressed by company policies.”

“The Proposal May Be Excluded Under Rule 14a-8(b) And Rule 14a-8(f)
(1) Because The Proponent Failed To Establish Its Eligibility To Submit The Proposal.
(2) The Proposal May Be Excluded Under Rule 14a-8(i)(11) Because It Substantially Duplicates Another Proposal That The Company Intends To Include In Its Proxy Materials”

e. Recommendation; Support: This proposal aligns with PVGs as it requests the company to form a committee to reassess business policies and criteria considering human rights and labor rights aspects of involvement in the Israeli’s settlement. Thus, it is related human rights, labor rights, political spending and transparency aspects mentioned as a motive to vote for proposals in the guideline.

13. Proxy action: Participate in OECD human rights mediation
a. Example resolution: RESOLVED, shareholders of PepsiCo, Inc. (the "Company") urge the Company to participate in mediation of any specific instances of alleged human rights violations involving the Company’s operations if mediation is offered by a governmental National Contact Point for the Organisation for Economic Cooperation and Development (the "OECD") Guidelines for Multinational Enterprises. For the purposes of this policy, the human rights subject to mediation shall include, at a minimum, those expressed in the International Labor Organization's Declaration on Fundamental Principles and Rights at Work:
   (a) freedom of association and the effective recognition of the right to collective bargaining;
   (b) the elimination of all forms of forced or compulsory labor;
   (c) the effective abolition of child labor; and
   (d) the elimination of discrimination in respect of employment and occupation.

b. Relevant corporations: Universal

c. Argument for: No arguments were publicly available with regard to this particular resolution. but the general argument has summed up well in a report published by AFL-CIO. Here is an excerpt from its foreword: "The failure of governments to protect workers' rights in the global economy has left a yawning gap of regulation and helped spawn a multi-billion-dollar industry in corporate social responsibility (CSR) and social auditing. Yet the experience of the last two decades of "privatized regulation" of global supply

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26 Social (Human Rights), Briefing Paper, Sol Kwon, Sustainable Investments institute SI2,(March 13, 2015), p 7
chains has eerie parallels with the financial self-regulation that failed so spectacularly in 2007 and plunged the world into deep and lasting recession.”

“The AFL-CIO research underscores the central failing of the CSR model, which is based mainly on short and cursory visits to factories and no proper discussion with workers. This, coupled with the big global brands holding on to the “Walmart” model of driving prices to local producers ever lower and demanding ever-faster production, the dominant social auditing model will never achieve decent, secure jobs for the millions of workers at the sharp end of the global economy.”

d. Argument against: No arguments were publicly available with this resolution. However arguments against similar proposals were supplied in an identical resolution for Kohl’s Inc, “1) Kohl's Terms of Engagement reflect human rights risks and principles and are reviewed and amended on a periodic basis achieving the essential objective of the Shareholder Proposal. 2) Kohl's robust enterprise risk management processes achieve the essential objective of the Shareholder Proposal's risk assessment recommendation. 3) Kohl's annual Corporate Social Responsibility Reports and other existing corporate disclosures achieve the essential objective of the Shareholder Proposal's performance tracking and reporting recommendation. Finally, as it relates specifically to participation in stakeholder groups addressing human rights issues, Kohl's membership and participation in several stakeholder groups is well publicized.”

e. Recommendation: Abstain; This proposal is beyond the scope of PVGs and ACIR’s concerns.

   a. Example resolution: “Resolved: Shareholders request that the Board of Directors cause Sanderson to publish, by April 1, 2016 and annually thereafter, a report describing the company's present policies, practices, performance, and improvement targets related to OHS. Among other disclosures, the report should include employee injury causes and rates, incidents of non-compliance with safety and labor laws, remedial actions taken and measures contributing to long-term mitigation and improvements. The report should be publicly released at reasonable cost, omitting proprietary information and other information protected by privacy and other laws, and using a phased, tiered or other reasonable approach.”

b. Relevant Corporations: Sanderson Farms

c. Argument for: No arguments were publicly available with this resolution but the general argument for calling for publishing reports on accidental prevention efforts can be found in the following excerpt:“Shareholder proposals on labor rights have been on the decline in recent years. At its peak during the 1990s, close to 40 were filed each year. This year there are only seven so far, fewer than half of the 16 in 2011. The focus also has changed from concerns about minimum labor standards on child and forced labor, discrimination, freedom of association and the right to organize to health and safety standards for oil and gas workers in the United States. Sparked from concerns in the wake of the BP Deepwater Horizon disaster, the health and safety proposal have even ebbed a bit as companies have come to agreements”

28 http://www.aflcio.org/content/download/77061/1902391/CSReport.pdf
30 Social (Decent Work), Briefing Paper, Peter DeSimone, Sustainable Investments institute SI2, (April 9, 2012)
d. Argument against: “Sanderson Farms submitted a statement in opposition to Oxfam’s shareholder resolution. With respect to overall employee health, we believe our health benefit plans are among the most comprehensive offered not only in our industry, but by any employer. Our health benefit plans include competitive deductibles and co-pay accounts, flat rate co-pay drug benefits, free basic wellness benefits and special programs for weight loss, smoking cessation and exercise plans. We conduct annual health fairs at each of our locations that include, among other things, free screenings for blood pressure, cholesterol, blood sugar and body mass index. These screenings have aided Sanderson Farms employees in the detection and treatment of serious health issues such as hypertension, diabetes, high cholesterol and obesity. We pay 75% of the cost of health insurance for all of our employees and their families, the rates for which have held steady for the past three years while the cost of similar plans maintained by other employers has significantly increased. The success of these plans is evidenced by the fact we were able to reward plan participants with two months of “premium holidays” during calendar year 2015. We also pay a portion of the cost for all employees who choose to join fitness clubs. On-site diet and nutrition classes are offered free of charge to all employees who seek additional tools for maintaining their health.

Sanderson Farms maintains robust safety and health policies and programs. We have developed and maintain policies, programs, and training on safety and health related topics including, but not limited to, Process Safety Management (PSM), Lockout/Tagout, Hazard Communication, Confined Space Entry, Fire Extinguishers, and Ergonomics to reduce worker injuries and ensure compliance with applicable regulations. Sanderson Farms employs a Certified Safety Professional and an Associate Safety Professional within its Corporate Safety and Health Department to help ensure that these policies and programs are maintained at the highest level. All other members of the Corporate Safety Department are in the process of earning these certifications. Where appropriate, certified, qualified, and competent outside consultants are utilized to help us design and develop comprehensive safety and health policies and programs. Most importantly, senior management within Sanderson Farms has the ultimate responsibility to ensure safety and health policies are followed and carried out on a daily basis. We also maintain on-site health care providers, ranging from registered nurses to emergency medical technicians, as an effective way to provide first aid and basic treatment for work related incidents. Providing immediate and appropriate treatment for employees who suffer injury and illness while on the job is not only the right thing to do, but makes business sense as well.

Sanderson Farms maintains the robust safety and health programs described above that are designed to reduce worker injuries. Such policies and programs are reviewed and monitored by the President’s Safety Committee, which is comprised of the Company president and COO, along with employees and management team members. This committee meets quarterly to review our safety and health record and to identify additional steps that can be taken to improve employee safety. Compliance with Company safety policies and programs is required as a condition of employment, and our safety managers routinely audit such compliance. Employees are routinely trained on how to report illnesses and injuries, and no employee has ever been disciplined for reporting an injury or illness. Disciplining an employee for reporting an injury or illness would violate Company policy and any employee who does so would be subject to discipline up to and including discharge.”

e. Recommendation: Support; this proposal aligns with the PVGs as it calls for a report that addresses labor standards and the safety and dignity of workers in the US and abroad.

15. Proxy action: Link executive pay to sustainability metrics.
   Example resolution: RESOLVED: That the shareholders of PNM request that the Board's Compensation
Committee, when setting senior executive compensation, incorporate measures of sustainability metrics, including reductions of annual greenhouse gas emissions, as one of the performance measures for senior executives under the company's annual and/or long-term incentive plans. Sustainability is defined as how environmental, social and financial considerations are integrated into corporate strategy over the long term."

a. Relevant Corporations: PNM Resources

b. Argument for: The long-term interest of shareholders, as well as other constituents, is best served by companies that operate their businesses in a sustainable manner focused on long-term value creation. Linking sustainability metrics to executive compensation reduces risks associated with unbridled executive pay and creates incentives for employees to meet sustainability goals. The report Greening the Green 2014: Linking Executive Pay to Sustainability discusses a "mounting body of research showing that firms that operate in a more responsible manner may perform better financially. Moreover, these companies were also more likely to tie top executive incentives to sustainability metrics. When a company addresses major challenges for future business, they include them in their business planning and setting of business objectives. It is a logical step to ensure they are included in compensation planning as well.

d. Argument against: No publicly shared argument against this proposal by this company was found, although there are arguments against similar proposals made by different companies: "Sempra Energy The board of directors recommended voting against the resolution, and offered the following rationale: "We and our executives firmly believe that the efficient and sustainable deployment and use of energy are in the best interests of our shareholders and the global community. However, we do not believe that making sustainability a distinct performance measure under our executive compensation programs is an appropriate design to drive long-term shareholder value. Although the board agrees with the proponent of this proposal that sustainability is extremely important, the board believes that this overly prescriptive shareholder proposal is not in the best interests of our shareholders."18 Chevron Corporation The board of directors recommended voting against the resolution, and offered the following rationale: "Your Board recommends a vote AGAINST this proposal because it believes that environmental, social, financial and operational elements are already incorporated into executive compensation in the evaluation of the performance of the Company, its business units and individual executives. Chevron's executive compensation philosophy...guides the Board to reward executives whose performance furthers the Corporation's environmental, social, financial and operational objectives."

e. Recommendation: Support; this proposal aligns with the PVGs as it calls for the adoption of GHG reduction goals, also, it is related to the guidelines emphasizing labor standards and the safety and dignity of workers in the US and abroad and it is in line with the general sustainability goals.

List of Reusable, Previously Voted Upon Proxies

I. Topic: Corporate Political Spending

1. Proxy Action: Report on indirect lobbying (PVG, pp. xii, bullet 1)

   a. Example Resolution: Resolved: Shareholders request that the Board of Directors initiate a review and assessment of organizations in which Occidental Petroleum is a member or otherwise supports financially for 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 provided to shareholders.

b. Relevant Corporations: Occidental Petroleum

c. Argument for: “As shareholders, we encourage transparency and accountability in the use of staff time and corporate funds to influence legislation and regulation both directly and indirectly. We appreciate UPS updating its oversight and disclosure on political spending and lobbying but crucial information on lobbying through trade associations is still secret.”

d. Argument against: UPS requested to have the proposal withdrawn “because the Proposal substantially duplicates another shareowner proposal previously submitted to the Company that the Company intends to include in its 2015 Proxy Materials.”

e. Recommendation: Support; this proposal aligns with the PVGs as it asks “companies to voluntarily disclose and make publicly available all political contributions to public officials” and is also related to CPST proposals which were supported in 2013.

2. Proxy Action: Report on indirect political spending (PVG, pp. xii, bullet 1)
a. Example Resolution: “RESOLVED, that the shareholders of AT&T ("Company") hereby request that the Company provide a report, updated semi-annually, disclosing the Company's: 1. Policies and procedures for expenditures made with corporate funds to trade associations and other tax-exempt entities that are used for political purposes ("indirect" political contributions or expenditures). 2. Indirect monetary and non-monetary expenditures used for political purposes, i.e., to participate or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office, and used in any attempt to influence the general public, or segments thereof, with respect to elections. The report shall include: a. An accounting through an itemized report that includes the identity of the recipient as well as the amount paid to each recipient of the Company's funds that are used for political contributions or expenditures as described above; and b. The title(s) of the person(s) in the Company who participated in making the decisions to make the political contribution or expenditure. This proposal does not encompass payments used for lobbying. The report shall be presented to the board of directors' audit committee or other relevant oversight committee and posted on www.att.com.”

b. Relevant Corporations: AETNA, AT&T, Verizon Communications

c. Argument for: Disclosure is consistent with sensible public policy and in the best interest of the company and its shareholders. Absent a system of accountability, company assets can be used for policy objectives that may be inimical to the long-term interests of the company and its shareholders. Relying on publicly available data does not provide a complete picture of the Company’s political expenditures. For example, the Company’s payments to trade associations used for political activities are undisclosed and unknown. In many cases, even corporate management does not know how trade associations use their company’s money politically.


36 See the relevant “Argument for” footnote

d. Argument against: The Proposal may be excluded under Rule 14a-8(i)(12)(iii) because it deals with substantially the same subject matter as prior proposals that did not receive the necessary support for resubmission. Some companies also argue that adopting the proposed policies would put them at a competitive disadvantage, since additional disclosures add additional expenses. Companies also argue that political contributions and lobbying are an important part of their overall public relations effort and that legal contributions benefit shareholders by allowing the company to participate in the political process.\textsuperscript{38,39}

e. Recommendation: Support; This proposal aligns with our PVGs as well as the current ACIR campaign to require corporations to publicly disclose their political contributions.

3. Proxy Action: Report on lobbying (PVG, pp. xii, bullet 1)

a. Example Resolution: "RESOLVED, the stockholders of Devon Energy Corporation ("Devon") request the Board authorize 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 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 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 the company's website."


c. Argument for: Shareholders are currently unable to determine if corporate spending on lobbying efforts is within the corporation's best interests without full disclosure of those expenditures. As owners of the corporation, they have a right to view lobbying expenditures and to determine amongst themselves if


\textsuperscript{39} Sustainable Investments Institute, Corporate Political Activity Briefing Report, (Mar 20, 2012), \url{http://monitor.siinstitute.org/docs/t/8/2012%20Si2%20Briefing%20Paper%20-%20Corporate%20Political%20Activity%20-%20FINAL.pdf}
those are within the long term values of the corporation as a whole.

"Disclosure is consistent with sensible public policy and in the best interest of the company and its shareholders. Absent a system of accountability, company assets can be used for policy objectives that may be inimical to the long-term interests of the company and its shareholders. Relying on publicly available data does not provide a complete picture of the Company’s political expenditures. For example, the Company’s payments to trade associations used for political activities are undisclosed and unknown. In many cases, even corporate management does not know how trade associations use their company’s money politically."  

d. Argument against: Corporations argue that disclosure would create unnecessary expenditures while providing little benefit to shareholders. Additionally, they state that lobbying is within the best interest of shareholders as it is an imperative aspect of their public relations effort and also allows them to participate in the political process.

4. Proxy Action: Report on political spending and lobbying (PVG, pp. xii, bullet 1)

a. Example Resolution: "Resolved, the Board should authorize the preparation of a report, updated annually, disclosing: 1. Company policy and procedures governing political contributions made to legislators, regulators, and for ballot initiatives, including any done on our company’s behalf by trade associations. The disclosure should include both direct and indirect contributions and grassroots communications. 2. A listing of payments (both direct and indirect, including payments to trade associations or others) used for direct and grassroots communications, including the amount of the payment and the recipient. 3. Membership in and payments to any tax-exempt organization that writes and endorses model legislation on either the federal, state or local municipal level. 4. Description of the decision making process and oversight by the management and Board for a. direct and indirect political contributions or expenditures; and b. payment for grassroots expenditures. For purposes of this proposal, a "grassroots communication" is a communication directed to the general public that (a) refers to specific legislation, (b) reflects a view on the legislation and (c) encourages the recipient of the communication to take action with respect to the legislation. Both "political contribution" and "grassroots lobbying communications" include efforts at the local, state and federal levels. The report shall be presented to the Audit Committee of the Board or other relevant oversight committees of the Board and posted on the company's website."

b. Relevant Corporations: Pinnacle West Capital, DTE Energy

d. Argument for: “As shareholders, we encourage transparency and accountability in the use of staff time and corporate funds to influence legislation and regulation both directly and indirectly. We believe such disclosure is in shareholders' best interests. Absent a system of accountability, company assets could be

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41 Domini Social Investments, Resolution to Goldman Sachs, “Report on Lobbying”, (April 6, 2009),  
https://www.sec.gov/Archives/edgar/data/886982/000119312509066207/dpre14a.htm#toc21217_47

42 Sustainable Investments Institute, Corporate Political Activity Briefing Paper, (Mar 20, 2012),  
used for policy objectives contrary to Equity Lifestyle Properties' long-term interests.”

e. Argument against: The Proposal may be excluded under Rule 14a-8(i)(2)(i) because it deals with substantially the same subject matter as prior proposals that did not receive the necessary support for resubmission. Some companies also argue that adopting the proposed policies would put them at a competitive disadvantage, since additional disclosures add additional expenses. Companies also argue that political contributions and lobbying are an important part of their overall public relations effort and that legal contributions benefit shareholders by allowing the company to participate in the political process. Also many companies argue that most corporations already provide this information to shareholders or that the information is already widely available through other organizations or websites.

**Recommendation: Support; This proposal aligns with our PVGs as well as the current ACIR campaign to require corporations to publicly disclose their political contributions.**

5. Proxy Action: Review/report on political spending (PVG, pp. xii, bullet 1)

a. Example Resolution: “Resolved, that the shareholders of Allstate Corp. ("Allstate" or "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 and posted on the Company’s website within 12 months from the date of the annual meeting.”


c. Argument for: Following Citizens United, corporations are able to spend unlimited corporate funds on candidates which align with the interests of board members and executive officers, but who may present a risk to the corporation as a whole. A clear set of guidelines which lay out what is defined as a political contribution that aligns with the corporation’s interests and those that do not will be beneficial to shareholders who bear the risk associated with any mal-advised political contributions.

43 Reinvestment Partners, Letter: Proxy Resolution Filing, (Nov 26, 2012),

44 Goldman Sachs Group Inc, Request to Omit Shareholder Proposal of The Needmor Fund, (Jan 16, 2013),

45 Sustainable Investments Institute, Corporate Political Activity Briefing Report, (Mar 20, 2012),

46 Proponent Supporting Statement, Schedule 14A, (2012),
d. Argument against: Corporations argue that disclosure would create unnecessary expenditures while providing little benefit to shareholders. Additionally, they state that lobbying is within the best interest of shareholders as it is an imperative aspect of their public relations effort and also allows them to participate in the political process.47


e. Recommendation: Support: This proposal aligns with our PVGs as well as the current ACIR campaign to require corporations to publicly disclose their political contributions.
II. Topic: Environmental Sustainability

1. Proxy Action: Report on pesticide monitoring (PVG, pp.iv, sentence 4)
   a. Example Resolution: Be it Resolved, Shareholders request the Monsanto board prepare a report to be made available by July 31, 2016 at reasonable expense and omitting proprietary information, assessing the effectiveness and risks associated with the company's policy responses to public policy developments intended to control pollution and food contamination from glyphosate, including but not limited to the impact of recent reclassification of glyphosate as "probably carcinogenic," and quantifying potential material financial risks or operational impacts on the Company in the event that proposed bans and restrictions are enacted.

   b. Relevant Corporations: Monsanto

   c. Argument for: “To date, glyphosate resistance has been confirmed in 24 weed species worldwide, including 14 in North America. [ICCR members] are concerned that herbicides impose a heavy burden on ecology, farmworkers and adjacent communities.”

   d. Argument against: Du Pont has not offered public comment on this issue.

   e. Recommendation: Support; this proposal calls for a report which aligns with the PVGs. As stated in pp.iv of the PVG: “Private investors can play an important leadership role in developing and supporting changes in existing market practices to promote environmental protections and improve public health.”

2. Proxy Action: Report on nanomaterials (PVG, pp.ix, bullet 3)
   a. Example Resolution: “BE IT RESOLVED: Shareholders request the Board publish, by October 2016, at reasonable cost and excluding proprietary information, a report on Hershey’s use of nanomaterials, including the products or packaging that currently contain nanoparticles, the purpose of such, and actions management is taking to reduce or eliminate risk associated with human health and environmental impacts, such as eliminating the use of nanomaterials until or unless they are proven safe through long-term testing.”

   b. Relevant Corporations: Hershey

   c. Argument for: As You Sow stated that “Nanomaterials have been heralded as having the potential to revolutionize the food industry – from enabling production of creamy liquids that contain no fat, to enhancing flavors, improving supplement delivery, providing brighter colors, keeping food fresh longer, or indicating when it spoils. Yet few, if any, studies adequately demonstrate the safety of nanoparticles in food. In fact, scientists are still investigating how nanoparticles will react in the body and what testing methodologies are appropriate to determine this.”

   d. Argument against: Dunkin’ Brands Group has not offered public comment on this issue.

   e. Recommendation: Support; this proposal calls for a report which aligns with the PVGs. As stated in pp.iv of the PVG: “Private investors can play an important leadership role in developing and supporting changes in existing market practices to promote environmental protections and improve public health.”

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3. Proxy Action: Report on tobacco health risk communications (PVG, pp.ix)
   a. Example Resolution: “RESOLVED: shareholders request Altria Group, Inc. undertake a thorough analysis, engaging chemical and pharmacological experts as needed, of all the harmful liquids, additives and chemicals and their potential health consequences when each brand of our tobacco products is used as intended by consumers and report the results of the analysis on the Company’s website.”
   b. Relevant Corporations: Altria, Reynolds American
   c. Argument for: “Smoking rates have not changed for the less educated, poorer segments of society. Smoking among those with less than a high school education was unchanged between 2000 and 2010, a period during which tobacco use significantly declined among all other groups with higher educational attainment. Those with less than a high school education now smoke at a rate three times that of college graduates. Because the proponents of this resolution have not seen specific cessation materials aimed at this key demographic i.e., people who are poor and less-educated), it seems incumbent that the Company not be seen as benefitting from their exploitation by using its harm-causing products. This is especially incumbent on Lorillard because its menthol cigarettes are the biggest seller in demographics where people are more poor and less educated.
   d. Argument against: We hereby respectfully request that the Staff concur in the Company’s view that the Proposal may be excluded from the 2015 Proxy Materials pursuant to: Rule 14a-8(i)(10) because the Company has substantially implemented the Proposal; and Rule 14a-8(i)(7) because the Proposal deals with matters relating to the Company’s ordinary business operations, specifically affecting the Company’s litigation strategy and how it defends litigation.
   e. Recommendation: Support; this proposal aligns with the PVGs as it calls for actions which would help reduce the negative effects associated with the toxic chemicals in these company’s products in populations where tobacco use is especially prevalent.

4. Proxy Action: Report on supply chain deforestation impacts (PVG, pp.v, bullet 1)
   a. Example Resolution: “Resolved: Shareholders request Domino’s Pizza Inc. issue a forest impact report that establishes a time-bound plan to address its supply chain impact on deforestation and associated human rights issues. This report should be prepared at reasonable cost, omit proprietary information and be published within six months of the Company's 2016 Annual Meeting.”
   b. Relevant Corporations: Domino’s Pizza, E.I. Du Pont De Nemours
   c. Argument for: “PepsiCo discloses some information on its purchases of certified palm oil, but provides no information on the impact on forests of its soya, paper and sugar purchases. Even with its limited disclosure on palm oil, proponents believe that PepsiCo faces potential reputational and operational risks. PepsiCo faced public controversy over use of what has been deemed ‘conflict palm oil’ by a non-governmental organization. Nestle, Mars, and Mondelez have established policies to ensure their palm oil supply chain is traceable and does not contribute to deforestation, heightening the risk to companies that fail to take action.”

50 Ceres, Pepsi Deforestation 2015, https://www.ceres.org/investor-network/resolutions/pepsi-
d. Argument against: “We're working across our agricultural supply chain to ensure our practices are efficient and sustainable. Because agriculture is one of the biggest parts of our environmental footprint, we continually strive to improve our agricultural processes. We are also a member of the Consumer Goods Forum (CGF), a manufacturing and retail industry group that has adopted a resolution concerning deforestation.”

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e. Recommendation: Support; this proposal aligns with the PVGs as it calls for both a report on current environmental impacts from business operations as well as plans to reduce those impacts.

5. Proxy Action: Adopt GHG reduction targets (PVG, pp. v, bullet 3)

a. Example Resolution: “RESOLVED: Shareholders request CBS adopt time-bound quantitative, company-wide goals, taking into consideration the most recent Intergovernmental Panel on Climate Change (IPCC) guidance for reducing total greenhouse gas (GHG) emissions, and issue a report by September 2016, at reasonable cost and omitting proprietary information, on its plans to achieve these goals.”

b. Relevant Corporations: CBS, Chevron, Deere, Emerson Electric, General Dynamics, Fluor, HD Supply Holdings, Marathon Petroleum, Mastercard, Nucor, PNM Resources

c. Argument for: “In October 2006, a report authored by former chief economist of the World Bank, Sir Nicolas Stern, estimated that climate change will cost between 5% and 20% of global domestic product if emissions are not reduced.” It is within the corporation's best interests to reduce GHG emissions in order to sustain future growth.

d. Argument against: “Opposition to these shareholder proposals arises largely from companies’ resistance to setting comprehensive, measurable targets for greenhouse gas reductions from their operations. Management statements in opposition to proposals frequently describe the variety of steps a company has taken to reduce energy use, support renewable energy and reduce waste. Oil companies opposed to resolutions asking them to reduce the greenhouse gas emissions from their products often argue that they would be at a competitive disadvantage if they take such actions before government regulations require every player in the industry to make products that generate lower emissions as they are used.”

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e. Recommendation: Support; This proposal aligns with our PVGs as it "calls for the adoption of GHG reduction goals from products and operations, taking into account the feasibility of reduction of GHGs given the company’s product line and current technology."
the Board of Directors provide a report to shareholders, prepared at reasonable cost and omitting proprietary information, describing the financial risks to Dominion Resources posed by climate change and resulting impacts on share value, specifically including the impact of more frequent and more intense storms, as well as any actions the Board plans to address these risks.”

b. Relevant Corporations: Dominion Resources, Kinder Morgan, Marathon Oil, NextEra Energy, Occidental Petroleum, AES

c. Argument for: In analyzing long and short term risks, proponent suggests that CONSOL perform an analysis of various scenarios the company deems likely or reasonably possible, such as restrictions on carbon emissions allocated by geographic regions or fuel types. Such analysis should describe a range of scenarios in which a portion of its reserves or infrastructure are at risk of becoming stranded assets due to carbon regulation, and the impact of those scenarios on any plans to continue to explore or further develop new coal or gas reserves.54

d. Argument against: Additional reports to shareholders are not needed because much of the information requested in the proposal is already provided on company websites and in special reports on their sustainability efforts.55

E. Recommendation: Support: This proposal is in line with the PVG as it calls for the relevant corporations to “report on carbon emissions and take proactive steps to reduce their carbon footprint.”

7. Proxy Action: Report on hydraulic fracturing/shale gas risks (PVG, pp. iv, bullet 1)
a. Example Resolution: “BE IT RESOLVED: Shareholders request the Board of Directors to report to shareholders via quantitative indicators on all shale plays where it is operating, by September 30, 2016, and annually thereafter, the results of company policies and practices, above and beyond regulatory requirements, to minimize the adverse water resource and community impacts from the company's hydraulic fracturing operations associated with shale formations. Such reports should be prepared at reasonable cost, omitting confidential information.”

b. Relevant Corporations: Chevron, Continental Resources, Exxon Mobil, Freeport-McMoRan, Newfield Exploration, Carrizo Oil & Gas

c. Argument for: “Leaks, spills, explosions, and adverse community impacts have led to bans and moratoria in the United States and around the globe. These include New York State, the Delaware River Basin, the Province of Quebec, and France. Certain ExxonMobil operations in Germany, for instance, have been subject to a local moratorium on drilling. The Department of Energy’s shale advisory panel recommended in 2011 that companies ‘adopt a more visible commitment to using quantitative measures as a means of achieving best practice and demonstrating to the public that there is continuous improvement in reducing the environmental impact of shale gas production.’ (emphasis in original) Investors require detailed and comparable information about how companies are managing risks and

rewards from natural gas extraction operations.”

d. Argument against: “For those resolutions coming to a vote, most companies stated that drilling and fracking poses no significant risks to the environment, noting that they operate in a highly regulated industry. Some added that management is responsible for evaluating and responding to operational, financial and litigation risks, as well as the environmental impact of the company’s operations. Some companies also said that information on hydraulic fracturing already is available, including on their websites. Thus, preparing the requested report would be a significant and burdensome undertaking and waste of corporate resources, they argued.”

e. Recommendation: Support; this proposal addresses current environmental issues surrounding “fracking” which falls under the purview of the PVG which supports proposals which “ask management to reduce or eliminate emissions of pollutants into the air, water and soil, to the extent feasible.”

8. Proxy Action: Report on methane emissions and reduction targets (PVG, pp. iv, bullet 1)

a. Example Resolution: “RESOLVED: Shareholders request that the Board of Directors issue a report describing how the company is monitoring and managing the level of methane emissions from its operations. The requested report should include a company-wide review of the policies, practices, and metrics related to Antero’s methane emissions risk management strategy. The report should be prepared at reasonable cost, omitting proprietary information, and made available to shareholders by December 31, 2016.”


c. Argument for: We believe a report adequate for investors to assess the company’s strategy would include methane leakage rate as a percentage of production, how the company is measuring and mitigating emissions, best practices, worst performing assets, risk mitigation, and environmental impact.

d. Argument against: “Opposition to these shareholder proposals arises largely from companies’ resistance to setting comprehensive, measurable targets for greenhouse gas reductions from their operations. Management statements in opposition to proposals frequently describe the variety of steps a company has taken to reduce energy use, support renewable energy and reduce waste. Oil companies opposed to resolutions asking them to reduce the greenhouse gas emissions from their products often argue that they would be at a competitive disadvantage if they take such actions before government regulations require every player in the industry to make products that generate lower emissions as they are used.”

e. Recommendation: Support; this proposal addresses current environmental issues which falls under the purview of the PVG which supports proposals that "ask management to reduce or eliminate emissions of pollutants into the air, water and soil, to the extent feasible."
III. Topic: Other Holdings Not Listed Above (Category 1)

1. Proxy Action: Review/report on climate change advocacy (and strategy) (PVG, pp. xii, bullet 1)
   a. Example Resolution: “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 made available by September 2016.”

   b. Relevant Corporations: Chevron, Devon Energy, Dominion Resources, Exxon Mobil, Noble Energy, PG&E, Southern

   c. Argument for: Proponents of this resolution note that “Devon does not disclose its memberships in, or payments to, trade associations, or the portions of such amounts used for lobbying. Transparent reporting would reveal whether company assets are being used for objectives contrary to Devon's long-term interests.”

   d. Argument against: Devon Energy requested to have the proposal withdrawn “because the Proposal substantially duplicates another shareowner proposal previously submitted to the Company that the Company intends to include in its 2015 Proxy Materials.”

   e. Recommendation: Support; this proposal aligns with the PVGs as it asks “companies to voluntarily disclose and make publicly available all political contributions to public officials” and is also related to CPST proposals which were supported in 2013.

IV. Topic: Other Holdings Not Listed Above (Category 2)

1. Proxy Action: Publish Sustainability Report (PVG, pp.v, bullet 1)
   a. Example Resolution: “RESOLVED: Shareholders request that CLARCOR issue a report describing the company's present policies, performance, and improvement targets related to key environmental, social and governance (ESG) risks and opportunities, including greenhouse gas (GHG) emissions reduction goals. The report should be available by year end 2016, prepared at reasonable cost, omitting proprietary information.”

   b. Relevant Corporations: Clarcor, PNM Resources

   c. Argument For: Proponents of this proposal state that “tracking and reporting on ESG business practices makes a company more responsive to a transforming global business environment characterized by finite natural resources, changing legislation, and heightened public expectations.”

   d. Argument Against: Simpson Manufacturing states that creating such a report “would be expensive, time-consuming and largely unhelpful.”

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e. Recommendation: Support; this proposal aligns with the PVGs as it calls for companies to "report on carbon emissions and take proactive steps to reduce their carbon footprint".