Sustainable Investments Institute

November 12, 2018

Mr. Brent J. Fields
Secretary
U.S. Securities & Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: SEC Staff Roundtable on the Proxy Process [File No. 4-725]

Dear Mr. Fields:

I'm writing to provide comments for the SEC Staff Roundtable on the Proxy Process, File No. 4-725. With this letter, I am submitting information about trends in shareholder resolutions filed by investors on social, environmental and sustainability issues, with details about the outcomes of these proposal filings and their ultimate disposition.

The Sustainable Investments Institute (Si2) is an impartial, nonprofit research organization that researches and analyzes information about U.S. shareholder proposals for leading North American institutional investors, including the largest endowed U.S. colleges and universities and several large public pension funds, among others, who collectively manage assets of more than $1 trillion. While we closely follow these proposals and the issues they raise to inform our subscribers, we do not provide voting recommendations. We also publish benchmarking reports analyzing how and why large public companies respond to reform pressures from their investors and other stakeholders.

Shareholder proposals clearly serve as a useful barometer of the full spectrum of engagement between investors and their investee companies on key current and long-term issues of market and public policy concern. Our research about company behavior on key proxy season topics has documented how many corporations have responded to their shareholders' requests by changing their behavior. (Reports available at https://siinstitute.org/reports.html). For instance, on three major themes we have tracked over the course of this decade—climate change, corporate political activity disclosure, and diversity—companies increasingly are reporting on greenhouse gas emissions and climate change risk planning, disclosing more about political expenditures, and making efforts to diversify their boards and workplaces. While shareholder resolutions are filed by investors with a particular viewpoint, the levels of support for these proposals from investors at large helps companies evaluate their options for responding most effectively. The increasing number of negotiated withdrawals of proposals, in which companies and proponents agree, illustrates how this private ordering process identifies common ground and good ideas.

While some suggest that the shareholder proposal process has run amok and raises issues irrelevant to investors and companies, this does not in general appear to be the case from our perspective. What is clear is that shareholder proponents do present companies and fellow investors with a wide range of ideas about how to respond to important issues that affect the market and corporate fortunes. Investors at large are free to vote against resolutions that they do not support—and do. The key question the commission should consider in evaluating any proposal that would further limit proponents and proposals is why less information and fewer ideas will make for better functioning markets.

Attached is a report that provides a detailed look at shareholder proposal filings on social, environmental and sustainability issues, with trends since 2010 and details about the issues considered in 2018. It highlights a recent reduction in the number of proposals going to votes on these issues and an increase in withdrawals. It also illustrates the jump in the number of climate change omissions in 2018 that came after a shift in SEC staff interpretation of Rule 14a-8 following Staff Legal Bulletin 14i in November 2017. Most importantly, however, it documents a broadening of investor support for more corporate disclosure, with environmental and sustainability concerns topping the list.

I am happy to respond to any questions about the data presented in the attached report and can be reached at email [redacted] or telephone [redacted].

Thank you for your consideration.

Sincerely,

Heidi Welsh

Heidi Welsh
Executive Director
Sustainable Investments Institute (Si2)

Attached: 2018 Si2 Proxy Season Review

Proxy Season Review:

Social, Environmental & Sustainable Governance Shareholder Proposals in 2018

By Heidi Welsh

November 9, 2018

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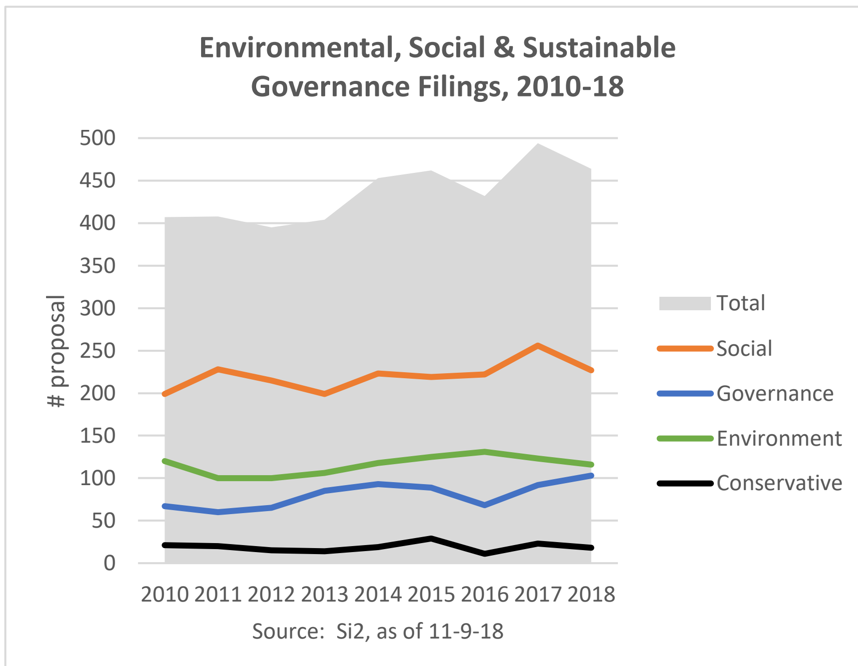
OVERVIEW

Investor support for a wide range of shareholder proposals on social and environmental issues increased in 2018; 12 proposals earned majority support, even on issues that previously received little shareholder approval, more than ever before. This appears to show increasing traction among investors for a broad range of "non-financial" concerns, which is reflected in increasing support from large mutual fund families, proxy advisors and other investors. It is particularly notable with respect to climate change.

The majorities occurred on hot-button issues that attracted support from the same 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 52.2 percent for the same resolution at **American Outdoor Brands.** Investors also gave majority support for reporting on the risks associated with the opioid crisis—62 percent at **Depomed** and 61.4 percent at **Rite Aid**.[1] *(Table, pp.7-8, shows all the majority votes.)* Majority support occurred for eight more proposals on climate change and sustainability disclosure, including 80 percent supporting sustainability reporting at **Rite Aid**.

A total of 464 resolutions were filed on social, environmental and sustainable governance topics, down some from the nearly 500 in 2017. Proponents withdrew 212 proposals, 66 were left out of proxy statements (omitted) after company challenges at the SEC and three remain pending for **Oracle's** Nov. 14 annual meeting, on lobbying, election spending and gender/minority employee pay equity.



Major Themes

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. Yet few energy companies appear to be contemplating fundamental business model changes that will be needed to keep global temperatures in check, so proponents of more aggressive corporate reforms could amp up their efforts using a different approach going forward. 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 no-action letter at **EOG Resources** this year suggests

[1] All voting results presented as shares cast in favor divided by those cast for and against, excluding abstentions and broker non-votes.

these resolutions may be blocked from investor consideration in the future, however—on the grounds that the request is too detailed and amounts to "ordinary business."

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 shareholder proponents of these resolutions feared SEC Staff Legal Bulletin 14I from late 2017 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 corporate requests, noting previous significant levels of investor support of more than 20 percent.

Diversity

Proposals seeking fair treatment and equal pay for women and people of color, combined with those seeking 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 change their nominating procedures to provide greater consideration of more diverse slates of board candidates.

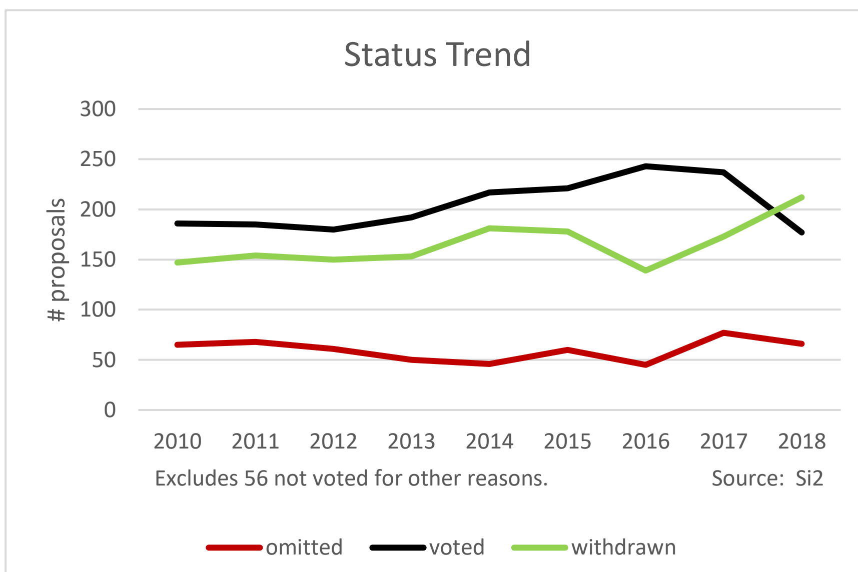
New Issues

In addition to the new gun safety and opioid proposals noted above, a key development in 2018 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.

Key Metrics

Volume

The total number of shareholder resolutions filed in 2018 about the environment, social issues and sustainable governance[2] dropped to 464, as noted, down from last year's record of 494, but have risen some over the last decade. 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



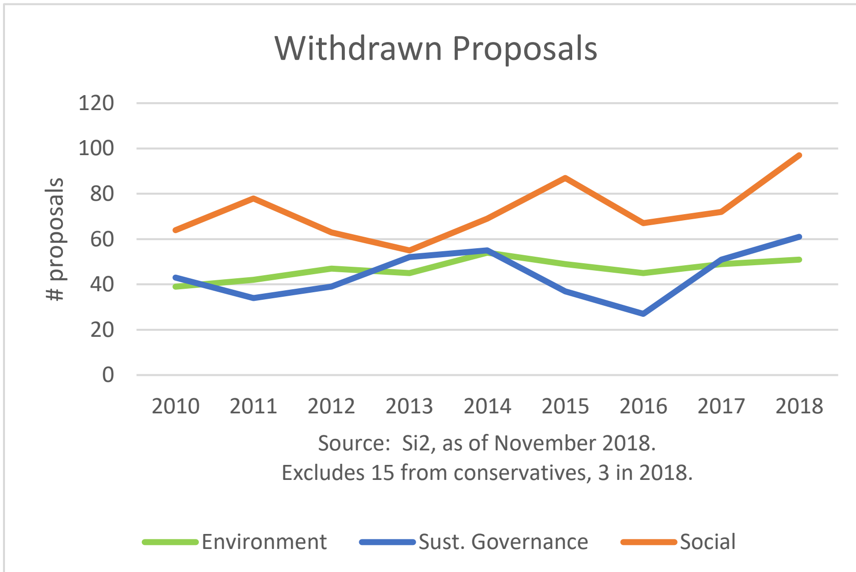
[2] "Sustainable governance" is defined as proposals that seek changes in a company's corporate governance related to social, environment or sustainability subjects—dealing with reporting, boards or executive compensation.

sustainable governance resolutions continue to increase. Additionally, filings from political conservatives have stood at a relatively constant low level and dropped a bit in the last three years. *(Graph, p. 1.)*

Withdrawn proposals (212) exceeded the number voted on (177) 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. *(Graph, bottom of previous page.)*

Withdrawals

The increase in withdrawals came at least in part because of 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, as in the past.



There was a marked jump in withdrawn proposals about social issues. *(Graph right)*. On particular topics, social issues withdrawals rose notably for *gender pay equity* (26 withdrawn, up from 16 last year), *EEO reporting* (17, up from seven) and *political activity* (23, up from 18). For the environment, withdrawals have risen overall but did not grow dramatically—although they did for *carbon asset risk reporting* (16, up from nine). On sustainable governance, there were lots of withdrawals on *board diversity* (29, up from 25) and *sustainability reporting* (20, up from 15).

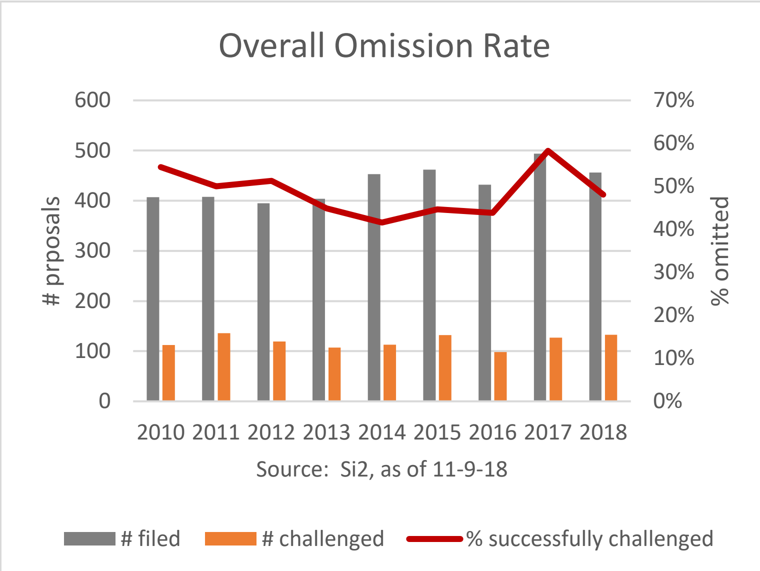
Climate Change Proposals Omitted in 2018

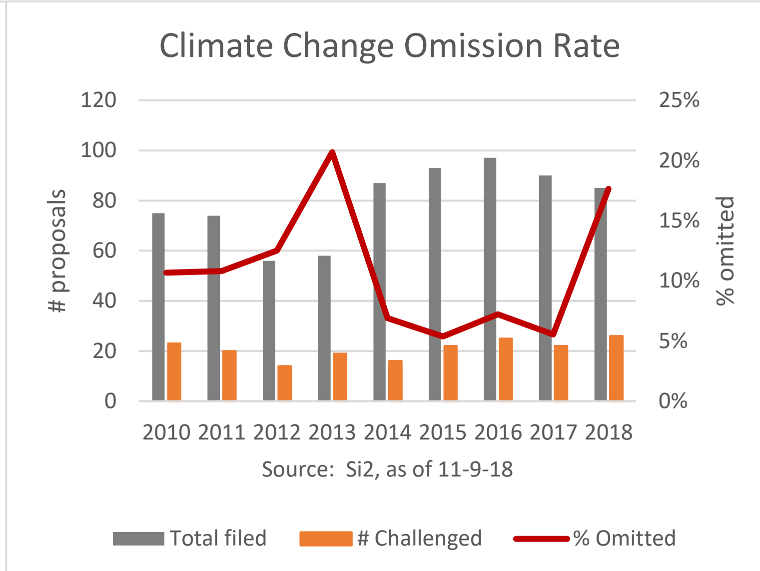
Reason	Proposal	Company
i-7	Adopt GHG reduction targets	EOG Resources
	Report on net-zero GHG goals	Amazon.com Apple Deere PayPal Verizon
	Report on oil sands financing	JPMorgan Chase
	Report on renewable energy goals	Gilead Sciences Red Hat Rite Aid
i-10	Report on changed carbon asset mix	Exxon Mobil
	Report on energy efficiency efforts	Apple
	Report on stranded carbon assets	PNM Resources
i-12	Report on renewable energy goals	Ameren

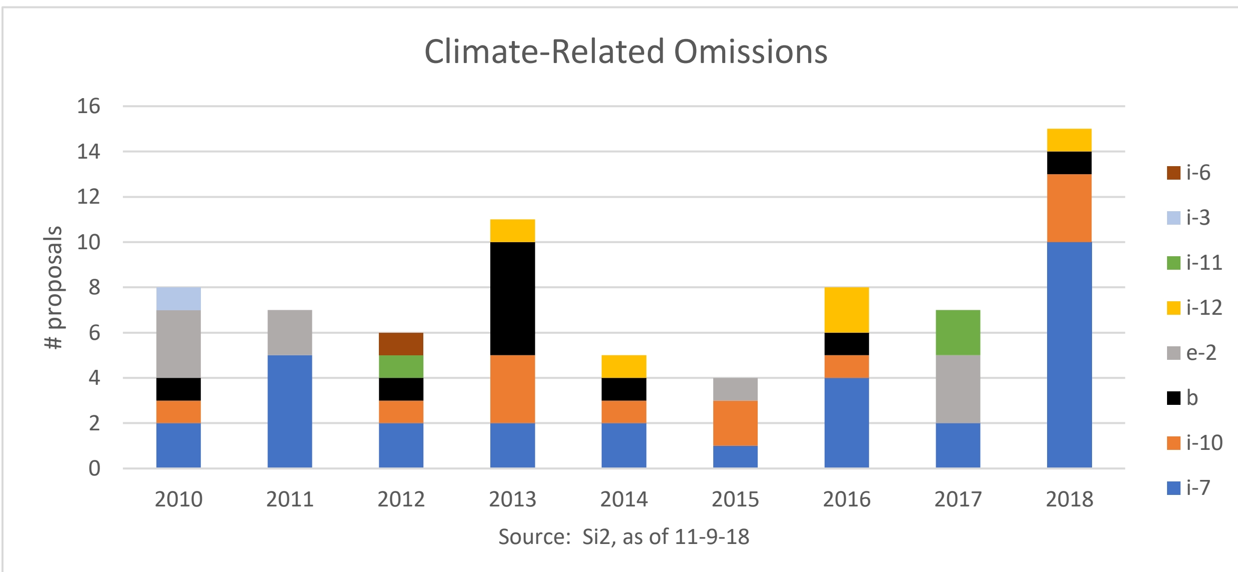
See next page for explanation of omission reasons under Rule 14a-8.

Omissions

The rate of omitted proposals dropped, despite the new legal bulletin. But the omission rate for climate change proposals rose sharply this year, driven by omissions on Rule 14a-8(i)(7), "ordinary business." This reason was used in 2018 more than it ever has been in the past. *(Graphs, next page.)*





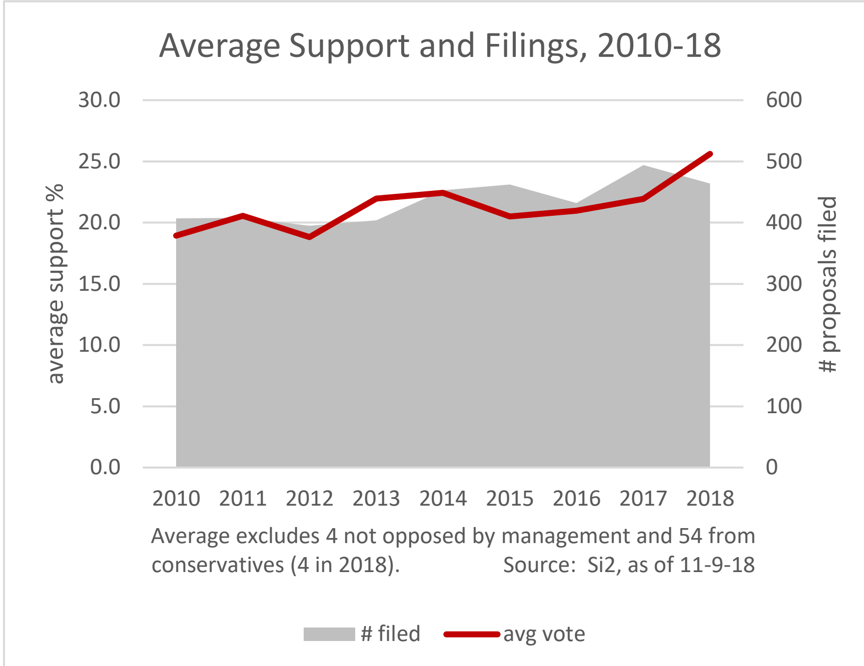


Rule 14a-8 Provisions		**Explanation**
Substantive Reasons	i-3	False/misleading or too vague
	i-6	Cannot be implemented by the company
	i-7	Relates to ordinary business
	i-10	Moot
	i-11	Duplicates a similar proposal
	i-12	Previous similar proposal missed refiling threshold
Technical Reasons	b	Proponent failed to prove stock ownership
	e-2	Filed too late

Note that high number of climate-related omissions in 2013 occurred because of technical filing problems, not a substantive policy shift in SEC reasoning, as occurred in 2018.

Support

Average support has risen to an all-time high of 25.1 percent, up from 21.4 percent in 2017. *(Graph right.)* In the last three years, 28 resolutions have earned majority support; 49 have done so since 2010. Support is highest for climate change sustainability reporting resolutions, as well as those seeking disclosure of political activity and diversity data.



High scoring proposals: In addition to the 12 majority votes in 2018, another 19 earned between 40 percent and 49 percent *(table below)* and 35 more earned between 30 and 39 percent. Strikingly, all but one of the resolutions that earned the highest support dealt with new issues of intense public debate—gun safety (**American Outdoor Brands** and **Sturm, Ruger**) and the opioid crisis (Depomed, now called **Assertio**, and **AmerisourceBergen**). Like last year, more of the top-scorers related in some way to the environment and sustainability (15) than any other categories; six more concerned election spending or lobbying. Three were about equal employment opportunity and one concerned student loans.

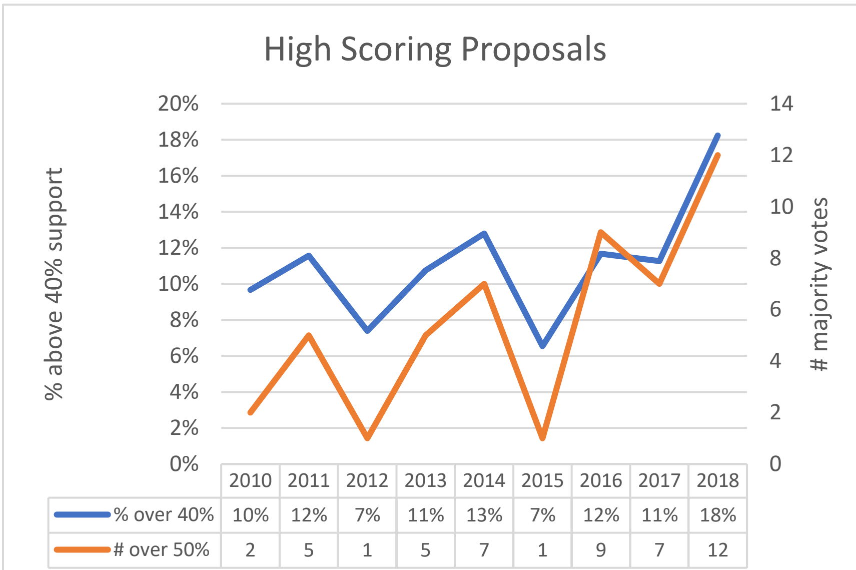
High Scoring 2018 Resolutions

Company	Proposal	Proponent	Vote (%)
Rite Aid	Publish sustainability report ×	Sisters of St. Francis, Phila.	80.0
Sturm, Ruger	Report on gun safety and harm mitigation	Catholic Health Initiatives	68.8
Depomed (now Assertio)	Report on opioid crisis	UAW Retirees	62.3
Rite Aid	Report on opioid crisis	UAW Ret. Med. Benefits Trust	61.4
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*
American Outdoor Brands	Report on gun safety and harm mitigation	Srs. of the Holy Names	52.2
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 ×
Juniper Networks	Disclose EEO-1 data	NYC pension funds	43.9 ↺

High Scoring 2018 Resolutions			
Company	**Proposal**	**Proponent**	**Vote (%)**
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
Darden Restaurants	Report on antibiotic use in animal feed	Green Century Funds	40.2

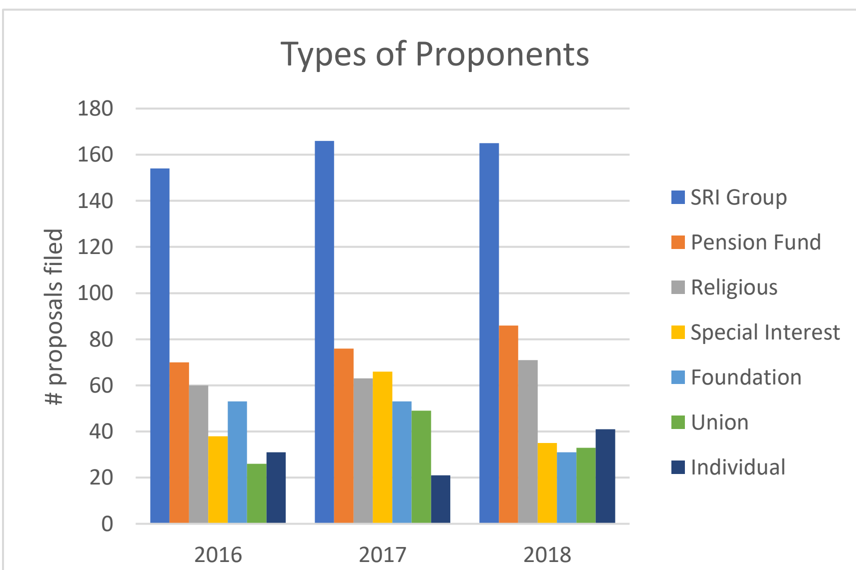
↺ Resubmission *Same proposal withdrawn in 2017 #Similar proposal omitted in 2017
× SEC challenge rejected ! SEC challenge lodged but not resolved before proxy issued

As the graph at right shows, the proportion of majority votes and high-scoring resolutions is climbing.



Proponents

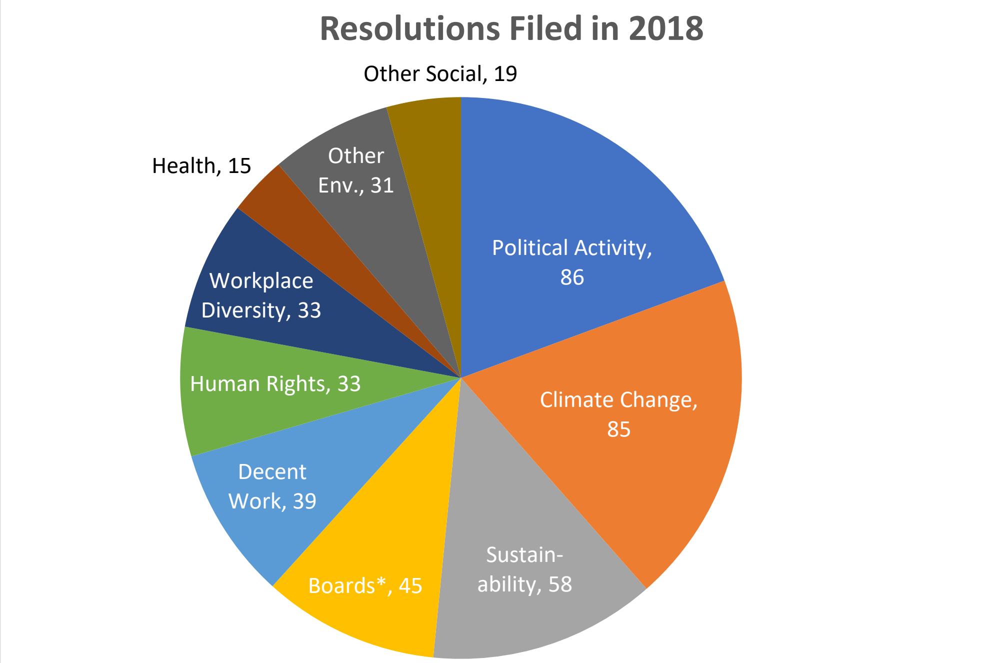
A wide range of institutional investors, as well as some retail investors, file the shareholder proposals discussed in this report. SRI firms are by far the most likely to file resolutions, followed by pension funds and religious groups. A few single-issue special interest groups also file, and some foundations. Unions are relatively uncommon proponents, while filings from individuals have risen a bit. *(Graph right.)*



Many proponents co-file with each other and resolutions are classified here by the lead filer's institution type; this classification particularly undercounts activity by members of the Interfaith Center on Corporate Responsibility (ICCR), whose members often co-file.

2018 RESULTS

This section provides a look at the main issues raised in each of the topics raised during the proxy season, highlighting new issues, continued big campaign and significant results, with special attention to the ways in which SEC Staff Legal Bulletin 14I from November 2017 shaped the proxy season, as discussed above in the Overview. As of November, just three more were awaiting votes at Oracle's annual meeting on Nov. 14.



includes 34 on board diversity. Pie also includes 18 proposals from conservative groups.

Environmental Issues

Climate change remains the dominant topic for environmental proposals; it also continues to undergird many other corners of shareholder activity.

Climate Change

Out of the 85 resolutions on climate, three-quarters raised requests that have been around for a long time, seeking more information about how companies report and manage carbon asset risks and set goals to reduce their greenhouse gas (GHG) emissions, in both conventional and unconventional oil and gas operations.

Carbon Asset Risk

A core request was for companies to explain how they will adapt to a scenario with a low-carbon economy that prevents a global temperature increase above 2 degrees Celsius, as agreed in the Paris Climate Treaty. Most of the 28 recipients were energy and utility companies that routinely get these requests in some form.

Only six of 22 scenario proposals went to votes, producing two majority votes—53 percent at **Anadarko Petroleum**, where it had not been considered previously, and 59.7 percent at **Kinder Morgan** (up from 38.2 percent last year). Another high vote was at **Noble Energy**—45.7 percent (up from 24 percent last year). Proponents withdrew 14 after companies agreed to report. The reports from companies so far do not appear to signal any energy sector plans for radical business model shifts and have for the most part reiterated the industry's view that exploration and production of oil and gas can continue given demand, despite the climate change consequences. Investors are faced with growing questions about whether to continue efforts to reform these companies or to abandon this quest, even as money center investment analysts refine their models that quantify the risks. Illustrating a possible shift, As You Sow released a new report on Sept. 6, *2020: A Clear Vision for Paris Compliant Shareholder Engagement*. It expresses dissatisfaction with the results of shareholder resolution work on climate change at energy companies, concluding, “Shareholders must grapple head-on with the implications of an oil & gas business model that continues to invest unabated in products which, when used, run counter to science-based targets and the Paris Agreement.” But Climate Action 100+, a five-year international initiative backed by Ceres and investors globally with $32 trillion in assets under management remains committed to engagement with the world’s biggest GHG producing companies; members will continue to press for disclosures in line with the recommendations of the Task Force on Climate-related Disclosure.

At **Ameren**, investors signaled growing insistence that the company should report on coal ash risks, increasing the vote to a 53.2 percent majority, up from 46.4 percent last year. Coal ash disposal remains a challenge for the utility industry and was in the news after flooding from hurricane Florence in North Carolina during 2017 caused ponds from Duke Energy to overflow; the ash ponds stayed intact during hurricane Michael in 2018, however.

Greenhouse Gas Emissions

On emissions management, there were another 27 proposals. The seven votes on a longstanding request to set quantitative, time-bound reduction goals included a 57.2 percent majority at the railroad company **Genesee & Wyoming**, as well as 41.6 percent at **Fluor** (up from 36.7 percent last year). Five other votes were all above 20 percent. Seven of the targeted companies agreed to set goals, prompting withdrawals.

In what was probably the most consequential SEC action of the year on shareholder resolutions, commission staff agreed with **EOG Resources** that it could omit one of these quantitative goal proposals on ordinary business grounds, agreeing for the first time that this constitutes micromanagement—citing the new SEC staff legal bulletin from November. Investors have voted on this resolution 70 times since 2010, with average support increasing from 24 percent in 2010 to 35 percent this year; there have been 129 such proposals filed, with 51 withdrawals.

Eight resolutions also asked companies to report on more stringent net-zero GHG goals, but there was just one vote—of 32.8 percent at **Cooper Companies**—because the SEC agreed with other company challenges that this goal was too specific and constituted micromanagement and that the resolutions were excludable as noted above.

As You Sow had a new resolution requesting a report from **Ford Motor** and **General Motors** about auto emissions regulations and a decarbonized vehicle market. It survived an SEC challenge by GM and earned 26.9 percent there, twice the 12.8 percent tally at Ford where votes are always low given family control of a large swath of the stock.

Unconventional Fossil Energy

Methane was the primary concern of 12 resolutions about unconventional oil and gas operations and how they detect and reduce leaks. Support for this issue is strong and included a 50.3 percent majority vote at **Range Resources**, as well as 45 percent at **Chevron**. Companies and investors are able to find common ground on the subject and reached six withdrawal agreements. (A key reference on this issue is the Disclosing the Facts series of reports, which in its December 2017 iteration focused on methane specifically.)

Renewable Energy

Proponents simply want to see more renewable energy use and more attention to energy efficiency; there were 15 resolutions at utilities, communications companies, retailers and others seeking goals. Three companies prevailed at the SEC with arguments that these resolutions are excludable on micromanagement grounds because energy costs account for only a small part of their expenses. Similar challenges prompted two of the five withdrawals, but three withdrawals were at companies that reported they are using more renewables. The highest vote was 31.3 percent at **Kroger.** Otherwise, a resubmitted proposal on distributed energy (employing, for instance, rooftop solar panels) at **Entergy** earned 30 percent, down from 35 percent last year.

Forests

NYSCRF persuaded **US Foods Holding** to address deforestation in its commodities supply chain and also reached an agreement with **Bunge**, the world's biggest palm oil firm, about reporting on deforestation concerns. The sole vote was 30.6 percent at **Domino's**, where it earned 23.1 percent last year. These resolutions raised human rights issues, as well.

Environmental Management

These 17 proposals dealt mainly with recycling and water.

Recycling and Waste

As You Sow scored a major victory when **McDonald's** agreed to eliminate Styrofoam from its packaging, prompting a withdrawal, and putting the pressure on others, although investors gave just 7.8 percent to a new proposal at the company from a different proponent about plastic straws, a new concern. As You Sow's recycled packaging campaign continued and won three votes around 30 percent at **Mondelez International, Starbucks** and **Kroger**, but less (13.5 percent) at **Kraft Heinz**. The group is emphasizing the impact discarded plastic has on growing ocean pollution. On Oct. 9, 2018, Mondelez announced it would make all its packaging recyclable by 2015, in a major development on this issue.

Another important angle raised in the new legal bulletin—whether a resolution must be "significantly related" to a company's business to be included on the proxy statement—came up at **Dunkin' Brands**. Although last year the SEC disagreed with the company's argument that a resolution on K-Cups could be omitted, this year it reversed course and said the same proposal didn't meet the "significantly related" standard (Rule 14a-8 (i)(6)). Proponents are concerned that going forward they may have to explain, in company-by-company fights, why resolutions should be included despite this provision, since it also allows for the inclusion of proposals that raise significant matters of public policy.

Water

Investor support for water resolutions was unspectacular, although a resubmitted proposal to **Tyson Foods** about the impact on water by farming operations for the company earned 15.8 percent, a high vote at the closely held company, up slightly from last year.

Nuclear Power and Bhopal

Shareholders gave modest support of 5.8 percent to a proposal at asking **DTE Energy** to explain the economic impact of an early closure of its controversial Fermi 2 nuclear plant, after it survived an SEC challenge. But a proposal from Amnesty International about the 1984 Bhopal industrial disaster's potential impact on the modern-day operations of **DowDupont** in India was blocked on ordinary business grounds.

Industrial Agriculture

Antibiotics

Chicken producer **Sanderson Farms** still disputes that antibiotics in animal feed have a negative impact on human health and investors increased their support for phasing out antibiotics to 43.1 percent, up from 31.5 percent last year. A similar proposal at **Darden Restaurants** received 40.2 percent. **McDonald's** said it will announce a policy about antibiotics in its beef supply chain by the end of the year, adding to its current ban for chickens, prompting the Benedictine Sisters of Boerne, Texas, to withdraw.

Pesticides

Tractor Supply agreed to conduct a risk assessment and remove all products with neonicotinoids that are proven to harm pollinator health, prompting Trillium Asset Management to withdraw its proposal in a continuing campaign on the issue. A resolution on protecting pollinators by cutting pesticide use in the **General Mills** supply chain earned 31.3 percent.

Animal in Products

There was just one vote on ensuring animal welfare in food and product supply chains—9.4 percent at **Luby's,** about cruelty prevention in chicken production. (The company is struggling and runs cafeterias—mostly in Texas—and the Fuddruckers hamburger chain with national locations; it provides no information on animal and little about its supply chain in general).

On a related front, People for the Ethical Treatment of Animals (PETA) withdrew its proposal to **VF** about eliminating all animal-derived products, including down, wool and leather, after the company announced it will ban the use of fur, angora and exotic skins in its products. The company had lodged an SEC challenge. **RH** successfully argued a PETA proposal to stop using down was ordinary business since it was specific to a product type. There were no other votes.

Social Issues

Animal Welfare

Just one of five resolutions on the ethics of using laboratory animals, selling glue traps or breeding orcas, from PETA, went to a vote. It was a lab animal reporting proposal at **Eli Lilly** and earned 3.2 percent.

Corporate Political Activity

The overall tally of resolutions about political influence spending reached 86 this year, down from a high of 136 in 2014 and 91 last year. Forty-seven were on lobbying, 28 continued the Center for Political Accountability disclosure and oversight campaign about election spending, three asked about both lobbying and 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. These and other groups that may legally shield the identity of their donors are major sources of "dark money" that heavily influences elections. In what appears to be a victory for disclosure advocates, a mid-September Supreme Court decision let stand a lower court ruling that requires political non-profits to disclose donors for their ads.

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.

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 the one 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 30 votes on *lobbying*, 22 were above 20 percent, with highs of 40.3 percent at **American Water Works** and 40.7 percent at **Honeywell International.** Eleven more were above 30 percent. Votes of less than 10 percent were at **Alphabet** and **Ford Motor** (where insiders hold large blocks of the stock), and at **Goldman Sachs** (where proxy advisor ISS recommended against). There were 13 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 reached fewer negotiated withdrawals than with lobbying, with just three companies agreeing to provide more information. Many companies have agreed to disclosure requests outside the shareholder resolution process, however, as the Center for Political Accountability documents; it says nearly 300 companies have agreed to disclosure of political spending.

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, with "*government service golden parachutes.*" 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**. Another resolution questioned **FedEx** discounts to NRA members, but was omitted on technical grounds.

Decent Work

Equal Pay

The #MeToo movement and its demand for equal treatment—and, implicitly, equal pay—underscored a continued surge of resolutions about gender pay equity, but not that many votes (only five, down from 13 last year), with the highest score for a repeat at **TJX** that earned 26.2 percent, up 10 points from last year. Fourteen of the 31 resolutions asking for a report on gender pay equity were resubmissions, including all five that went to votes. Companies and proponents found a lot of common ground and there were 23 withdrawals, with companies rushing to assert they will close the gap between pay for men and women. Arjuna Capital was a key player and negotiated agreements with four of the nation's five biggest banks—**Bank of America, Bank of New York Mellon, Citigroup** and **Wells Fargo**—to work on closing the pay gap. Other important proponents were Pax World Funds and the New York City pension funds, led by the city comptroller's office. Most resolutions focused on women, but some also raised differential pay rates for people of color. SEC challenges were few.

Family Leave

Zevin Asset Management and an individual at **Walmart** filed four new resolutions on family leave but withdrew all of them after companies expanded their benefits. The proponents highlighted more generous leave policies for corporate staff compared with lower level employees and said this was discriminatory.

Diversity in the Workplace

Bookending the equal pay proposals were 25 about equal employment opportunity for women and people of color, plus another eight advocating for LGBT rights. Votes rose over last year's tallies for resolutions asking for the disclosure of gender, race and ethnicity by job category, with the highest 43.8 percent at **Applied Materials**, 43.8 percent at **Juniper Networks** and 48.3 percent at **Home Depot** (where it went to a vote for an unprecedented 17th time and earned its highest support to date). Most of the proposals also asked what companies are doing to increase diversity at work. There were 15 withdrawals after company commitments.

Zevin Asset Management withdrew after a challenge by **Amazon.com** to its resolution about the potentially discriminatory use of background checks in hiring; it got 7.3 percent last year but the challenge this year said current related litigation might make it excludable. Doubling down on its decision at **Cato** from last year, the SEC reaffirmed its view that the company need not explicitly include gay rights in its policy to protect LGBTQ employees; a gay rights proposal therefore was again omitted on the grounds it was moot.

Ethical Finance

Five proposals raised ethics issues—about lending at **Wells Fargo**, student loans at **Navient**, alleged discrimination in auto financing at **Santander Consumer USA** and tax fairness at **Facebook** and **NIKE**. Most popular with investors was the request at Navient, which received 42.8 percent when it asked how the company is managing its reputational and financial risks connected to the student loan crisis. Least popular was the tax proposal at Facebook, which got 1.4 percent. The auto lending resolution got 12.9 percent.

Health

New proposals came from the [Investors for Opioid Accountability]() coalition, formed in summer 2017 with members that include state treasurers from hard-hit opioid epidemic states, faith-based investors and the UAW Retiree Medical Benefits Trust. Resolutions from the coalition used a corporate governance lens, looking at board oversight and pay clawback questions, but also issues of potentially undue political influence**;** they survived several SEC challenges. Shareholders gave unprecedented 62.3 percent support to a proposal asking for a report on **Depomed's** response to the crisis and its attendant risks; the also voted in similar fashion in support of this proposal at Rite Aid, giving it 61.4 percent. Depomed, which has changed its name to Assertio, has relied heavily on opioid sales, while Rite Aid is a key retail drug store where consumers fill opioid prescriptions. The proposal also earned 41.2 percent at **AmerisourceBergen**, a distributor, and NYSCRF withdrew it at **McKesson**, the country's biggest pharmaceutical distributor, after discussions.

Other votes on the risks of rising drug prices, tobacco and product links to obesity were 5 percent or less. A new resolution concerned about the negative impact of small airplane seats was omitted on ordinary business grounds. *(Separately, proposals also asked about executive pay links to drug pricing risks, as noted on p. 17.)*

Human Rights

In a big change from last year's human rights agenda, there were hardly any conflict zone proposals because the low-scoring Holy Land Principles campaign has been shelved.

Supply Chains, Risk Assessments, Trafficking

Proponents focused on perennial concerns about fair labor in supply chains, risk assessments and human trafficking, with the highest vote coming in at 19.9 percent at **Monster Beverage** on trafficking concerns in its commodities supply chain. Mercy Investments was particularly successful in reaching agreements with companies and negotiated six accords on its own. NYSCRF also pressed **Tesla** to respond to concerns about alleged workplace discrimination, sexual harassment and injuries; it withdrew after discussions.

Indigenous Peoples

The two votes for indigenous peoples' resolutions at financial companies were less than 6 percent (**Citigroup** and **PayPal**) and companies won two omissions on the grounds their current policies were sufficient. The proposals referenced the Dakota Access Pipeline cancelled by President Obama that was resuscitated by President Trump early in his term.

Weapons

ICCR members scored major victories with majority votes. The first—68.8 percent at **Sturm, Ruger**—came not long after a bloody start to the year with many school shootings and the massacre in Parkland, Florida on Valentine's Day. Retailer **Dick's Sporting Goods** responded to a proposal about gun safety and harm mitigation by pledging to end assault weapons sales, handing the proponents another victory. The Sturm, Ruger proposal earned at 52.2 percent **American Outdoor Brands** (the former Smith & Wesson). What did not go to a vote was a new resolution about insurance for gun owners, which had been underwritten until recently by **Chubb.** The company successfully argued the proponent did not prove his stock ownership, but the company also has stopped supporting CarryGuard, which had been sponsored by the National Rifle Association; critics have called it "murder insurance."

Conflict Zones

Two proposals about connections to genocide and one about operations in conflict zones earned votes of 5 percent to 8 percent at **Chevron, First Solar** and **JPMorgan Chase**—having survived challenges—but

Apple won approval from the SEC to omit the only Holy Land Principles resolution on the grounds that its policy made the proposal moot.

Media

NYSCRF won 35.7 percent support for a new resolution at **Twitter** that asked about how it is managing the content of its social media platform, but two others from Arjuna Capital earned less—12.8 percent at **Alphabet** and 10.2 percent at **Facebook**. The concept of shareholder involvement in this area earned praise from British Prime Minister Theresa May at the Davos summit in January.

In another corner of the cyber world, the UAW Retirees' Medical Benefits Trust withdrew a proposal about cybersecurity policies at hacked credit reporting company **Equifax**, while NYSCRF earned 29.5 percent for a similar risk mitigation report from prescription manager **Express Scripts**; the SEC rejected a company challenge of the latter proposal. *(Cybersecurity also came up in a proposal asking **Verizon** to link it to executive pay; see p. 17).*

Sustainable Governance

Board Diversity

Investors reached agreements with almost all the 34 companies they approached about board diversity, withdrawing all but four. About half the proposals asked companies to adopt policies that would encourage more women and minority board member candidates; the other half asked for reports on how they are pursuing greater diversity. All but a resubmission to **Pilgrim's Pride** were at new targets.

The policy adoption proposal earned 33.2 percent at **Discovery** and 24.8 percent at **First Hawaiian**, while reporting resolutions earned less: A new variant from the New York City pension funds asked six companies for proxy statement reporting in a matrix format that would show diversity attributes alongside other qualifications; it earned 16.5 percent at **ExxonMobil** after surviving an SEC challenge. The repeat reporting proposal at **Pilgrim's Pride** was from Oxfam America and it got a comparable result—15.4 percent. *(A conservative copy of the New York City proposal with an opposing premise went to a vote at **Alphabet** but earned almost no support.)*

Board Oversight

Eight proposals asked for specific types of board oversight, regarding human rights, climate change or sustainability more generally. The highest vote here was at **Old Republic International** for a resolution filed by Pax World Funds on climate change oversight; it received 48.6 percent support. Old Republic is an insurer and asserts it faces minimal climate risk; it does not address climate change-related risks in its securities filings. The other four votes were much lower.

There were three votes on resolutions seeking specific types of board experts. The long-running NYSCRF resolution at **Chevron** earned 26.5 percent this year, up from just under 20 percent in 2017. Proposals requesting appointment of human rights experts earned much less—just 4.9 percent at **Caterpillar** and 10.4 percent at **Motorola Solutions.**

Sustainability Oversight and Disclosure

Sustainability Reporting

The number of proposals seeking sustainability reports rose in 2018 to 31 after having fallen from a high of 45 in 2014. Investors increasingly insist on voluntary corporate sustainability disclosures and companies that do not provide it stand out—and are called out by investors. The resolutions asked for public reporting on a range of environmental and social issues; 11 specified they wanted GHG goals reporting.

The highest vote for the year (out of a total of nine) came at the end of October, when investors disenchanted with **Rite Aid's** two failed merger attempts gave unprecedented 80 percent support for a sustainability disclosure resolution. Two repeat resolutions also saw previous high votes become majorities, with a 57.2 percent tally at **Middleby** (up from 44.6 percent in 2017) and 60.4 percent at **Kinder Morgan** (38.5 percent last year). Other high votes were near majorities of 49.8 percent at **Acuity Brands** (a new target) and 48.4 percent at **American Financial Group** (also new). Votes at **Host Hotels & Resorts** and **XPO Logistics** were above 30 percent. Proponents withdrew 17 resolutions after agreements that promise new reports and more dialogue.

In additional to more standard sustainability reporting requests, this year there were two new, specific reporting resolutions, but neither went to a vote. The AFL-CIO wanted **Amazon** to report on the societal impacts of its business model while an individual wanted **DTE Energy** to report on the financial impact of its environmental record. Both were omitted on ordinary business grounds.

ESG Pay Links

In a big increase, a total of 22 resolutions asked for reports on links between a variety of issues and executive compensation, reflecting many of the subjects raised in proxy season—executive diversity, drug pricing strategies, sustainability in general, cybersecurity, fossil fuel reserves accounting and risky financial practices. Most were at new targets. Notably, all those asking for ties to *drug pricing strategies* survived SEC challenges and went to votes—with four of the five resulting votes over 20 percent. The record was more mixed on other sustainability tie requests—with four withdrawals, four votes and one omission on technical grounds. Just one of six of the executive diversity proposals went to a vote, earning 8.7 percent at **Alphabet**. At **Verizon**, investors gave 11.6 percent support to a new proposal seeking an executive pay tie to cybersecurity risk, about which the SEC issued updated company guidance in February 2018. The company had tried unsuccessfully to omit it on ordinary business grounds.

Proxy Voting

One of the four proposals seeking reports about proxy voting at mutual funds companies went to a vote, receiving 6.8 percent at **Bank of New York Mellon.** Three others were withdrawn. BlackRock's expanded slate of social and environmental concerns to be reflected in new proxy voting practices forms the backdrop for these resolutions that is establishing a new norm that has had a clear impact on voting results and the balance of power in shareholder resolution voting.

Conservatives

Continuing their efforts to persuade investors of the merits of a free market approach, political conservatives filed a range of proposals—mostly on social issues. An effort to get companies to report on their free speech policies struck out at the SEC, omitted on ordinary business grounds, while one in a similar vein at **Salesforce.com**, calling out the company for its support for gay rights, earned 1.1 percent and missed the resubmission threshold.

Most successful for the National Center for Public Policy Research, the primary filer of these sorts of resolutions, were those that praised corporate support for the American Legislative Exchange Council at **Duke Energy** and **General Electric**. As noted above in the section on political contributions, because of the wording of the resolved clauses, these proposals earned votes above 20 percent, comparable to prodisclosure proposals even though their sponsors favor corporate involvement in the political arena—but not disclosure about spending on such endeavors.

Proposals that ask media companies to "tell the truth" were omitted, as in the past, while individual Steven Milloy withdrew at **ExxonMobil** after asking it to provide a cost-benefit analysis of its sustainability policies.

The copy-cat technique in play for lobbying discussed above also appeared in two resolutions on board diversity that emulated the New York City "matrix" reporting resolution; the proponent said he introduced it at **Facebook** only to "satiate liberal bean counters," but he failed to prove his stock ownership. It earned 2 percent at **Alphabet** and cannot be considered again for three years.

About Si2

The Sustainable Investments Institute (Si2) is a non-profit organization which helps its institutional investor subscribers make informed, independent voting decisions on social and environmental shareholder proposals with impartial reports that do not take a position. Si2 also researches related efforts to influence corporate policies, explaining what investor reformers want and how companies respond. Primary support comes from annual fees paid by the largest U.S. college and university endowments and some of the largest North American pension funds. Si2 also has received significant grants from the Investor Responsibility Research Center Institute.

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. Such information provides a critical measure of shareholder "success" from the proponents' perspective, but negotiations often occur in private. 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 SEC.

Valuable editing from Carolyn Mathiasen improved this report. Si2's research director, Robin Young, provided key research assistance.

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