Sustainable Investments Institute

Excerpts on Corporate Political Activity

Proxy Season Mid-Year Review:

Social, Environmental & Sustainable Governance Shareholder Proposals in 2018

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Contents

About Si2

The Sustainable Investments Institute (Si2) is a non-profit organization which helps institutional investors make informed, independent voting decisions on social and environmental shareholder proposals. Si2 also researches and reports on related efforts to influence corporate policies.

For this report, Si2 is grateful for the generous cooperation of shareholder proponents, especially for their explanations about what happened when resolutions did not go to votes. This report aims to provide a compilation of all shareholder activism about social and environmental issues for the record, alongside the more visible votes and efforts by companies to challenge the admissibility of proposals at the Securities and Exchange Commission. Such information provides a critical measure of shareholder "success" but negotiations often occur privately. Carolyn Mathiasen edited the report and Si2's research director, Robin Young, provided key research.

Proxy Preview: Si2 also annually collaborates with As You Sow and Proxy Impact on a spring forecast of the proxy season available free to the public at www.proxypreview.org.

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Proxy Season Overview

Investor support for a wide range of social and environmental issues increased in 2018 and nine proposals earned majority support, even on issues that previously received little shareholder approval. But while more investors cast their votes in favor of greater disclosure and action on climate change, corporate political activity and diversity, developments at the Securities and Exchange Commission (SEC), in Congress and with leading business groups raised questions about what may appear on proxy statements going forward, and suggest potential big changes to how the shareholder proposal process will operate.

The majorities occurred on hot-button issues that attracted support from same the big mutual funds that changed the landscape of proxy voting in 2017, with a 69 percent vote in favor of gun safety reporting at **Sturm, Ruger** and 62 percent for reporting on the risks associated with the opioid crisis at **Depomed**. *(Table, p. 7, shows all votes above 40 percent.)* Majority support for seven more proposals was on climate change and sustainability disclosure.

A total of 462 resolutions had been filed on social, environmental and sustainable governance topics as of mid-August 2018, down some from the nearly 500 in all of 2017. Proponents have withdrawn 208 proposals, 66 were left out of proxy statements (omitted) after company challenges at the SEC and 167 have gone to votes so far. A dozen more remain pending for fall consideration, including five on corporate political activity. *(Table, below.)*

Proposals Pending for Late 2018 Annual Meetings – Corporate Political Activity

Company	Issue	Proponent	Meeting Date
Cisco Systems	Report on lobbying	Unitarian Universalists	(12/11/17) ↺
FedEx	Report on lobbying	Teamsters	Sept. 24 ↺
NIKE	Review/report on election spending	Investor Voice	Sept. 20 ↺
Oracle	Report on lobbying	Boston CAM	(11/15/17)
	Review/report on election spending	NYSCRF	

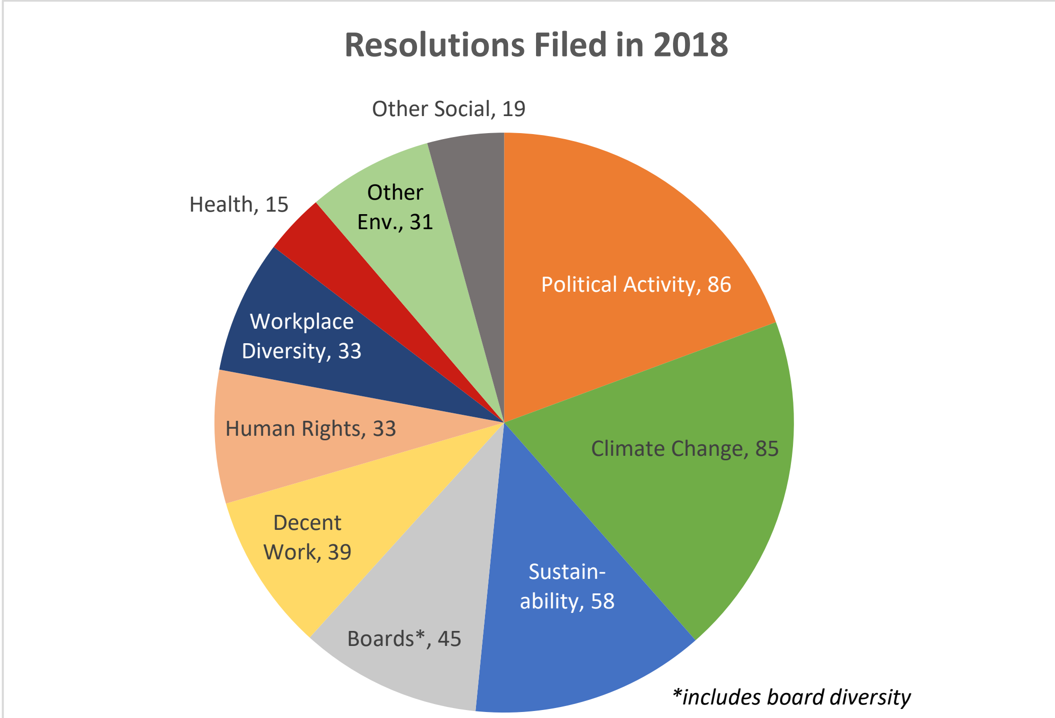
↺ Resubmission from 2017. Meeting dates from 2017 predict 2018 meetings.

Major Proxy Season Themes

The corporate political activity proposals account for one of three major themes raised by investors seeking to reform how U.S. companies conduct their business, alongside climate change and diversity. Additional resolutions asked about fair pay and equal treatment, health care, human rights and sustainability disclosure and management.

Climate change: Proponents withdrew most of the resolutions seeking reports on how companies are planning to adjust their business models so the goals of the Paris Climate Treaty can be met, because companies agreed to issue the reports. But few energy companies appear to be contemplating fundamental business model changes that will be needed to keep global temperatures in check. Support grew for resolutions seeking goals for greenhouse gas (GHG) emissions goals, though, as well as on other topics like methane leakage and deforestation. Despite high investor support for disclosure of GHG goals (35 percent on average this year), a new SEC decision suggests these resolutions now may be blocked from investor consideration.

Political activity: Investor support for political activity proposals continued its upward climb, too, although these proposals have yet to attract support from the big mutual funds. While some proponents feared a new SEC Staff Legal Bulletin *(see below)* might knock out some proposals, and several companies argued vigorously that the bulletin supported omitting proposals on the grounds they are not significantly related to their underlying businesses, the SEC turned back these requests, noting previous significant levels of support. While heartened by this development, the proponents also are concerned their future resolutions may be pre-empted by proposals filed by disclosure opponents (using the same resolved clause and different language in the rest of the resolution), as was the case at **Duke Energy** and **General Electric** this year.



Diversity: Proposals seeking fair treatment and equal pay for women and people of color, and more diverse boards of directors, made up the third main theme of proxy season this year. Three of the high votes (above 40 percent) were for equal employment opportunity proposals and proponents ended up withdrawing most of the 34 board diversity resolutions after companies agreed to act.

New issues: In addition to new proposals about gun safety and the opioid epidemic, a key development this year was a raft of about two dozen proposals asking for links between executive compensation and a range of social and sustainability issues. Proposed links between drug pricing, business risks and pay notably attracted support in the 20-percent range, for the first time.

Threats to Shareholder Proposals

SEC Staff Legal Bulletin: While proposals gained even more traction with investors in 2018, the SEC's Staff Legal Bulletin 14I, issued in November 2017, cast a shadow over the proxy season. It articulated new ways companies can block resolutions under provisions of the Shareholder Proposal Rule, concerning what constitutes "ordinary business" and what is "significantly related" to a company. The bulletin also called for more deliberation by boards of directors on these issues to help shape SEC assessments of what should be in included in proxy statements.

Most importantly, **EOG Resources** used the bulletin's reasoning to gain approval to omit an oft-seen greenhouse gas emissions reduction goal proposal, which has garnered widespread support from investors over the years and uptake by many other companies. Reversing course, the SEC said the resolution amounted to micromanagement of the company, an ordinary business matter, and allowed the proposal's omission. The fate of additional proposals on this topic going forward remains uncertain. But the commission's Division of Corporation Finance, which administers the rule, indicated at an investor roundtable on July 2 in Washington that it may issue a further legal bulletin this fall—which may roil the waters further. Many companies cited the November bulletin this year, but the overall proportion of omitted proposals did not jump much despite proponents' concerns; its impact was clearly felt on climate change proposals, however, where omissions rose significantly—disproportionate to the overall impact.

A question raised in the political activity proposal challenges, and in a few others, was the extent to which boards weighing in on the admissibility of proposals would hold any weight with commission staff's consideration of a proposal and its significance to a company. The legal bulletin had sought to encourage companies to use challenges as a way to let boards express their views. In practice, the challenges showed that while some boards did, in fact, meet to review conclusions about resolutions that were developed by corporate lawyers and management, they never took issue with those conclusions and rarely provided much information about the nature of board deliberations.

Sanford Lewis, an attorney working for many of the proponents discussed in this report, penned a legal analysis of the new staff legal bulletin in July. Lewis argues it threatens "to undermine market-wide investment objectives on an array of issues implicating corporate risk management and financial and ESG performance," and calls for further SEC guidance. His Shareholder Rights Group includes key proponents.

Legislative developments: Some business groups, including the National Association of Manufacturers (NAM), are working in Congress to make it more difficult for shareholder resolutions to be filed and reconsidered, and to restrict the activities of proxy advisory firms. But while federal lawmakers have overturned some key Obama-era financial reforms, so far they have been unable to pass a law that would affect the shareholder proposal process. As of mid-August, a bill to raise resubmission thresholds remains alive in the House, however, and another that would put some limits on proxy advisors passed the House this year and went to the Senate.

NAM is supporting these efforts with a new entity calling itself the Main Street Investors Coalition, with a well-funded campaign asserting shareholder proponents are playing politics with other peoples' money to the detriment of good financial returns. Investors who filed most of the proposals covered in this report are pushing back and the Interfaith Center on Corporate Responsibility posted information on its website defending the current process. The proponents argue that they are raising key issues that threaten long-term corporate financial health, alongside harms to the environment and society. Mainstream investment firms and corporate governance experts also are excoriating Main Street Investors, with a notable recent blog post from an executive at the mutual fund behemoth Morningstar entitled "Attacks on ESG from the Swamp." *The New York Times* Deal Book column also quoted a conclusion from Ceres president Mindy Lubber in late July; she said the effort is "a thinly veiled effort to protect those corporations that are unwilling and unprepared to adapt to a changing world." While battle lines in Washington are clear, the outcome is uncertain—largely because longtime proponents of shareholder resolutions now count among their allies major players on Wall Street who routinely use environmental and social metrics to make decisions about investments.

Trends

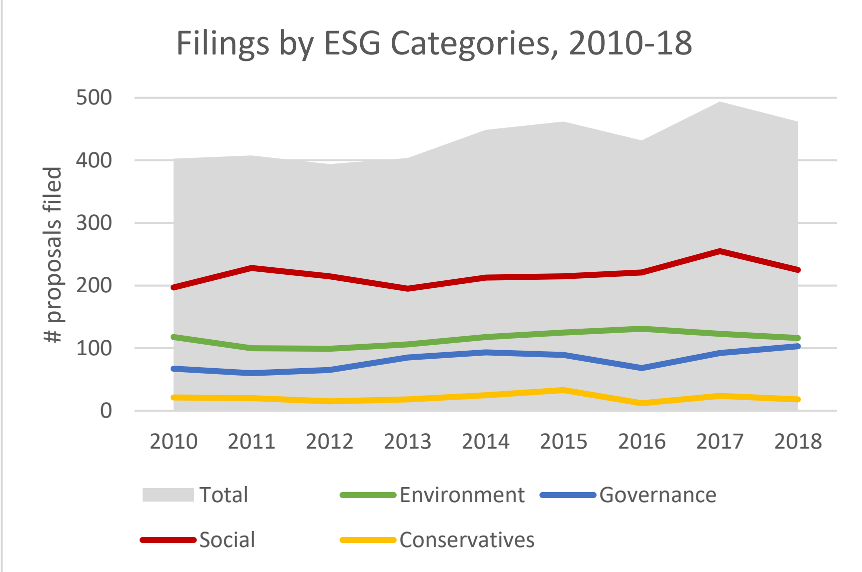
The total number of shareholder resolutions filed in 2018 about the environment, social issues and sustainable governance dropped to 462 as of mid-August, down from last year's record of 494, but remained at an historic high. Social issues continued to dominate, sustained by continued interest in political activity, decent work and workplace diversity—in addition to human rights and a few more topics. Environmental proposals have remained relatively constant over time but have fallen slightly in the last two years, while sustainable governance resolutions continue to increase. Filings by conservatives have stood at a relatively constant low level and dropped a bit in the last three years. *(Graph right.)*

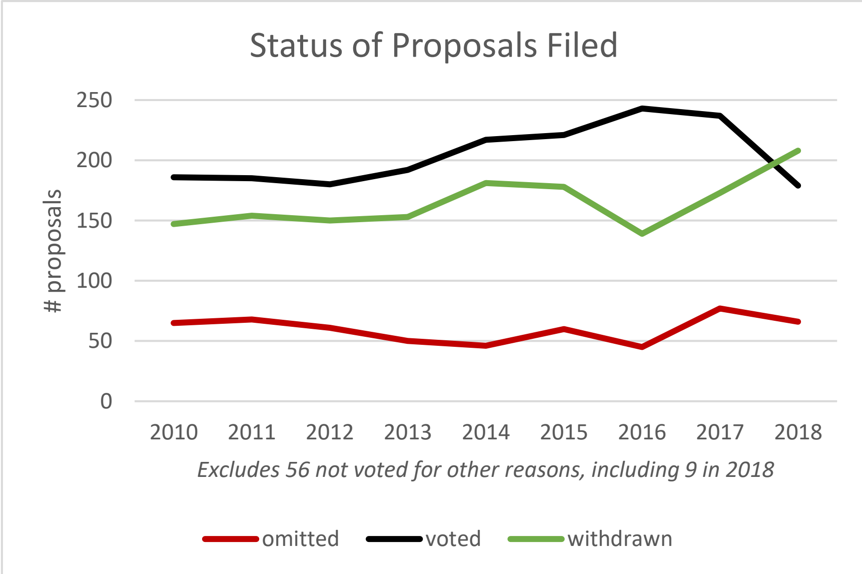
Withdrawn proposals (208) have exceeded the number voted on (a projected 179) for the first time ever. Omissions fell to 66 from 77 last year. The number voted is down from 237 last year and is the lowest of the decade. *(Middle graph.)*

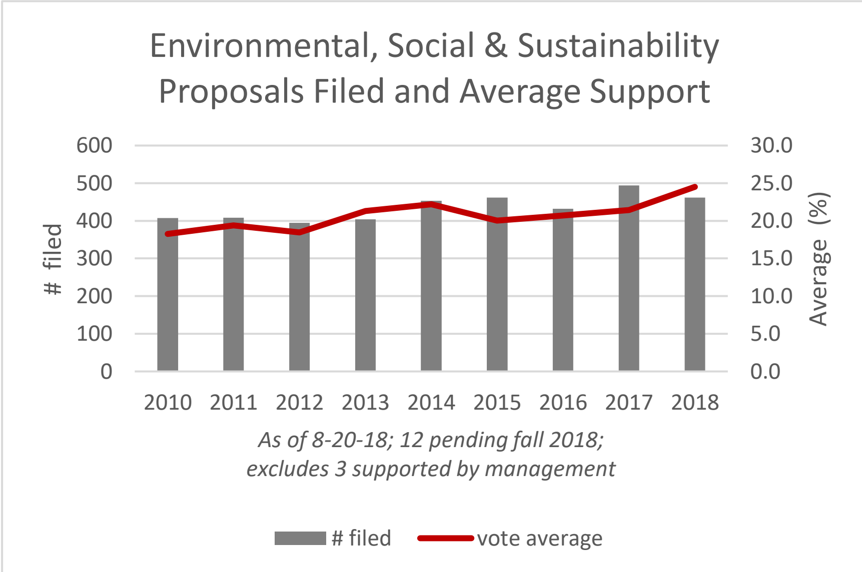
The rate of omitted proposals overall dropped, despite the new legal bulletin, but the omission rate for climate change proposals rose sharply this year.

Average support has risen to an all-time high of 24.5 percent, up from 21.4 percent in 2017. In the last three years, 25 resolutions have earned majority support. *(Bottom graph.)* Investors are most likely to support climate change resolutions as well as those seeking sustainability reports and disclosure of political activity expenditures and diversity data.

The increase in withdrawals came at least in part to some strategic retreats by proponents who judged they would lose company challenges and withdrew before any SEC response to company arguments. But investors also struck deals as company agreed to act, on a host of issues. Proponents increased the number of proposals they withdrew in three areas—gender pay equity (26 withdrawn, up







from 16 last year), carbon asset risk reporting (16, up from nine) and EEO reporting (17, up from seven). Lots of withdrawals also continued to occur on board diversity (28, up from 25), sustainability reporting (19, up from 15) and political activity (22, up from 18).

High scoring proposals: In addition to the nine majority votes, another 18 earned between 40 percent and 49 percent (*table, below)*. Strikingly, the resolutions that earned the highest support dealt with new issues of intense public debate—gun safety (**Sturm, Ruger**) and the opioid crisis (**Depomed**). Like last year, more of the top-scorers related in some way to the environment and sustainability (14) than any other categories; six more concerned election spending or lobbying. Three were about equal employment opportunity and one concerned student loans.

High Scoring 2018 Resolutions

Company	Proposal	Proponent	Vote (%)
Sturm, Ruger	Report on gun safety and harm mitigation	Catholic Health Initiatives	68.8
Depomed	Report on opioid crisis	UAW Retirees	62.3
Kinder Morgan	Publish sustainability report	NYSCRF	60.4 ↺
Kinder Morgan	Report on 2-degree analysis and strategy	Zevin Asset Management	59.7 ↺
Genesee & Wyoming	Adopt GHG reduction targets	Calvert Investments	57.2
Middleby	Publish sustainability report	Trillium Asset Management	57.2 × ↺
Ameren	Report on coal ash risks	Sch. Srs. N. Dame, Ctl Pacific	53.2 ↺
Anadarko Petroleum	Report on 2-degree analysis and strategy	As You Sow	53.0*
Range Resources	Report on methane emissions/ targets	Unitarian Universalists	50.3
Acuity Brands	Publish sustainability report	Trillium Asset Management	49.8
Old Republic International	Adopt board oversight of climate change	Pax World Funds	48.6
American Financial Group	Publish sustainability report	NYSCRF	48.4
Home Depot	Report on EEO and affirmative action	Benedictine Srs., Boerne - TX	48.3 ↺
➡ Allstate	Review/report on election spending	Teamsters	46.5 ↺
Noble Energy	Report on 2-degree analysis and strategy	Presbyterian Church (USA)	45.7 ↺
➡ CMS Energy	Review/report on election spending	NYSCRF	45.2 ↺
Chevron	Report on methane emissions/ targets	Park Foundation	45.0 ×
Applied Materials	Disclose EEO-1 data	NYC pension funds	43.8
➡ NextEra Energy	Review/report on election spending	NYSCRF	43.2 × ↺
Sanderson Farms	Phase out antibiotic use in animal feed	As You Sow	43.1 ↺
Navient	Report on student loans	Rhode Island Pension Fund	42.8 ! #
➡ Wyndham Worldwide	Review/report on election spending	Mercy Investments	42.8 ↺
Fluor	Adopt GHG reduction targets	NYSCRF	41.6 ↺
AmerisourceBergen	Report on opioid crisis	Srs. of St. Francis of Phila.	41.2 ×
➡ Honeywell International	Report on lobbying	Azzad Asset Management	40.7 ↺
➡ American Water Works	Report on lobbying	Boston CAM	40.3

↺ Resubmission *Same proposal withdrawn in 2017 #Similar proposal omitted in 2017
× SEC challenge rejected ! SEC challenge lodged but not resolved before proxy issued

Corporate Political Activity Highlights and Synopsis

The overall tally of resolutions about political influence spending reached 86 this year, down from a high of 130 in 2014 and 90 last year. Forty-seven were on lobbying, 28 continued the Center for Political Accountability disclosure and oversight campaign about election spending, and a few others raised other corporate political involvement questions. The enduring sticking point remains disclosure of spending of company contributions disbursed through intermediary groups like trade groups and other non-profits that companies belong to.

Critical SEC questions: When the proxy season started, it was unclear whether companies would be able to use the new legal bulletin to redefine the "significantly related" portion of the Shareholder Proposal Rule when it came to political activity proposals. **Alliant Energy, Citigroup, Eli Lilly** and **Goldman Sachs** all unsuccessfully argued their political expenditures were insignificant to the companies, with some also saying that investors are just not interested in the disclosure sought by proponents. (**Travelers** made the same argument but the proponents withdrew before any response.) The SEC demurred, which relieved proponents, but in doing so it noted previous levels of support of 20 percent or more. This then prompted proponents to wonder if the commission was trying to signal its support for higher resubmission thresholds—which for more than 50 years have required that first year proposals earn at least 3 percent to qualify for resubmission, 6 percent the second year and 10 percent in each year thereafter. Higher resubmission thresholds have been on the wish list of companies and industry groups for years and proponents are chary of any changes, worrying about opening a can of worms that could damage their ability to raise issues of concern through the shareholder resolution process. *(See Introduction, pp. 4-5, for more on proposals for changing the process.)*

Conservative copy-cats: New this year were proposals from the free market activist group the National Center for Public Policy Research (NCPPR) that used precisely the same resolved clause as that used in the main campaign on lobbying. In two instances, because they were filed first, these resolutions pre-empted proposals filed later from the disclosure advocates, on lobbying at **Duke Energy** and about election spending at **General Electric**, where the question turned on third-party spending groups. The NCPPR proposals went to votes in each case and while the presenters argued *against* disclosure in their support statement, investors appeared to vote on the basis of what was in the resolved clause and support levels were comparable to those filed by disclosure proponents—34.6 percent at Duke (33.3 percent last year) and 21.2 percent at GE (no previous election proposals but 28.6 percent on a traditional lobbying resolution in 2017).

Results: Among the 27 votes so far on lobbying, votes with three exceptions were above 20 percent, with highs of 40.3 percent at **American Water Works** and 40.7 percent at **Honeywell International.** Ten more were above 30 percent. The exceptions were at **Alphabet**, **Ford Motor** and **Tyson Foods** where insiders hold large blocks of the stock, and at **Aetna** and **Goldman Sachs** where proxy advisor ISS recommended against. There were 10 agreements in which companies agreed to provide information and prompted withdrawals.

For election spending proposals, four votes stood out—all resubmissions where support rose from last year: 43.2 percent at **NextEra Energy** (up from 41.2 percent), 45.2 percent at **CMS Energy** (36.2 percent), 42.8 percent at **Wyndham Worldwide** (37.7 percent) and 46.5 percent at **Allstate** (24.9 percent). Six more votes were above 30 percent and just one was below 20—a 17.4 percent score at **Ford Motor.** Proponents also reached 10 withdrawal agreements, as with lobbying.

Otherwise, the AFL-CIO continued to ask financial giants to ban the premature vesting of equity pay for employees who leave to work for the government. Investors seem to like the idea and gave it votes that hit a high of 35.3 percent at **Citigroup**, in addition to two other votes above 20 percent. A new resolution seeking a cost-benefit analysis of election spending from NorthStar Asset Management earned less support—just 6.9 percent at **Intel**. Still another resolution questioned the **FedEx** policy of providing discounts to NRA members, and said there should be a policy on nonpartisanship regarding company ties to activist groups; there was no test of the resolution because the proponents were unable to prove their stock ownership.

Corporate Political Activity Details

Controversy over the extent of corporate influence on the American political system has only intensified in the last year, as the Republican Congress and Trump administration pursue a business-friendly approach to legislation and regulation. The number of shareholder proposals about lobbying and election spending is down to 86 from a high of 130 in 2016, but average support for those that go to votes continues to rise.

The campaign on political disclosure began in 2003 with resolutions on election spending and later expanded to include proposals on lobbying transparency. Key parts of the background to these resolutions are that companies spend at least 10 times more on lobbying than in elections and only rarely disclose so-called "dark money" disbursed through third-party groups like trade associations. The number of companies with political activity policies covering elections and lobbying continues to rise.

While big mutual funds have started supporting some climate change and diversity proposals, they are taking a more hands-off approach on this issue and have yet to support resolutions about political activity. Advocates for more disclosure, including the Center for Political Accountability (CPA) and the Corporate Reform Coalition continue their efforts to persuade the big funds to weigh in—so far with no result. The main proxy advisory firms are now more likely to vote in favor of political activity disclosure proposals, however, which has boosted votes significantly.

Multiple proposals: Since 2013, proponents have been able to file both election spending and lobbying proposals at the same company; this year six companies had two such requests—**Alphabet, American Water Works, Emerson Electric, Exxon Mobil, Ford Motor** and (upcoming) **Oracle. Citigroup** also had the AFL-CIO proposal about "government service golden parachutes" filed in addition to a lobbying resolution—although the proponents failed to present the lobbying resolution and no vote was recorded.

New angles: New in 2018 was a resolution seeking a cost-benefit analysis of election spending, at **Home Depot** and **Intel**, as well as another proposal that asked for a policy from **FedEx** about ties to social activist groups (prompted by special deals for National Rifle Association members), although that one was omitted on technical grounds.

Lobbying

The main lobbying transparency campaign continues to be coordinated by the American Federation of State, County and Municipal Employees (AFSCME) and Walden Asset Management. This year also saw hybrid lobbying and election spending proposals again from the New York City pension funds at three utilities—**Alliant Energy, NRG Energy** and **Great Plains Energy—**as well as a few other variations at a couple of companies, discussed below.

Primary resolution: The resolved clause for the main campaign resolution remains the same and was filed at 46 companies; there were 32 votes, 14 withdrawals, one precluded by a merger and one that was not presented. Thirty were resubmissions. *(Table, pp. 11-12, has all results.)*

The proposal asked for an annual report with information about companies' direct and indirect lobbying policies and procedures, including "grassroots lobbying communications," seeking data on payments for each type of activity and the amounts and recipients for each contribution. All but seven proposals also asked for information on companies' "membership in and payments to any tax-exempt organization that writes and endorses model legislation"—in practice, the main such group is the controversial American Legislative Exchange Council (ALEC), which has seen some of its corporate members leave as critics highlight its contentious policy initiatives such as voter identification laws and immigration. Finally, the proposal asked for information on how decisions are made and overseen by management and the board. It sought the information for all levels of government—federal, state and local—and asked that reports be posted on company websites.

Votes—Votes in general were high, though not at **Alphabet** (9.4 percent), **Ford Motor** (16.8 percent) and **Tyson Foods** (12 percent) where ownership by the founders always makes votes lower than average. Other votes below average were at **Aetna** (8 percent), where the tally dropped from 26.5 percent last year, and **Goldman Sachs** (9 percent); proxy advisor ISS recommended against at both companies, and for all the others. Votes were the highest—around 40 percent—for long-running proposals at **Honeywell International**, and **Emerson Electric** and at new target **American Water Works**. Ten more were in the 30 percent range. *(See table for all votes.)*

Withdrawals—Proponents withdrew 14 proposals, 10 of them after agreements; many were resubmissions that had earned significant support in the past:

Atmos Energy	The proponents withdrew after the company agreed to produce a policy about lobbying and disclose trade association memberships and payments of more than $50,000.
Bank of America	The Nathan Cummings Foundation withdrew a similar proposal in 2017 after reaching an agreement. Earlier, similar proposals in 2014, 2012 and 2011 received 30.4 percent, 31.1 percent and 32.7 percent support, respectively. This year, NYSCRF also reached an agreement.
Chesapeake Energy	This was the third time that this proposal had appeared at Chesapeake. The 2016 and 2012 proposals received 5.7 percent and 44.6 percent support, respectively. The company reported the Unitarian Universalists withdrew the resolution at the annual meeting and no vote was recorded even though it appeared in the proxy statement.
ConocoPhillips	The proposal was in its seventh year and earned 23.9 percent in 2017; earlier support ranged from 24.7 percent (2016) up to 26.8 percent (2015). The proponents withdrew after an agreement.
Consolidated Edison	The proponents withdrew after a company agreement to disclose more information, including payments to trade associations used for lobbying as well as memberships in social welfare groups and charities that write and endorse model legislation.
Devon Energy	The Unitarians withdrew after the company agreed to provide more information on its lobbying. The proposal was in its fifth year and earned 35.9 percent in 2017, 31.1 percent in 2016, 30.7 percent in 2015 and 27.3 percent in 2014.
Dick's Sporting Goods	The proponents noted in the resolution they were concerned about membership in groups such as the National Shooting Sports Foundation and the American Legislative Exchange Council. Proponents withdrew a separate resolution on gun safety after discussions and the company agreed to end its sales of assault weapons. The Ursuline Sisters of Tildonk are continuing their dialogue with the company.
FirstEnergy	This was the fourth year for the resolution, which earned 41.5 percent in 2017, 27.6 percent in 2016 and 19.3 percent in 2015. The Nathan Cummings Foundation withdrew after a commitment from the company.
Goodyear Tire & Rubber	The Unitarians withdrew after reaching an agreement. NYSCRF also withdrew a proposal about election spending oversight and disclosure in 2017 after an agreement.
Textron	This proposal was a resubmission from 2017, when it received 23.8 percent support. NYSCRF reached an agreement.

Otherwise, the **Duke Energy** proposal faced competition from a conservative copy-cat resolution *(see Conservative Groups section below)* that was filed first and included instead. First Affirmative Financial Network (FAFN) withdrew after a challenge noting it was unable to prove its stock ownership at **Morgan Stanley** and Friends Fiduciary bowed out at **SCANA** given its coming merger with Dominion Energy, which has a policy the proponents view favorably. At **Travelers**, though, FAFN ceded to the company's challenge before any SEC response to it, as discussed below.

SEC action and withdrawals—Lobbying proposals have survived SEC scrutiny for several years and did so again despite arguments from three firms that the new legal bulletin could be used to exclude the resolutions under the "significantly related" section of the Shareholder Proposal Rule that the bulletin discussed. **Citigroup, Eli Lilly, Goldman Sachs** and **Travelers** each contended that lobbying is not material to their businesses. Agreement from the SEC would have marked a sea change in SEC interpretation, but commission staff rejected the first three challenges and the proponents withdrew the Travelers' resolution before any response:

- **Eli Lilly** noted it spent $64 million on federal lobbying between 2010 and 2016, or about $9 million a year, a fraction of its total assets, net earnings and gross sales. It also argued the resolution "is not otherwise significantly related" to its business and concerned ordinary business, invoking the new legal bulletin and describing in some detail how the board considered the issue. But the SEC noted the board failed to show how investors were not interested in the subject given a previous 25 percent vote.

- **Goldman Sachs** concentrated its arguments on the "significantly related" portion of rule and said its 2016 lobbying accounted for less than

Lobbying Proposals

Company	Proponent	Result (%)
Votes		
AbbVie	Zevin Asset Management	24.3 ↺
Aetna	Daughters of Charity	8.0 ↺
Alliant Energy[1]	NYC pension funds	39.0 ×
Alphabet[3]	Walden Asset Mgt.	9.4 ↺
American Water Works	Boston CAM	40.3
AT&T	Zevin Asset Management	34.3 ↺
BlackRock	Unitarian Universalists	21.0 ↺
Boeing	Phila. PERS	24.4 ↺
CenturyLink	AFL-CIO	21.3 ↺
Charter Communications	NYSCRF	19.7
Chevron	Walden Asset Mgt.	31.5 ↺
Cisco Systems	Unitarian Universalists	(12/11/17) ↺
Comcast	Friends Fiduciary	19.1 ↺
Eli Lilly[3]	NYSCRF	20.1 × ↺
Emerson Electric[3]	The Sustainability Group	39.6 ↺
Exxon Mobil	United Steelworkers	26.3 ↺
FedEx	Teamsters	Sept. 24 ↺
Ford Motor[3]	Unitarian Universalists	16.8 ↺
Franklin Resources	Zevin Asset Management	21.5
Goldman Sachs	Unitarian Universalists	9.0 ×
Honeywell International	Azzad Asset Management	40.7 ↺
IBM	Walden Asset Mgt.	32.9 ↺
McKesson	UAW Retirees MBT	38.8
Motorola Solutions	Mercy Investment Services	34.6 ↺
NRG Energy[1]	NYC pension funds	35.2
Nucor	Domini Social Investments	36.6 ↺
Oracle	Boston CAM	(11/15/17)
Pfizer	Teamsters	33.5 ↺
Tyson Foods	Mercy Investment Services	12.0 ↺
United Parcel Service	Walden Asset Mgt.	19.6 ↺
Verizon Communications	Boston CAM	36.2
Vertex Pharmaceuticals	Friends Fiduciary	30.5 ↺
Walt Disney	Zevin Asset Management	37.4 ↺

(continued, next page)

(continued) ***Lobbying Proposals***

Company	Proponent	Result (%)
Withdrawn		
Atmos Energy	Friends Fiduciary	Agreement
Bank of America[3]	NYSCRF	Agreement ↺
Chesapeake Energy	Unitarian Universalists	Agreement
ConocoPhillips[3]	Walden Asset Mgt.	Agreement
Consolidated Edison	Friends Fiduciary	Agreement
Devon Energy (2 proposals)	RI Pension/Unitarians[2]	Agreement ↺
Dick's Sporting Goods	Ursuline Srs. of Tildonk	Agreement
Duke Energy	Mercy Investment Services	Duplicate ! ↺
FirstEnergy	Nathan Cummings Fndn	Agreement ↺
Goodyear Tire & Rubber	Unitarian Universalists	Agreement
Morgan Stanley	FAFN	Ownership !
SCANA	Friends Fiduciary	Merger
Textron	NYSCRF	Agreement ↺
Travelers	FAFN	See text ! ↺
Not Voted – Other Reasons		
Citigroup[3]	Change to Win	Not presented × ↺
Great Plains Energy[1]	NYC pension funds	Merger

[1]Election spending and lobbying
[2]Climate change advocacy from the Unitarians at Devon and the standard lobbying resolution from the Rhode Island Pension Fund.
[3]Excludes reference to groups writing model legislation.
↺ Resubmission from 2017
! SEC challenge lodged
× SEC rejected company challenge

0.2 percent of its net earnings that year and a fraction of gross sales. It said its Corporate Governance and Nominating Committee had met and agreed with management's conclusion that the proposal "does not...raise new or additional social or ethical concerns that are significant to the company's business." A similar lobbying resolution last went to a vote at Goldman in 2013 and received 6.2 percent support. But the SEC said, "Although your discussion of the board's analysis sets forth several factors the board considered in evaluating the Proposal, it does not provide a sufficient level of detail to reach a determination that exclusion of the Proposal is appropriate."

- **Citigroup** argued on both grounds, noting it spends about $5 million annually on federal lobbying, equivalent to less than 0.05 percent of its total assets, net income and net revenues. The company submitted a second letter reiterating and expanding on its initial arguments, as well. Notable was a tart letter from the proponents in response to the idea that lobbying has no relevance to the bank; the proponents said this view is belied by a long history of lobbying to further its interests in Washington—exemplified by a provision of the Dodd-Frank financial reform law dubbed "the Citibank provision" given work by the bank's lobbyists. The SEC concluded the bank's board failed to explain why shareholders were uninterested given a previous vote of "at least 25 percent."

  This was the sixth year in a row for this proposal and support has ranged from the mid-20-percent range to a high of 34.1 percent in 2015; the vote in 2017 was 30.9 percent. In the end, thought, no vote was recorded for the proposal although it appeared in the proxy statement because the proponent's representative did not present it properly at the annual meeting.

- FAFN withdrew after a similar challenge from **Travelers**, which also contended the proposal was not economically relevant to it, so the commission did not issue a response. This was the seventh year in a row for this proposal at the company and it earned 37.4 percent in 2017, down from 43.9 percent in 2016.

Hybrid proposal: The New York City pension funds' proposal asked for disclosure of all recipients and contributions from company funds with any non-tax-deductible expenses for all political activities incurred related to legislation, political campaigns and efforts to influence the public about elections, legislation and referenda. It asked for data on contributions to or spending supporting or opposing political candidates, committees and parties in the form of dues, contributions, or other payments to any tax-exempt groups or political committees including those such as ALEC and "social welfare" groups.

The resolution earned 39 percent at **Alliant Energy**, nearly the same as last year, and 35.2 percent at **NRG Energy**, up from 30.7 percent last year**.** At **Great Plains Energy** a merger precluded the vote.

SEC challenge—Alliant Energy made the same arguments as the other companies noted above, saying its expenditures to political groups are insignificant compared to its total assets, net income and gross sales and that its board met and agreed these expenditures do not raise public policy concerns significant to its business. It also reported its current oversight and reporting procedures for political activity, and said the proposal was concerned primarily with contributions to non-profit groups, which it says are particularly insignificant to it and have raised no concerns outside its ordinary business. It also contended investors are uninterested in the topic. In rejecting these arguments, the SEC noted last year's support of 38.6 percent. This year it earned 39 percent.

Climate connection: Another resubmission, in its fifth year, asked **Devon Energy** to review its "public policy advocacy on energy policy and climate change," including "an analysis of political advocacy and lobbying activities, including indirect support through trade associations, think tanks and other nonprofit organizations." The resolution earned 26.6 percent support last year and less in the three previous years; this year the company agree to provide more information and the Rhode Island Pension Fund withdrew. The Unitarian Universalists also withdrew the standard lobbying proposal, as noted above.

Election Spending

The Center for Political Accountability and its allies, a wide variety of institutional investors, are continued the campaign they began in 2003. The standard CPA proposal, which has not been changed for several years, asked 28 companies to produce a semi-annual report on direct and indirect spending on political campaigns and referenda, detailing the amounts of monetary and in-kind support, the recipients and the titles of any company decisionmakers. There have been 18 votes so far and two more to come in the fall, as well as six withdrawals. Two others did not go to a vote for other reasons.

Votes: Half of the resolutions that went to votes were resubmissions. Four votes were above 40 percent: 46.5 percent at Allstate, 45.2 percent at CMS Energy, 43.2 percent at NextEra Energy and 42.8 percent at Wyndham Worldwide. Another six earned between 30 and 39 percent, and seven more 20 to 29 percent, with the lowest coming in at 17.4 percent at **Ford Motor**. *(Full list on table, next page.)*

The resolution will go to a vote at **NIKE** on September 20 and is also expected to be on the ballot at **Oracle**, which is likely to have its meeting in November.

Withdrawals: Shareholder resolutions produced just three agreements at companies this year—**Alphabet, Mattel** and **Xcel Energy**, in which the companies agree to provide reports.

Otherwise, the withdrawal at **DaVita HealthCare** came after a technical slipup in the filing. At **Exxon Mobil** the proponents were concerned about an adverse SEC result if the company challenged since there also was a lobbying proposal, and they withdrew after dialogue although no challenge was actually filed. The final proposal, at **General Electric,** was preempted by a similar proposal from the conservative NCPPR.

SEC action: Ford Motor unsuccessfully challenged the resolution at the SEC, which disagreed with the company's contention it duplicated a proposal received first about lobbying. The company said the proposals are similar because each mentioned trade association spending—although the proponent of the election spending resolution did not do so in the resolved clause and also stipulated lobbying was not encompassed in his proposal.

NextEra was also unsuccessful in its SEC challenge, in which it followed the playbook of the companies receiving lobbying proposals and argued it could be excluded on ordinary business grounds since political contributions are tangential to its business and that its campaign spending is insignificant. The challenge invoked the new legal bulletin and said the NextEra board supported this view, but in its response the SEC noted last year's vote of 41.2 percent and rejected the challenge.

Election Spending Proposals

Company	Proponent	Result (%)
Withdrawn		
Alphabet	Clean Yield Asset Mgt.	Agreement ↺
DaVita HealthCare	James McRitchie	
Exxon Mobil	Unitarian Universalists	↺
General Electric	NYSCRF	!
Mattel	NYSCRF	Agreement
Xcel Energy	Nathan Cummings Fndn	Agreement !
Votes		
Allstate	Teamsters	46.5 ↺
American Water Works	Trillium Asset Management	39.8
Ameriprise Financial	NYSCRF	38.8 ↺
CarMax	Teamsters	29.2 ↺
Charles Schwab	James McRitchie	25.4
CMS Energy	NYSCRF	45.2 ↺
Emerson Electric	Trillium Asset Management	39.4 ↺
Equifax	NYSCRF	29.7 ↺
Ford Motor	James McRitchie	17.4 ×
J.B. Hunt Transport	Teamsters	25.5
NextEra Energy	NYSCRF	43.2 × ↺
NIKE	Investor Voice	Sept. 20
Northern Trust	Unitarian Universalists	24.0
Oracle	NYSCRF	November
PayPal	James McRitchie	24.6
Range Resources	Nathan Cummings Fndn	35.9 ↺
Republic Services	Teamsters	29.1
Western Union	NYSCRF	32.0 ↺
Wyndham Worldwide	Mercy Investment Services	42.8 ↺
Wynn Resorts	NYSCRF	36.7 ↺
Not Voted – Other Reasons		
Home Depot	NYSCRF	Not presented
Kimberly-Clark	Myra K. Young	Omitted (b)

↺ Resubmission from 2017
! SEC challenge lodged
× SEC rejected company challenge
b: Did not provide sufficient proof of stock ownership

NYSCRF withdrew at **General Electric**, after the company argued that the resolution substantially duplicated a proposal about lobbying that it received first from the National Center on Public Policy Research, a conservative political group. NYSCRF withdrew before any SEC response. (A similar pre-emption occurred with the standard lobbying proposal at Duke Energy, noted above). But in GE's case, the company argued the NYSCRF election spending proposal was duplicated by NCPPR's lobbying resolution because trade associations, mentioned in the resolution, both lobby and spend on elections. Last year, at Exxon Mobil, the SEC agreed with this line of reasoning.

Related Political and Charitable Activity

Government service: The AFL-CIO returned with its "government service golden parachute" proposal and earned significant support**.** The resolution asked **Citigroup, JPMorgan Chase** and **Morgan Stanley** to "adopt a policy prohibiting the vesting of equity-based awards for senior executives due to a voluntary resignation to enter government service." It went on to define this as equity-based awards including "stock options, restricted stock and other stock awards granted under an equity incentive plan," and government service as employment by any U.S. federal, state or local government or 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."

Investors gave it 35.3 percent at Citigroup, after the SEC rejected a challenge invoking the new legal bulletin that argued it concerned matters financially immaterial to the company as well as ordinary business; the commission noted the proposal previously earned 35 percent support. Neither of the other two firms lodged a challenge; the vote was 29.3 percent at JPMorgan and 20 percent at Morgan Stanley.

Cost-benefit analysis: NorthStar Asset Management had a new resolution expressing its longstanding concern about consistency between companies' public policy positions and their PAC and corporate spending. It asked **Home Depot** and **Intel** to report on "a cost-benefit analysis of the most recent election cycle's political and electioneering contributions, examining the effectiveness, benefits, and risks to shareholder value associated with those contributions." It earned 6.9 percent at Intel but was omitted at Home Depot after the SEC agreed with the company's contention that it duplicated an election spending resolution received first. (Resolutions along similar lines about the congruency between corporate values and political contributes went to votes at both firms last year, too—receiving 5.6 percent at Home Depot and 7 percent at Intel.)

Philanthropy: Three other resolutions dealt with corporate philanthropy. The SEC agreed one about charitable giving from **Chevron** to Texas A&M University regarding animal experimentation could be omitted. A new resolution from two individuals asked **FedEx** to adopt a nonpartisan policy about "corporate affiliation with outside entities that engage in or are significantly identified with social issues" raised concerns about a discount program for National Rifle Association members but was omitted on technical grounds. A detailed proposal at **McDonald's** from Harrington Investments targeted what it saw as a disconnect between the company's charitable giving and its food menu; it earned 3.2 percent.

Other Political Activity Proposals

Company	Proposal	Proponent	Result (%_
Citigroup	Prohibit government service golden parachutes	AFL-CIO	35.3 ×
JPMorgan Chase			29.3
Morgan Stanley			20.0
Home Depot	Provide cost-benefit analysis of election spending	NorthStar Asset Management	Omitted (i-11)
Intel			6.9
Philanthropy			
Chevron	End charitable contributions	PETA	Withdrawn !
FedEx	Adopt policy on ties to activist groups	Morris and Lisa Davis	Omitted (b)
McDonald's	Report on charitable contributions	Harrington Investments	3.2 ↺

↺ Resubmission from 2017
! SEC challenge lodged
× SEC rejected company challenge
b: Did not provide sufficient proof of stock ownership
i-11: Duplicative of another similar proposal received first

Conservative Groups & Political Activity

Shareholder resolutions from politically conservative groups have focused largely on social policy issues, get little support from other investors and often get omitted on technical grounds.

As in recent years, the National Center for Public Policy Research (NCPPR), a Washington, D.C.-based think tank, is the main player, with its resolutions also filed by David Ridenour, the group's president. NCPPR calls itself "the nation's preeminent free-market activist group focusing on shareholder activism and the confluence of big government and big business." Representatives of the project have been attending corporate annual meetings, with or without having filed resolutions, to speak out against the resolutions filed by other proponents. The project says it is "advancing free-market ideals about health care, energy, taxes, subsidies, regulations, religious freedom, food policies, media bias, gun rights, workers' rights and other important public policy issues." The final resolution tally of conservative-backed proposals for 2018 is derived from SEC filings, including challenges, and company proxy statements. NCPPR posts press releases about its current efforts but not an overall list of what it has filed.

Out of 19 resolutions filed by conservatives, there were five votes, three withdrawals and 11 omissions. Of these, two were about lobbying and three about philanthropy.

Lobbying: NCPPR supports unfettered corporate spending in the political arena but lifts some language from the resolutions of proponents who are instead looking for spending disclosure. It also is critical of companies that support environmental regulation. This year, NCPPR resolutions lauded the lobbying efforts of **Duke Energy** and **General Electric** and asked for a report, using the same resolved clause of disclosure advocates concerned about what they see as undue influence in the political system. Both companies had also received standard political activity proposals (Duke on lobbying and GE on elections) and argued at the SEC that they need not include them because they received the NCPPR version first, following the SEC's Shareholder Proposal Rule. The respective proponents, Mercy Investments and NYSCRF, withdrew. The NCPPR resolution praised both companies for supporting the American Legislative Exchange Council and the Business Roundtable and said they should continue to "advance economic liberty" and "free speech rights."

Some investors who support more political activity disclosure ended up voting for the resolutions, reasoning that they were voting on the resolved clauses—which sought disclosure. Others voted against the proposals because of the intent of the proponent. In the end, the resolutions earned much more support than is usual for NCPPR—34.6 percent at **Duke** and 21.2 percent at **General Electric**.

Philanthropy: Just one of the corporate charitable giving proposals went to a vote; Tom Strobhar wanted PG&E to end it charitable giving out of concern for its support for gay rights, but he received just 1 percent and cannot be resubmitted. Two others asking for reports on charitable giving were omitted on ordinary business groups, since they raised concerns about giving to specific groups.

Conservative Group Proposals on Corporate Political Activity			
Company	**Proposal**	**Proponent**	**Result**
Duke Energy	Report on benefits of lobbying	NCPPR	34.6
General Electric	Report on benefits of lobbying	NCPPR	21.2
JPMorgan Chase	Report on charitable contributions	NCPPR	Omitted (i-7)
PG&E	End charitable contributions	Tom Strobhar	1.0
Starbucks	Report on charitable contributions	Tom Strobhar	Omitted (i-7)
i-7: Ordinary business			