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Citigroup Inc.
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December 20, 2019

BY E-MAIL [shareholderproposals@sec.gov]

U.S. Securities and Exchange Commission
Office of Chief Counsel
Division of Corporation Finance
100 F Street, NE
Washington, D.C. 20549

Re: Stockholder Proposal to Citigroup Inc. from Harrington Investments, Inc.

Dear Sir or Madam:

Pursuant to Rule 14a-8(j) of the rules and regulations promulgated under the Securities Exchange Act of 1934, as amended (the "Act"), attached hereto for filing is a copy of the stockholder proposal and supporting statement (together, the "Proposal") submitted by Harrington Investments, Inc. (the "Proponent") for inclusion in the proxy statement and form of proxy (together, the "2020 Proxy Materials") to be furnished to stockholders by Citigroup Inc. (the "Company") in connection with its 2020 annual meeting of stockholders. The Proponent's mailing address, telephone number and fax number, as stated in the correspondence of the Proponent, are listed below.

Also attached for filing is a copy of a statement of explanation outlining the reasons the Company believes that it may exclude the Proposal from its 2020 Proxy Materials pursuant to Rules 14a-8(i)(3), 14a-8(i)(10) and 14a-8(i)(7).

By copy of this letter and the attached material, the Company is notifying the Proponent of its intention to exclude the Proposal from its 2020 Proxy Materials.

The Company is filing this letter with the U.S. Securities and Exchange Commission (the "Commission") not less than 80 calendar days before it intends to file its 2020 Proxy Materials. The Company intends to commence printing its Notice and Access materials on March 6, 2020 and file its 2020 Proxy Materials on or about March 11, 2020.

The Company respectfully requests that the Staff of the Division of Corporation Finance (the "Staff") of the Commission confirm that it will not recommend any enforcement action to the Commission if the Company excludes the Proposal from its 2020 Proxy Materials.

If you have any comments or questions concerning this matter, please contact me at (212) 793-7396.

Very truly yours,



Shelley J. Dropkin
Deputy Corporate Secretary and
General Counsel, Corporate Governance

cc: Harrington Investments, Inc.
1001 2nd Street, Suite 325
Napa, California 94559
707-252-6166 (t)
707-257-7923 (f)

ENCLOSURE 1

THE PROPOSAL AND RELATED CORRESPONDENCE (IF ANY)



November 5, 2019

Corporate Secretary
Citigroup, Inc.
388 Greenwich Street
New York, New York 10013

RE: Shareholder Proposal

Dear General Counsel and Secretary,

As a shareholder in Citigroup, Inc., I am filing the enclosed shareholder resolution pursuant to Rule 14a-8 of the General Rules and Regulations of the Securities Exchange Act of 1934 for inclusion in the Citigroup, Inc. Proxy Statement for the 2020 annual meeting of shareholders.

I am the beneficial owner of at least \$2,000 worth of Citigroup, Inc. stock. I have held the requisite number of shares for over one year, and plan to hold sufficient shares in Citigroup, Inc. through the date of the annual shareholders' meeting. In accordance with Rule 14a-8 of the Securities Exchange Act of 1934, verification of ownership is included. I or a representative will attend the stockholders' meeting to move the resolution as required by SEC rules.

If you have any questions, I can be contacted at (707) 252-6166.

Sincerely,

John C. Harrington

President and C.E.O.
Harrington Investments, Inc.



CITIGROUP - 2020

Whereas, our Company's Nomination, Governance and Public Affairs Committee is responsible for oversight of public affairs by reviewing the relationships of major external constituencies and advising management and the board; and

Whereas, in August two thousand nineteen, our Chief Executive Officer, signed a statement pledging our Company to all stakeholders; and

Whereas, this Statement on the Purpose of a Corporation, also included a statement supporting ". . . the communities in which we work, . . . respect(ing) the people in our communities and protect(ing) the environment by embracing sustainability practices across our business," and

Whereas, there may be incongruities between public pledges or statements made by our Chief Executive Officer and company policies adopted by our Board of Directors as fiduciaries, reflected in our Company's governance documents, including bylaws, Articles of Incorporation or committee charters;

Whereas, however, there is no indication of how such public statements will be implemented in policy, or even if such a policy was considered by our board of directors, as a policy to be implemented by amending our Company's governance documents;

Therefore, be it Resolved, that shareholders request that our board of directors, acting as responsible fiduciaries, to conduct a comprehensive review of Citigroup's governance documents, making recommendations to the shareholders on specifically how the "Purpose of a Corporation" signed by our Chief Executive Officer can be fully

implemented by board and management, and recommending amendments to governance documents such as the bylaws, Company's Articles of Incorporation, or Committee Charters to fulfill the new statement of purpose.

Supporting Statement

Our Company's management has committed our Company to a corporate purpose that does not appear in our Company's governance documents. Amendments to the bylaws, Articles of Incorporation, or the board's committee charters are needed in order to clarify the responsibilities of the board of directors as fiduciaries for fulfilling the newly articulated corporate purpose.



November 5, 2019

John Harrington
1001 2nd Street Suite 325
Napa, CA 94559

Account number ending in:

Questions: Contact your advisor or
call Schwab Alliance at
1-800-515-2157.

Important Information regarding shares in your account.

Dear John Harrington,

We're writing to confirm information about the account listed above, which Charles Schwab & Co., Inc. holds as custodian. This account holds in trust 150 shares of Citigroup Inc C common stock. These shares have been held in the account continuously for at least one year prior to and including November 5, 2019.

These shares are held at Depository Trust Company under the nominee name of Charles Schwab & Co., Inc., which serves as custodian for the registration listed above.

Thank you for choosing Schwab. If you have questions, please contact your advisor or Schwab Alliance at 1-800-515-2157. We appreciate your business and look forward to serving you in the future.

Sincerely,

Mikaela Jamka

Mikaela Jamka
Associate, Institutional
MID-MARKET PHOENIX SERVICE
2423 E Lincoln Dr
PHOENIX, AZ 85016-1215

Independent investment advisors are not owned by, affiliated with, or supervised by Charles Schwab & Co., Inc. ("Schwab").

Paula F. Jones
Assistant Secretary
& Associate General Counsel,
Corporate Governance

Citigroup Inc.
388 Greenwich Street
17th Floor
New York, NY 10022

T 212 793 3863
jonesp@citi.com



VIA UPS and Email

November 7, 2019

John C. Harrington
President and CEO
Harrington Investments, Inc.
1001 2nd Street, Suite 325
Napa, CA 94559

Dear Mr. Harrington:

Citigroup Inc. acknowledges receipt of your stockholder proposal for submission to Citigroup stockholders at the Annual Meeting in April 2020.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Paula F. Jones". The signature is fluid and cursive, with a large loop at the beginning and end.

Paula F. Jones
Assistant Secretary and
Associate General Counsel, Corporate Governance

ENCLOSURE 2

STATEMENT OF INTENT TO EXCLUDE STOCKHOLDER PROPOSAL

The Proposal requests that the Company's Board of Directors (the "Board") conduct a comprehensive review of Citigroup's governance documents, making recommendations to the shareholders on specifically how the "Purpose of a Corporation" signed by our Chief Executive Officer can be fully implemented by board and management, and recommending amendments to governance documents such as the bylaws, Company's Articles of Incorporation, or Committee Charters to fulfill the new statement of purpose.

The Proponent does not reproduce, or really even try to describe, the "Purpose of a Corporation" that is the subject of his Proposal. The Company believes the Proponent is referring to the Statement of the Purpose of a Corporation issued by the Business Roundtable (the "Statement"), which was signed by the chief executive officers of 181 companies, including the Company's Chief Executive Officer (the "CEO"). The Statement reduces to writing the signatory companies' commitment to all of their stakeholders, specifically in five areas: (1) "delivering value to the company's customers"; (2) "investing in our employees"; (3) "dealing fairly and ethically with our suppliers"; (4) "supporting the communities in which we work"; and (5) "generating long-term value for shareholders, who provide the capital that allows companies to invest, grow and innovate."¹ A copy of the Statement is attached hereto as Enclosure 3.

THE PROPOSAL MAY BE EXCLUDED BECAUSE IT IS VAGUE AND MISLEADING.

The Proposal may be excluded pursuant to Rule 14a-8(i)(3) because the Proposal is vague and misleading.²

The Proposal is vague because stockholders cannot understand the action requested by the Proposal without referring to materials outside the Proposal. As described by

¹ See Business Roundtable Statement on the Purpose of a Corporation, available at <https://opportunity.businessroundtable.org/ourcommitment>.

² Rule 14a-8(i)(3) permits the exclusion of a proposal if it violates any of the Commission's rules, including Rule 14a-9, which prohibits statements in proxies or certain other communications that, in light of the circumstances, are "false or misleading with respect to any material fact." See 17 C.F.R. § 240.14a-8(i)(3) (permitting exclusion of a proposal if it is "contrary to any of the Commission's proxy rules, including § 240.14a-9, which prohibits materially false or misleading statements in proxy soliciting materials"); 17 C.F.R. § 240.14a-9 ("No solicitation subject to this regulation shall be made by means of any proxy statement, form of proxy, notice of meeting or other communication, written or oral, containing any statement which, at the time and in the light of the circumstances under which it is made, is false or misleading with respect to any material fact, or which omits to state any material fact necessary in order to make the statements therein not false or misleading or necessary to correct any statement in any earlier communication with respect to the solicitation of a proxy for the same meeting or subject matter which has become false or misleading.").

the Staff, a proposal can be excluded as vague under Rule 14a-8(i)(3) if “neither the stockholders voting on the proposal, nor the company in implementing the proposal (if adopted), would be able to determine with any reasonable certainty exactly what actions or measures the proposal requires.”³ The Staff has permitted companies to exclude a proposal as vague where the action requested by the proposal is only ascertainable if stockholders refer to materials outside of the proposal.⁴ This position is consistent with Staff Legal Bulletin 14G,⁵ in which the Staff stated that “[i]f a proposal or supporting statement refers to a website that provides information necessary for shareholders and the company to understand with reasonable certainty exactly what actions or measures the proposal requires, and such information is not also contained in the proposal or in the supporting statement, then we believe the proposal . . . would be subject to exclusion under rule 14a-8(i)(3) as vague and indefinite.” Here, the Proposal, which references the Statement in the recitals and resolution, would require stockholders to review the full Statement in order to understand exactly what action the Company would need to take to implement the Proposal. As noted above, there are five key areas addressed in the Statement, and the Proponent has not even attempted to describe all of them.

The Proponent’s submission illustrates the problem with relying on a document outside the Proposal. The stockholders cannot take an informed vote on a proposal seeking a Board review of governing documents to “fully implement” the “new statement of purpose” referenced by the Proponent when it is unclear exactly what “purposes” are to be implemented.

The Proposal is misleading because it implies that stockholder approval is required to amend the Company’s bylaws, committee charters and policies. The Proposal requests the Board make recommendations to stockholders regarding how to “fully” implement the “new statement of purpose” of the Company through amendments to the Company’s governing documents. This implies that stockholder approval is required for any amendment to the Company’s governing documents. However, stockholders are only required to approve amendments to the Company’s Certificate of Incorporation. The Board has the authority to unilaterally amend the By-Laws, committee charters and policies, without stockholder approval. Therefore, the Proposal is potentially misleading and confusing to stockholders.⁶

³ See Staff Legal Bulletin No. 14B (Sept. 15 2004).

⁴ See, e.g., *JPMorgan Chase & Co.* (avail. Mar. 6, 2014) (concurring in the exclusion under Rule 14a-8(i)(3) of a proposal requesting the company divest non-core banking assets where the proposal defined such assets by reference to a source outside the proposal (the company’s annual report filed on form 10-k)); see also *Boeing Corp.* (Feb. 9, 2004) (concurring in the exclusion under Rule 14a-8(i)(3) of a proposal requesting a bylaw amendment to require an independent director serve as board chairman where the proposal defined “independent” by reference to the definition set by the Council of Institutional Investors).

⁵ See Staff Legal Bulletin No. 14G (Oct. 16, 2012).

⁶ Assuming the Proposal is seeking implementation of all five of the objectives of the Statement, the Proposal is misleading because it implies that the Company needs to amend its governing documents in order to do so. As described below, these five objectives relate to the manner in which the Company conducts its business. A company’s day-to-day business activities are not regulated through provisions of such company’s governing documents, but rather, management conducts day-to-day activities pursuant to policies and procedures implemented with board or board committee oversight. Therefore, to the extent the Proposal

For the foregoing reasons, the Proposal may be excluded pursuant to Rule 14a-8(i)(3).

THE COMPANY HAS SUBSTANTIALLY IMPLEMENTED THE PROPOSAL.

Even assuming the Proposal is seeking implementation of all five of the objectives in the Statement, the Company has substantially implemented the Proposal.

Rule 14a-8(i)(10) permits the exclusion of a proposal if the company has already “substantially implemented the proposal.” The purpose of Rule 14a-8(i)(10) is “to avoid the possibility of shareholders having to consider matters which have already been favorably acted upon by management.”⁷ However, Rule 14a-8(i)(10) does not require exact correspondence between the actions sought by a proponent and the issuer’s actions in order to exclude a proposal.⁸ Rather, the Staff has stated that “a determination that the [c]ompany has substantially implemented the proposal depends upon whether [the company’s] particular policies, practices and procedures compare favorably” with those requested under the proposal, and not on the exact means of implementation.⁹ In other words, the Rule requires only that a company’s prior actions satisfactorily address the underlying concerns of the proposal and its essential objective.¹⁰

As described below, the Company adopted the Statement not as an overhaul of its corporate purpose, but rather to memorialize the Company’s current practices and policies in each of the five areas identified by the Statement. The Company has long believed that by addressing the needs of its stakeholders it drives value creation for its stockholders to whom the Board owes fiduciary duties.

- *Delivering Value to Our Customers.* As articulated in the Company’s Mission and Value Proposition, its publicly disclosed mission statement, the Company has committed itself to “work with [its customers] to optimize their daily operations, whether they need working capital, to make payroll or export their goods overseas.”¹¹ The Company ensures that it delivers on its commitment to its customers by charging its Business Practices Committee with the responsibility to oversee that the Company’s business practices “meet the highest

implies that the Company’s Certificate of Incorporation and By-Laws need to be amended to implement the Proposal, it is misleading and may be excluded pursuant to Rule 14a-8(i)(3).

⁷ See *SEC Release No. 34-12598* (July 7, 1976).

⁸ *SEC Release No. 34-20091* (Aug. 16, 1983).

⁹ *Texaco, Inc.* (avail. Mar. 28, 1991).

¹⁰ See, e.g., *ConAgra Foods, Inc.* (avail. Jul. 3, 2006) (recognizing that the board of directors substantially implemented a request for a sustainability report because such a report was already published on the company’s website); *Johnson & Johnson* (avail. Feb. 17, 2006) (concurring in the exclusion of a proposal to verify the “employment legitimacy of all current and future U.S. employees” in light of the company’s substantial implementation through adherence to federal regulations).

¹¹ See Citi’s Value Proposition: A Mission of Enabling Growth and Progress, available at <https://www.citigroup.com/citi/about/mission-and-value-proposition.html>.

standards of professionalism, integrity and ethical behavior across the company and are consistent with” the Company’s Mission and Value Proposition.¹²

- *Investing in Our Employees.* As disclosed in the Company’s 2018 Global Citizenship Report, the Company completed its initial pay equity review in January 2018 and included three countries — the U.S., the UK and Germany, representing 36% of the Company’s workforce. The results of that review showed that, on an adjusted basis, women were paid on average 99% of what men were paid at the Company, and U.S. minorities were paid on average 99% of what U.S. non-minorities were paid. As part of this review and analysis, the Company made adjustments to account for a number of factors to make the comparisons meaningful, including job function, level and geography. Later in 2018 the Company completed this same review globally, releasing the results in January 2019. The results of this broader assessment showed that women globally were also paid on average 99 percent of what men were paid at the Company. Based on the findings of these reviews, the Company made pay adjustments as part of the 2019 compensation cycle.¹³ In addition, the Company strives to foster diversity in its workforce. In 2018, the Company implemented representation goals intended to increase diversity at senior levels: by 2021 the Company plans to “increase representation of women in assistant vice president to managing director level roles to at least 40 percent globally, up from 37 percent currently, and to boost the representation of black employees in those same roles in the U.S. to at least 8 percent, up from 6 percent currently.” The Company also invests in its employees’ development. Specifically, the Company offers its employees a wide range of programs to promote advancement and skill development.
- *Dealing Fairly and Ethically with Our Suppliers.* The Company expressly committed itself to “dealing fairly with . . . Suppliers . . .”¹⁴ in its Standards for Suppliers, an official Company policy establishing procedures, protocols and expectations in the Company-supplier relationship. The Company has also publicly stated its goal to collaborate with its suppliers to “advance human dignity, reduce waste, improve efficiency, and reduce our carbon footprint.”¹⁵ Through this collaborative effort, the Company has the opportunity to work side-by-side with suppliers to “increase ethical business practices and social and environmental sustainability throughout the supply chain.”¹⁶ In addition, to promote

¹² See Citigroup Inc. Business Practice Committee Charter, at 1, available at <https://www.citigroup.com/citi/investor/data/businesspracticescharter.pdf>.

¹³ See Citigroup Inc. 2018 Global Citizenship Report, at 102.

As disclosed in the Company’s 2018 Global Citizenship Report, the Company also released an additional figure, called the raw pay gap, which is the difference between median pay for all female employees and median pay for all male employees at the Company. See *id.*

¹⁴ See Citi Standards for Suppliers, Section 2.2, available at https://www.citigroup.com/citi/suppliers/data/citi_standards_for_suppliers.pdf.

¹⁵ See Citi Statement of Supplier Principles, at 1, available at https://www.citigroup.com/citi/suppliers/data/sup_principles.pdf.

¹⁶ See Citigroup Inc. 2018 Global Citizenship Report, at 4.

oversight of management’s efforts to advance supplier diversity, the Board delegated to the Company’s Nomination, Governance and Public Affairs Committee (the “Committee”) the responsibility to “[r]eview and advise management on [the Company’s] policies and practices regarding supplier diversity.”¹⁷ The Committee has had oversight of supplier diversity for a number of years.

- *Supporting Local Communities in Which We Work.* The Company has demonstrated a longstanding commitment to the communities in which it works. Providing financings for affordable housing projects, among others, are part of the Company’s efforts to comply with its obligations under the Community Reinvestment Act of 1977, which encourages financial institutions to “help meet the credit needs of the communities in which they are chartered, including low- and moderate-income . . . neighborhoods”¹⁸ The Company also has established the Citi Foundation, which provides philanthropic grants to community organizations around the world,¹⁹ and Citi Community Development, which works with nonprofit and public agencies across the United States to serve underserved individuals, families and communities.²⁰ Finally, the Company has demonstrated a commitment to environmental sustainability through the adoption of its Environmental and Social Risk Management Policy, which is an official Company policy setting forth standards for how the Company assesses its and its clients’ impacts on air and water quality, climate change, local communities and biodiversity (among other things).²¹ As part of the Company’s commitment to the communities in which it works, the Company updated its Environmental and Social Risk Management Policy to require the Company to consult indigenous people in developed, as well undeveloped countries, in relation to the impact of a Company project on such people.²² To promote its commitment to sustainability, the Board has charged the Committee to “receive reports from and advise management on the Company’s sustainability policies and programs, including the environment, climate change and human rights”²³ and to review “the Company’s policies and programs that

¹⁷ See Citigroup Inc. Nomination, Governance and Public Affairs Committee Charter, at 3, available at <https://www.citigroup.com/citi/investor/data/nomcharter.pdf>.

¹⁸ See Office of the Comptroller of the Currency: Community Reinvestment Act (CRA), available at <https://www.occ.treas.gov/topics/consumers-and-communities/cra/index-cra.html>. The Office of the Comptroller of the Currency generally conducts examinations of Citibank, N.A.’s compliance with the Community Reinvestment Act of 1977 every three years.

¹⁹ See generally <https://www.citigroup.com/citi/foundation>.

²⁰ See https://www.citigroup.com/citi/citizen/community/about_us.

²¹ See generally Citigroup Environmental and Social Policy Framework (summarizing the Company’s Environmental and Social Risk Management Policy), available at <https://www.citigroup.com/citi/sustainability/data/Environmental-and-Social-Policy-Framework.pdf>.

²² See Citigroup Summary of Environment and Social Risk Management, available at <https://www.citigroup.com/citi/about/citizenship/environmental-social-risk-management.html>; Citigroup Inc. 2017 Global Citizenship Report, at 47, available at https://www.citigroup.com/citi/about/citizenship/download/2017/2017_citi_global_citizenship_report.pdf.

²³ See Citigroup Inc. Nomination, Governance and Public Affairs Committee Charter, at 3.

relate to public issues of significance to the Company and the public at large . . . and advis[e] management as to its approach.”²⁴

- *Generating Long-Term Value for Shareholders, who Provide the Capital that Allows Companies to Invest, Grow and Innovate.* The Company and its Board are committed to generating long-term value for stockholders; this commitment is also memorialized in the Board-approved charter of the Committee, which requires such committee to “assess the effectiveness of the Board in meeting its responsibilities, representing the long-term interests of stockholders.” In addition, the Company has an extensive program of engagement with its investors about its financial performance, ESG issues, issues of interest to shareholders and compensation

As shown above, the Company’s adoption of the Statement was intended to memorialize its *current* practices and policies, not as the first step to completely overhaul the Company’s purpose, as the Proponent incorrectly asserts. The Company’s current practices and policies may not be the Proponent’s preferred method for the Company to demonstrate its commitment to “all of its stakeholders,” but that is not required in order for the Proposal to be excluded under Rule 14a-8(i)(10). Rather, the Company’s current practices and policies need only address the underlying concerns of the Proposal and its essential objective.²⁵ As described above, the Company has already taken steps to make a commitment to all of its stakeholders, by reference to five specific areas, through, among other things, its publicly disclosed sustainability and community building practices and the inclusion of governance, sustainability, environmental and social oversight requirements and procedures in its “governance documents” (such as official Company policies and committee charters). In other words (and in the words of the Proponent), there are no “incongruities between public pledges and statements . . . and company policies” and, therefore, nothing is “needed in order to clarify the responsibilities of the board” to fulfill the Company’s commitment to its stakeholders. In fact, Newsweek Magazine recently named the Company “America’s Most Responsible Company” in the financial industry, and the seventh most responsible company in America overall.²⁶

In addition, the Statement is designed to ensure that the Company takes all of its stakeholders into account when conducting its business. However, the conduct of a company’s

²⁴ See *id.* at 1.

²⁵ See, e.g., *Walgreens Boots Alliance Inc.* (avail. Nov. 13, 2018) (concurring in the exclusion under Rule 14a-8(i)(10) of a proposal requesting a report describing how the company’s practices and policies advanced certain sustainability goals where the company argued that its annual corporate responsibility report addressed each of the Proposal’s essential objectives); *Apple Inc.* (avail. Dec. 15, 2017) (concurring in the exclusion under Rule 14a-8(i)(10) of a proposal to establish certain equal opportunity employment and affirmative action principles where the company argued that it had in place policies and initiatives that implemented each of the principles addressed in the proposal).

²⁶ See *America’s Most Responsible Companies 2020*, available at <https://www.newsweek.com/americas-most-responsible-companies-2020>.

The study underlying these rankings reviewed certain key performance indicators relating to the environmental, social and governance areas of corporate social responsibility. See *America’s Most Responsible Companies 2020: Methodology*, available at <https://d.newsweek.com/en/file/459820/methodology-americas-most-responsible-companies.pdf>.

business activities is not regulated through its governance documents, but rather, management operates the company's business pursuant to policies and procedures implemented with Board or Board committee oversight. It would be impracticable to try to draft provisions in governance documents to address the impacts on the Company's stakeholder populations of every possible decision. Accordingly, the Company has substantially implemented the Proposal because it has in place policies and procedures designed to ensure the interests of all stakeholders are taken into account in the operation of the Company's business and corporate decision-making.

For the foregoing reasons, the Proposal may be excluded from the 2020 Proxy Materials pursuant to Rule 14a-8(i)(10).

THE PROPOSAL MAY BE EXCLUDED BECAUSE IT RELATES TO THE COMPANY'S ORDINARY BUSINESS.

The Proposal relates to the Company's ordinary business. Each and every topic addressed in the Statement relates to a topic that the Staff has long recognized as relating to a company's ordinary business: namely (i) relationships with rank-and-file employees; (ii) relationships with the company's suppliers; (iii) relationships with customers; (iv) generalized concepts of public relations and community out-reach; and (v) engagement with stockholders. Asking for further study and a public report on these topics ventures into a micro-management exercise in which stockholders cannot engage.

- *Employee Relations.* The Staff permits companies to exclude proposals that relate to the management of a company's workforce:²⁷ for example, matters relating to general employee compensation²⁸ and employee benefits.²⁹ In this regard, the Staff distinguishes between proposals limited to senior executive compensation (which cannot be excluded), and proposals relating solely to compensation of rank-and-file employees or compensation of both senior executives and rank-and-file employees (which may be excluded).³⁰ The

²⁷ See, e.g., *Walmart Inc.* (avail. Apr. 8, 2019) (concurring in the exclusion under Rule 14a-8(i)(7) of a proposal requesting the board prepare a report to evaluate the risk of discrimination that may result from the company's policies and practices for hourly workers taking absences from work for personal or family illness, noting the proposal relates to the company's "ordinary business operations" because "the [p]roposal relates generally to the [c]ompany's management of its workforce, and does not focus on an issue that transcends ordinary business matters"); see also Staff Legal Bulletin No. 14A (July 12, 2002) ("[M]anagement of the workforce, such as the hiring, promotion, and termination of employees, relates to ordinary business matters.").

²⁸ See Staff Legal Bulletin No. 14A (July 12, 2002) (explaining that proposals relating to "general employee compensation" may be excluded under Rule 14a-8(i)(7) as "an ordinary business matter").

²⁹ See, e.g., *E.I. du Pont de Nemours and Co.* (avail Jan. 21, 2009) (concurring in the exclusion under Rule 14a-8(i)(7) of a proposal requesting the board to consider allowing employees to choose to remain in the company's defined benefit plan as it was written and applied through 2006 because such proposal related to the company's "ordinary business operations (i.e., employee benefits)").

³⁰ See, e.g., *Verizon Communications Inc.* (avail. Feb. 23, 2015) (concurring in the exclusion under Rule 14a-8(i)(7) of a proposal requesting the company prepare a report of its executive compensation policies and suggesting such report compare senior executive compensation to median employee wages because such

Statement itself refers to ensuring the Company compensates its employees fairly and provides employees with important benefits, without regard to the level of seniority. To the extent the Proposal is attempting to intrude on the Company's practices and approach to the management of its workforce, i.e., general employee compensation and benefits, the Proposal may be excluded as a matter relating to the Company's ordinary business.

- *Supplier Relations.* The Staff permits companies to exclude proposals that relate to a company's relationships with its suppliers, which includes the retention of suppliers,³¹ policies suppliers must follow³² and the monitoring of supplier conduct.³³ The Statement contemplates that the Company deal fairly with its suppliers, which could include determining which suppliers to retain and reconsidering the supplier policies the Company has in place as well as the method in which it monitors and responds to issues with suppliers. To the extent the Proposal seeks to regulate supplier relations in this manner, the Proposal may be excluded as a matter relating to the Company's ordinary business.
- *Customer Relations.* The Staff has permitted companies to exclude proposals that relate to a company's relationship with its customers: particularly proposals touching on the products and services the company should offer to its customers³⁴ and the company's discount pricing policies.³⁵ The Statement provides that the Company will commit to delivering value to its customers. The Company delivers value to its customers through the selection of quality products and services it offers customers as well as the price (or discounted price) at which it offers such products and services. To the extent the Proposal seeks to regulate the Company's selection of products and services, and the price at which it offers such products and services, the Proposal may be excluded as a matter relating to the Company's ordinary business.

proposal related to "compensation that may be paid to employees generally and [was] not limited to compensation that may be paid to senior executive officers and directors").

³¹ Release No. 34-40018 (May 21, 1998) ("Certain tasks are so fundamental to management's ability to run a company on a day-to-day basis that they could not, as a practical matter, be subject to direct shareholder oversight. Examples include . . . the retention of suppliers.").

³² See, e.g., *Walmart Inc.* (avail. Mar. 8, 2018) (concurring in the exclusion under Rule 14a-8(i)(7) of a proposal requesting the company prepare a report outlining the requirements suppliers must follow regarding engineering ownership and liability).

³³ See, e.g., *Foot Locker Inc.* (avail. Mar. 3, 2017) (concurring in the exclusion under Rule 14a-8(i)(7) of a proposal requesting the company prepare a report outlining the measures taken, or that could be taken, by the company to monitor certain of its suppliers' use of subcontractors because such "proposal relate[d] broadly to the manner in which the company monitor[ed] the conduct of its suppliers and their subcontractors").

³⁴ See, e.g., *AT&T Inc.* (avail. Dec. 28, 2016) (concurring in the exclusion under Rule 14a-8(i)(7) of a proposal requesting the company provide free, advanced tools that automatically identify and block unwanted autodialed calls to all of its phone customers, noting that "the proposal relate[d] to the products and services that the company should offer to its customers").

³⁵ See, e.g., *Host Hotels & Resorts, Inc.* (avail. Feb. 6, 2014) (concurring in the exclusion under Rule 14a-8(i)(7) of a proposal requesting the board consider providing discounted hotel rates to senior citizens and stockholders because such proposal "relate[d] to [the company's] discount pricing policies").

- *General Public Relations and Community Outreach.* The Staff has permitted companies to exclude proposals that relate generally to a company’s public relations³⁶ or the impacts of its operations on communities.³⁷ The Statement provides that the Company will support the communities in which it works: i.e., the Company will take into account the impacts of its operations on affected communities and keep an open dialogue with such communities regarding these impacts. Thus, to the extent the Proposal relates to the Company’s impact on local communities and the Company’s public relations relating to such impact, the Proposal may be excluded as a matter relating to the Company’s ordinary business.
- *Engagement with Stockholders.* The Staff has permitted companies to exclude proposals that relate generally to the company’s relations with its stockholders.³⁸ The Statement provides that the Company will commit to promote “transparency and effective engagement” with stockholders. To the extent the Proposal is seeking to regulate the level and manner in which the Company engages with its stockholders, and thus regulate stockholder relations, the Proposal may be excluded as a matter relating to the Company’s ordinary business.

The Staff concurs in the exclusion of an entire proposal under Rule 14a-8(i)(7) even if only a portion of the proposal relates to ordinary business matters.³⁹ Thus, the Proposal may be excluded if the Staff agrees that any one (or more) of the foregoing is an ordinary business matter.

³⁶ See, e.g., *Johnson & Johnson* (avail. Jan. 12, 2004) (concurring in the exclusion under Rule 14a-8(i)(7) of a proposal requesting the board review pricing and marketing policies and prepare a report on how the company will respond to regulatory, legislative and public pressure to increase access to prescription drugs, noting the proposal “relat[es] to [the company’s] ordinary business operations (i.e., marketing and public relations)”).

³⁷ See, e.g., *Amazon.com, Inc.* (avail. Mar. 28, 2019) (concurring in the exclusion under Rule 14a-8(i)(7) of a proposal requesting the board annually report its analysis of the community impacts of the company’s operations and opportunities arising from its presence in communities, noting the proposal relates to the company’s “ordinary business operations” because “the [p]roposal relates generally to ‘the community impacts’ of the [c]ompany’s operations and does not appear to focus on an issue that transcends ordinary business matters”). As discussed below, the Proposal does not identify a significant social policy issue that transcends the Company’s ordinary business.

³⁸ See, e.g., *Transamerica Corp.* (avail. Jan. 22, 1986) (concurring in the exclusion under the predecessor to Rule 14a-8(i)(7) of a proposal requesting the board appoint a committee to develop a code of corporate conduct regulating, among other things, employee, customer, government and community, and shareholder relations, because the proposal “appears to [have dealt] with matters relating to the [c]ompany’s ordinary business operations (i.e., employee, shareholder and customer relations, and the evaluation of management conduct)”); *Con-way Inc.* (avail. Jan. 22, 2009) (concurring in the exclusion under Rule 14a-8(i)(7) of a proposal requesting the board to take steps necessary to ensure future annual stockholder meetings be distributed via webcast, as “relating to [the company’s] ordinary business operations (i.e., shareholder relations and the conduct of annual meetings)”).

³⁹ See, e.g., *Peregrine Pharmaceuticals, Inc.* (avail. July 7, 2007) (concurring in the exclusion under Rule 14a-8(i)(7) of a proposal requesting the board form a committee to evaluate the strategic direction of the company and the performance of management and study certain strategic alternatives, noting that such proposal “appear[ed] to relate to both extraordinary transactions and non-extraordinary transactions”); *Z-Seven Fund*,

The Proposal also does not present a significant social policy that would save it from exclusion. It presents no overarching policy goal at all.

Accordingly, the Proposal may be excluded from the 2020 Proxy Materials pursuant to Rule 14a-8(i)(7).

CONCLUSION

For the foregoing reasons, the Company believes that the Proposal may be excluded from the 2020 Proxy Materials pursuant to Rules 14a-8(i)(3), 14a-8(i)(10) and 14a-8(i)(7).

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Inc. (avail. Nov. 3, 1999) (concurring in the exclusion under Rule 14a-8(i)(7) of a proposal recommending that the procedures and protocols set forth in a special committee report be adopted, noting that “although part of the proposal appears to address matters outside the scope of ordinary business, certain matters contained in the proposal refer to ordinary business matters”).

ENCLOSURE 3

BUSINESS ROUNDTABLE STATEMENT ON THE PURPOSE OF A CORPORATION

Statement on the Purpose of a Corporation

Americans deserve an economy that allows each person to succeed through hard work and creativity and to lead a life of meaning and dignity. We believe the free-market system is the best means of generating good jobs, a strong and sustainable economy, innovation, a healthy environment and economic opportunity for all.

Businesses play a vital role in the economy by creating jobs, fostering innovation and providing essential goods and services. Businesses make and sell consumer products; manufacture equipment and vehicles; support the national defense; grow and produce food; provide health care; generate and deliver energy; and offer financial, communications and other services that underpin economic growth.

While each of our individual companies serves its own corporate purpose, we share a fundamental commitment to all of our stakeholders. We commit to:

- Delivering value to our customers. We will further the tradition of American companies leading the way in meeting or exceeding customer expectations.
- Investing in our employees. This starts with compensating them fairly and providing important benefits. It also includes supporting them through training and education that help develop new skills for a rapidly changing world. We foster diversity and inclusion, dignity and respect.
- Dealing fairly and ethically with our suppliers. We are dedicated to serving as good partners to the other companies, large and small, that help us meet our missions.
- Supporting the communities in which we work. We respect the people in our communities and protect the environment by embracing sustainable practices across our businesses.
- Generating long-term value for shareholders, who provide the capital that allows companies to invest, grow and innovate. We are committed to transparency and effective engagement with shareholders.

Each of our stakeholders is essential. We commit to deliver value to all of them, for the future success of our companies, our communities and our country.

August 2019

Kevin J. Wheeler
President & Chief Executive
Officer
A. O. Smith Corporation



Daniel P. Amos
Chairman and CEO
Aflac

Doug Parker
Chairman & CEO
American Airlines

Miles D. White
Chairman and Chief
Executive Officer
Abbott

Roger K. Newport
Chief Executive Officer
AK Steel Corporation

Nicholas K. Akins
Chairman, President and CEO
American Electric Power

Julie Sweet
Chief Executive Officer
Designate
Accenture

Brent Saunders
Chairman and CEO
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ADP

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Alliant Energy

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Altec, Inc.

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BNY Mellon

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Best Buy Co., Inc.

Robert Dudley
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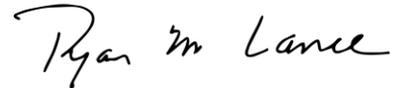
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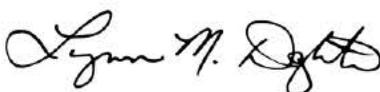
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3M