February 24, 2020

**Via E-mail to shareholderproposals@sec.gov**

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

**Re:** Northrop Grumman Corporation  
Exclusion of Shareholder Proposal Submitted by the Sisters of St. Dominic of Caldwell New Jersey, School Sisters of Notre Dame Cooperative Investment Fund and Sisters of St. Francis of Philadelphia

Ladies and Gentlemen:

We are writing on behalf of our client, Northrop Grumman Corporation (the “Company”), in response to the correspondence from the Sisters of St. Dominic of Caldwell New Jersey, School Sisters of Notre Dame Cooperative Investment Fund and Sisters of St. Francis of Philadelphia (the “Proponents”) dated February 11, 2020 (the “Reply Letter”) concerning the Company’s intention to exclude from its proxy statement and proxy to be filed and distributed in connection with its 2020 Annual Meeting of Shareholders (the “Proxy Materials”) the shareholder proposal and supporting statement (collectively, the “Shareholder Proposal”) submitted by the Proponents. The Company continues to believe, both for the reasons set forth below and the reasons provided in the Company’s January 14, 2020 correspondence (the “No-Action Request”), that the Shareholder Proposal may be excluded from the Proxy Materials pursuant to Rules 14a-8(i)(7), (10) and (3) under the Securities Exchange Act of 1934, as amended. Capitalized terms used but not defined in this letter shall have the meanings provided in the No-Action Request. In accordance with Rule 14a-8(j), a copy of this supplemental letter is being sent to the Proponents.

As an initial matter, the Company respectfully disagrees with the Reply Letter’s characterization of the Shareholder Proposal and the application of long-standing Securities and Exchange Commission (the “Commission”) Division of Corporation Finance (the “Staff”) no-action letter precedent to the Shareholder Proposal. Despite the Reply Letter’s assertions, the Company’s interpretation of the Shareholder Proposal is not “overblown,” as evidenced in part by the Reply Letter’s internally inconsistent arguments. For instance, the Reply Letter simultaneously argues that the Shareholder Proposal in no way micromanages the Company by positing that the Company has broad “discretion” as to implementation, yet in response to the Company’s illustrative implementation efforts, the Reply Letter asserts that “none” of the Company’s
implementation efforts suffice. The inconsistency also illustrates how the Shareholder Proposal could be subject to multiple interpretations, thus supporting arguments in the No-Action Request that the Shareholder Proposal is vague and misleading in violation of Rule 14a-9.

Despite the inconsistency contained in the Reply Letter, it is clear, particularly when compared to the proposal involving human rights that the Proponents submitted to the Company for inclusion in its proxy materials for its 2019 Annual Meeting of Shareholders, that the Proponents are taking direct aim at the Company’s ordinary business operations and its customer relationships via the Shareholder Proposal. The Company remains deeply committed to respecting human rights – indeed, it is embedded in the Company’s culture, policies and practices – for the reasons described in the No-Action Request and further discussed below, and continues to believe that submitting the Shareholder Proposal to a shareholder vote is inconsistent with a number of bases under Rule 14a-8 and not in the best interest of the Company’s shareholders.

I. The Shareholder Proposal May Be Excluded Pursuant to Rule 14a-8(i)(7) Because It Involves Matters that Relate to the Ordinary Business Operations of the Company

The Reply Letter’s arguments regarding Rule 14a-8(i)(7) are premised on an interpretation of the Shareholder Proposal that misaligns with the plain text of the Shareholder Proposal and reveals the Proponents’ clear intention. In this regard, the Proponents attempt to analogize the Shareholder Proposal to human rights-related shareholder proposals at issue in other no-action letters, while ignoring that the Shareholder Proposal substantially focuses on, and seeks intricate detail about, the Company’s customers and what such customers might decide at some point about where and how they want to use the Company’s products.

a. The Subject Matter of the Shareholder Proposal Directly Concerns the Company’s Ordinary Business Operations

The primary focus of the Shareholder Proposal is day-to-day aspects of how the Company conducts its business, in a manner that is inconsistent with the principles underlying the ordinary business exclusion under Rule 14a-8(i)(7). This is a precedent-distinguishing fact. As detailed in the No-Action Request, the Staff has concurred in exclusion of shareholder proposals that, like the Shareholder Proposal, purport to concern a significant policy issue, such as a company’s policies related to human rights, but where the focus of the proposal actually relates to the company’s ordinary business operations, such as specific company relationships. As in The Home Depot, Inc. (February 13, 2018) and Pfizer Inc. (February 12, 2018) and the other no-action letter precedent cited in the No-Action Request, the Shareholder Proposal facially requests action involving human rights but actually focuses on the Company’s relationship with a specific organization and the risks that could result from use of the Company’s products by its customers at some point in the future. As a result, the Proponents’ reliance on Amazon.com, Inc. (March
25, 2015) and Yahoo! Inc. (April 5, 2011) is misplaced. In neither of those letters did the shareholder proposal target any specific customer, much less the company’s largest customer and other government customers. Simply stated, the Reply Letter’s argument that the Shareholder Proposal focuses on a significant policy issue should fail because, just as in Home Depot and Pfizer, the Proponents are clearly more concerned with the actions that a third party might take at some point in the future than about the Company’s human rights policy itself. And the Shareholder Proposal is mostly a means of prompting the Company to make different choices regarding with whom, where and how the Company conducts business and less about its human rights policy and how it is implemented.

The Reply Letter goes on to suggest that in this case the “distinction between human rights, on the one hand, and business relationships and products and services, on the other, is artificial.” This is not so. As the Staff’s long-standing no-action letter precedent amply affirms, the distinction between proposals focused on human rights (and other significant policy issues) and those focused on business relationships and products and services can dictate the outcome in whether a proposal is properly excludable under the traditional ordinary business prong of Rule 14a-8(i)(7), as was the case in Papa John’s International, Inc. (February 13, 2015) and other letters discussed in the No-Action Request. Here, the Shareholder Proposal merely makes reference to a significant policy issue but actually focuses on a fundamental ordinary business matter that is properly excludable pursuant to Rule 14a-8(i)(7). The Reply Letter demonstrates this, for instance, by highlighting that the Shareholder Proposal’s “supporting statement also addresses risks posed by the Company’s relationships with Saudi Arabia, the United Arab Emirates, India, Israel, Morocco, and Colombia, and discusses non-company-specific risks associated with particular products and services.” If the Shareholder Proposal’s true concern was human rights, it would stand to reason that the supporting statement would instead have a broader tone encompassing other areas that could involve human rights risks without focusing on a subset of specific customers and products. Accordingly, for the reasons described above and consistent with the applicable no-action letter precedent cited above and in the No-Action Request, the Company believes that the Shareholder Proposal may be excluded from the Proxy Materials pursuant to Rule 14a-8(i)(7) because it delves into the core of the Company’s ordinary business operations.

b. The Shareholder Proposal “Micromanages” the Company “by Probing too Deeply into Matters of a Complex Nature upon Which Shareholders, as a Group, Would Not Be in a Position to Make an Informed Judgment”

The Proponents’ attempt to distinguish the Shareholder Proposal from the shareholder proposals at issue in JPMorgan & Chase & Co. (March 30, 2018), Amazon.com, Inc., PayPal Holdings, Inc., Verizon Communications Inc. (March 6, 2018) and The Wendy’s Company (March 2, 2017), is irrelevant and unpersuasive. Irrespective of the topic of a proposal, in no event has the Staff established a certain minimum threshold of requested actions for a shareholder proposal to
satisfy the micromanagement prong of Rule 14a-8(i)(7). In fact, the Staff has recently concurred in exclusion of a proposal under Rule 14a-8(i)(7) that sought adoption of a policy requiring (a) an explanation of why “legal or compliance costs” were excluded from a financial performance metric when evaluating performance for purposes of determining the amount or vesting of any senior executive compensation award and (b) a breakdown of the litigation costs. Johnson & Johnson (February 12, 2020). In concurring in exclusion, the Staff noted, “Although the Proposal would not prohibit the adjustment of financial performance metrics to exclude legal or compliance costs, we agree that the Proposal nonetheless micromanages the Company by seeking intricate detail of those costs identified in the Proposal.” The proposal at issue in Johnson & Johnson, like the Shareholder Proposal, did not contain an itemized list of detailed requests similar to those in JPMorgan & Chase & Co., yet the Staff still concurred in exclusion.

The Reply Letter’s conclusory assertions that “[t]he disclosure requested by the Proposal would not compel Northrop Grumman to conduct quantitative and technical analyses as in JPMC . . . [and] need not involve any modeling, quantitative or financial analysis or scientific or economic data,” beg the question as to what disclosure would even be envisioned. Even if the Proponents claim the Shareholder Proposal would not “compel” the Company to take actions in this regard, such actions may still be warranted if the Company views them as necessary to implement the Shareholder Proposal. As detailed in the No-Action Request, matters of human rights risks are complex, and the Proponents’ request for a report on “results of human rights impact assessments examining the actual and potential human rights impacts associated with high-risk products and services, including those in conflict-affected areas,” is no less so. Like the request in Johnson & Johnson, reporting on human rights impact assessments for certain products and services similarly seeks intricate detail. Accordingly, consistent with the favorable precedent cited above and in the No-Action Request, the Shareholder Proposal simply “prob[es] too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment.”

II. The Shareholder Proposal May Be Excluded Pursuant to Rule 14a-8(i)(10) Because the Company Has Substantially Implemented the Shareholder Proposal

Similar to the Proponents’ Rule 14a-8(i)(7) assertions, the Reply Letter overlooks analogous Staff precedent and attempts to distinguish the Shareholder Proposal by citing inapposite Rule 14a-8(i)(10) precedent. Despite the Reply Letter’s statements as to why enhanced “transparency” is not an essential objective of the Shareholder Proposal, the language of the Shareholder Proposal clearly asserts that the Company “does not disclose its salient human rights issues or how the policy is implemented to prevent, mitigate, or remediate adverse human rights impacts associated with its government contracts” and that “investors are still unable to assess how it evaluates and mitigates risks accompanying specific activities . . . .”
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Here, as in the no-action letter precedent cited in the No-Action Request, the Company believes that it has substantially implemented the Shareholder Proposal in accordance with Rule 14a-8(i)(10) by providing extensive disclosures as to how the Company implements its Human Rights Policy, which compare favorably with the Shareholder Proposal by underscoring the Company’s commitment to human rights and evidencing processes in place to assess human rights matters and implement the Company’s Human Rights Policy, thereby satisfying the Shareholder Proposal’s essential objective. The Reply Letter’s assertion that “[n]one of the disclosures to which Northrop Grumman points” satisfies the Shareholder Proposal’s requests is all the more surprising when the Reply Letter, as discussed above, expounded upon the near boundless discretion the Company has to implement the Shareholder Proposal. The Reply Letter’s argument to address this particular point offers yet another example of a statement that belies the Reply Letter’s overall argument and reveals the inconsistencies in what the Shareholder Proposal states and what the Proponents intend or interpret depending on the argument being made.

Last, the Company strongly disagrees with the Proponents’ assertions that discussion of the Company’s Board of Directors’ (the “Board’s”) role in overseeing human rights risks is “not relevant.” As risk oversight is a critical element of the duty of a director, discussion of the Board’s role with respect to human rights risks is necessarily relevant to a discussion of the Shareholder Proposal, including to address its statements about “how” the Company’s Human Rights Policy is implemented.

III. The Shareholder Proposal May Be Excluded Pursuant to Rule 14a-8(i)(3) Because It Is Impermissibly Vague and Indefinite So As to Be Materially Misleading in Violation of Rule 14a-9

As discussed throughout this letter, the Reply Letter contains conflicting statements and offers a number of interpretations of the Shareholder Proposal and requested report. Contrary to the Reply Letter’s assertion that “it is plain from the context of the Proposal that ‘high-risk’ refers to presenting a high risk of adverse human rights impacts,” the plain text of the Shareholder Proposal does not expressly state that. For shareholders reviewing the Shareholder Proposal in the Proxy Materials, the clarifications offered by the Proponents in the Reply Letter will be unavailable, yet would seem to be necessary in order to satisfy the Proponents’ request. As a result, the Shareholder Proposal may be open to more than one interpretation and is impermissibly vague and indefinite such that neither shareholders voting on the Shareholder Proposal nor the Company in implementing the Shareholder Proposal, if adopted, may be able to determine with reasonable certainty what actions would be taken under the Shareholder Proposal. Accordingly, the Company continues to believe that the Shareholder Proposal may properly be excluded under Rule 14a-8(i)(3) as impermissibly vague and indefinite so as to be materially misleading in violation of Rule 14a-9.
Conclusion

Based on the foregoing discussion and the No-Action Request, the Company respectfully requests that the Staff concur that it will take no action if the Company excludes the Shareholder Proposal from its Proxy Materials pursuant to Rule 14a-8(i)(7), on the basis that the Shareholder Proposal deals with a matter relating to the Company’s ordinary business operations, or, alternatively, pursuant to Rule 14a-8(i)(10), on the basis that the Company has substantially implemented the Shareholder Proposal, or, alternatively, pursuant to Rule 14a-8(i)(3), on the basis that the Shareholder Proposal is impermissibly vague and indefinite so as to be materially misleading in violation of Rule 14a-9.

If the Staff has any questions regarding this request or requires additional information, please do not hesitate to contact me at meredith.cross@wilmerhale.com or (202) 663-6644, or Jennifer C. McGarey, Corporate Vice President & Secretary, Northrop Grumman Corporation at Jennifer.McGarey@ngc.com. In addition, should the Proponents choose to submit any response or other correspondence to the Commission, we request that the Proponents concurrently submit that response or other correspondence to the Company, as required pursuant to Rule 14a-8(k) and SLB 14D, and copy the undersigned.

Very truly yours,

Meredith B. Cross

cc: Jennifer C. McGarey
Mary Beth Gallagher, Investor Advocates for Social Justice
Patricia Daly, Sisters of St. Dominic of Caldwell New Jersey
Ethel Howley, School Sisters of Notre Dame Cooperative Investment Fund
Nora Nash, Sisters of St. Francis of Philadelphia
February 11, 2020

Via e-mail at shareholderproposals@sec.gov

Securities and Exchange Commission
Office of the Chief Counsel
Division of Corporation Finance
100 F Street, NE
Washington, DC 20549

Re: Request by Northrop Grumman Corporation to omit proposal submitted by the Sisters of St. Dominic of Caldwell, New Jersey and co-filers

Ladies and Gentlemen,

Pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, the Sisters of St. Dominic of Caldwell, New Jersey, the Sisters of St. Francis of Philadelphia, and the School Sisters of Notre Dame Cooperative Investment Fund (together, the “Proponents”) submitted a shareholder proposal (the “Proposal”) to Northrop Grumman Corporation (“Northrop Grumman” or the “Company”). The Proposal asks Northrop Grumman to report to shareholders on the results of human rights risk assessments examining the actual and potential human rights impacts associated with high-risk products and services, including those in conflict-affected areas.

In a letter to the Division dated January 14, 2020 (the “No-Action Request”), Northrop Grumman stated that it intends to omit the Proposal from its proxy materials to be distributed to shareholders in connection with the Company’s 2020 annual meeting of shareholders. Northrop Grumman argues that it is entitled to exclude the Proposal in reliance on Rule 14a-8(i)(7), on the ground that the Proposal deals with the Company’s ordinary business operations; Rule 14a-8(i)(10), arguing that the Company has substantially implemented the Proposal; and Rule 14a-8(i)(3), urging that the Proposal is excessively vague. As discussed more fully below, Northrop Grumman has not met its burden of proving its entitlement to exclude the Proposal on any of those bases, and the Proponents respectfully request that Northrop Grumman’s request for relief be denied.
The Proposal

The Proposal states:

**Resolved**: Shareholders request that Northrop Grumman publish a report, at reasonable cost and omitting proprietary information, with the results of human rights impact assessments examining the actual and potential human rights impacts associated with high-risk products and services, including those in conflict-affected areas.

Ordinary Business

Rule 14a-8(i)(7) allows exclusion of proposals related to a company’s ordinary business operations. Northrop Grumman urges that the Proposal is excludable on ordinary business grounds because it:

- “seeks to address how the Company considers and manages its relationships with its customers and how the Company sells particular products and services”\(^1\); and
- would micromanage Northrop Grumman by dictating “the Company’s contracting processes, product and service development processes, business development processes and government relations processes.”\(^2\)

Last year, the Proponents submitted a similar proposal (the “2019 Proposal”) to Northrop Grumman, asking the Company to report on its “management systems and processes to implement its Human Rights Policy.” The 2019 Proposal suggested that Northrop Grumman report on its human rights due diligence process and indicators used to assess effectiveness, the role of the board in overseeing human rights risks and systems to embed respect for human rights into business decision making processes.\(^3\)

Northrop Grumman made nearly identical arguments to those it makes now, claiming that the 2019 Proposal was excludable on ordinary business grounds because its subject was the Company’s products and services and its relationships with customers and because the 2019 Proposal sought to micromanage the Company. The Staff declined to concur in the Company’s view, reasoning that “[i]n our view, the Proposal transcends ordinary business matters and does not seek to

\(^1\) No-Action Request, at 5.
\(^2\) No-Action Request, at 5.
\(^3\) Northrop Grumman Corp. (Mar. 19, 2019).
micromanage the Company to such a degree that exclusion of the Proposal would be appropriate.”

Northrop Grumman rehashes those arguments now, and they should again be rejected. As the Proponents successfully argued last year, the sale of products and services, and its relationships with customers, are relevant only within the larger context of the Proposal’s central focus on human rights. As well, the Proposal asks only for an assessment of human rights risks associated with Northrop Grumman’s existing business, relationships, and activities; it does not seek intricate detail or to compel the Company to change its practices in any way. Accordingly, the Proposal, like the 2019 Proposal, is not excludable on ordinary business grounds.

The Company’s Relationships With Customers, and the Sale of Products or Services, Are Subordinate to the Proposal’s Overarching Subject of Human Rights

Northrop Grumman urges that the Proposal’s subject is relationships with customers and/or the Company’s sale of particular products or services. It is true, as Northrop Grumman contends, that proposals focused on products or services, or relationships with customers, absent a significant policy issue, have been deemed excludable on ordinary business grounds. None of the proposals in the determinations Northrop Grumman cites, however, involved a significant policy issue like human rights:

- In Pepco Holdings Inc., Dominion Resources, Inc., Danaher, Inc. and General Electric Company, the proposals explicitly asked the companies to focus on or deemphasize one or more specific products or markets, with no connection to a significant policy issue.
- In Amazon.com Inc., Amazon successfully argued that a proposal asking it to “disclose to shareholders any reputational and financial risks that it may face as a result of negative public opinion pertaining to the treatment of animals used to produce products it sells” did not focus solely on animal cruelty, which had been considered a significant policy issue, and lacked a sufficient nexus to Amazon, which provided a platform for others to sell products but did not itself sell the product to which the proponent objected.
- The proponent in Papa John’s International argued that the significant policy issue implicated by the proposal was “the environment, animal welfare and human health.” This “issue” was likely viewed as both too

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4 No-Action Request, at 5-6.
5 Pepco Holdings Inc. (Feb. 18, 2011).
6 Dominion Resources, Inc. (Feb. 3, 2011).
9 Amazon.com Inc. (Mar. 27, 2015).
general and too remote from the proposal’s request that Papa John’s “expand its menu offerings to include vegan cheeses and vegan meats.”

- The proposal in the most recent determination cited by Northrop Grumman, McDonald’s Inc.,\textsuperscript{11} though couched as a governance proposal to establish a board committee, dealt with food safety and quality. The proposal recommended specific matters for the committee to take up, such as recent safety breaches, “concerns and criticism regarding food quality,” and necessary improvements in sanitation and safety systems, all of which involve the day-to-day management of the business.

The Proposal, by contrast, has as its central focus a topic the Staff has consistently found to be a significant policy issue—human rights.\textsuperscript{12} Northrop Grumman concedes that human rights has been considered a significant policy issue,\textsuperscript{13} but claims that the Proposal “purport[s] to concern a company’s assessment of human rights but . . . actually relates to specific company relationships with organizations whose conduct appears to be the Proponents’ primary target.”\textsuperscript{14}

Northrop Grumman claims that the Proposal’s “obligatory references to human rights are overshadowed by the [Proposal’s] focus on the Company’s relationship with the U.S. government, its largest customer.”\textsuperscript{15} As a factual matter, Northrop Grumman’s characterization of the supporting statement as focused primarily on its relationship with the U.S. government is overblown. The supporting statement also addresses risks posed by the Company’s relationships with Saudi Arabia, the United Arab Emirates, India, Israel, Morocco, and Colombia, and discusses non-company-specific risks associated with particular products and services.

More fundamentally, Northrop Grumman’s distinction between human rights, on the one hand, and business relationships and products and services, on the other, is artificial. It is precisely those products, services and business relationships that can give rise to supply chain human rights risks. The UN Guiding Principles on Business and Human Rights state that a company may cause or contribute to such impacts through its own activities or through business relationships that link impacts to the company’s own operations, products or

\textsuperscript{11} McDonald’s Inc. (Mar. 12, 2019).
\textsuperscript{12} \textit{E.g.}, Halliburton Co. (Mar. 9, 2009) (proposal asking Halliburton to “review its policies related to human rights to assess areas where the company needs to adopt and implement additional policies” not excludable); Abbott Laboratories (Feb. 28, 2008) (proposal asking Abbott to “amend the company’s human rights policy to address the right to access to medicines” not excludable).
\textsuperscript{13} No-Action Request, at 8.
\textsuperscript{14} No-Action Request, at 5.
\textsuperscript{15} No-Action Request, at 9.
services. Thus, it is not possible to discuss possible sources of human rights risk without reference to products, services and business relationships.

Under Northrop Grumman’s logic, identifying products or customers that increase human rights risk has the effect of changing the Proposal’s subject from human rights to “sale of products” or “relationships with customers.” That argument was rejected in two determinations, including one that focused explicitly on denying certain customers the ability to use the company’s services and technologies.

In Yahoo Inc., the proposal asked Yahoo to adopt human rights principles to “guide its business relating to its business in China and other repressive countries.” The proposal’s resolved clause specified that Yahoo should not sell “information technology products or technologies,” provide assistance “to authorities in China and other repressive countries that could contribute to human rights abuses” or provide information “that would place individuals at risk of persecution based on their access or use of the Internet or electronic communications for free speech and free association purposes.” The proposal directed that “Yahoo will support the efforts to assist users to have access to encryption and other protective technologies and approaches, so that their access and use of the Internet will not be restricted by the Chinese and other repressive authorities.”

Yahoo challenged the proposal on ordinary business grounds, claiming, as Northrop Grumman does here, that the proposal’s subject was not limited to a significant policy issue because certain principles “clearly relate to the ordinary business matters of determining the manner in which the Company should or should not provide its products and services, determining what products and services to offer, and establishing procedures for protecting customer information.” The Staff declined to grant relief, reasoning that “the proposal focuses on the significant policy issue of human rights.”

The Yahoo determination, then, undermines Northrop Grumman’s argument that mentioning specific products or services or relationships with particular customers requires exclusion on ordinary business grounds. Despite the Yahoo proposal’s effort to circumscribe Yahoo’s ability to provide particular products and services to the Chinese government, the Staff viewed those limits as part of or subordinate to the proposal’s general focus on human rights.

The Proposal is far less prescriptive than the Yahoo proposal because it does not try to influence which products and services Northrop Grumman can sell to particular customers. Nor does the Proposal ask the Company to change its

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17 Yahoo, Inc. (Apr. 5, 2011).
relationship with any of its existing or potential customers. Instead, the Proposal
cites risks associated with the Company’s products and services, including their use
in certain circumstances, as one reason shareholders would benefit from
information about Northrop Grumman’s human rights impacts. Indeed, without
such a connection to the Company’s business, the Proposal could be viewed as
lacking a sufficient nexus to the Company and therefore excludable.\textsuperscript{18}

Similarly, in Amazon.com Inc.,\textsuperscript{19} the proposal requested that the company
report on its “process for comprehensively identifying and analyzing potential and
actual human rights risks of Amazon’s entire operations and supply chain,”
including the principles and methodology used to frame and measure performance,
the nature and extent of consultation with relevant stakeholders, and actual and/or
potential risks identified related to “Amazon’s use of contractors/subcontractors,
temporary staffing agencies or similar employment agencies.”

Amazon argued that the proposal was excludable on ordinary business
grounds, claiming that it “relates to the products and services offered for sale by the
Company because it requests a report assessing the ‘potential and actual human
rights risks’ related to the Company’s ‘entire operations and supply chain.’” The
proponents responded that the proposal addressed the sale of products only in the
context of human rights, a significant policy issue. The Staff declined to grant relief,
explaining, “In our view, the proposal focuses on the significant policy issue of
human rights.”\textsuperscript{20}

Northrop Grumman urges that the Proposal is most closely analogous to
proposals asking companies to cease or report on relationships with particular
charitable organizations, which the Staff has allowed companies to exclude on
ordinary business grounds even when they “purport to concern a company’s
assessment of human rights.”\textsuperscript{21} They key word here is “purport.”

In The Home Depot Inc.\textsuperscript{22} and Pfizer Inc.,\textsuperscript{23} cited on page 6 of the No-Action
Request, the resolved clauses of two substantially similar proposals asked each
company to “review its policies related to human rights to assess areas where the
Company needs to adopt and implement additional policies . . . .” The supporting
statements, however, did not address human rights issues related to the companies’
own conduct or that of its suppliers. Instead, vague allegations were made

\textsuperscript{18} See Staff Legal Bulletin 14I (Nov. 1, 2017) (“Because the test only allows exclusion when the
matter is not “otherwise significantly related to the company,” we view the analysis as
dependent upon the particular circumstances of the company to which the proposal is
submitted. That is, a matter significant to one company may not be significant to another.”)
\textsuperscript{19} Amazon.com, Inc. (Mar. 25, 2015).
\textsuperscript{20} Amazon.com, Inc. (Mar. 25, 2015).
\textsuperscript{21} No-Action Request, at 5.
\textsuperscript{22} The Home Depot Inc. (Feb. 13, 2018).
\textsuperscript{23} Pfizer Inc. (Feb. 12, 2018).
regarding the human rights records of charitable organizations to which the companies contributed and the proponents objected. The proposals did not refer to the companies’ existing human rights policies or changes to those policies advocated by the proponent.

In Home Depot and Pfizer, then, the proposals’ invocation of “human rights” was merely a hook on which the proponent hung proposals complaining about particular charitable contributions made by the companies. As well, because the human rights records to which the proponents objected were not those of the companies receiving the proposals, but rather the records of other organizations to which the companies contributed, the requisite nexus between human rights and the companies was lacking. It is thus unsurprising that the Staff viewed the proposals as relating to the companies’ ordinary business operations instead of human rights. By contrast, the Proposal’s supporting statement explains how Northrop Grumman’s products, services and business relationships may cause the Company to contribute to human rights violations and asks Northrop Grumman to disclose the results of a human rights impact assessment.

In sum, the Proposal’s subject is human rights, a significant policy issue. The supporting statement’s discussion of the Company’s products, services and business relationships serves to illustrate the potential human rights risks to which Northrop Grumman may be exposed, and thus is subsumed within and consistent with the larger subject of human rights. As a result, the Proposal’s subject transcends ordinary business operations.

The Proposal Would Not Micromanage Northrop Grumman

Northrop Grumman claims that the Proposal requests a report with “intricate detail” and seeks to control “the details of how the Company implements its Human Rights Policy with respect to each product, contract, customer or application.” As a result, Northrop Grumman urges, the Proposal would micromanage the Company.

Contrary to Northrop Grumman’s assertion, nothing about the Proposal would direct how the Company implements the Human Rights Policy. The Proposal gives the Company discretion to define its “high-risk products and services” and does not seek intricate detail regarding risks associated with each contract,

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24 These assertions were: “Religious freedom is also a human right,” “Human Rights Campaign works to direct corporate free speech and freedom of association rights,” and “These groups [Human Rights Campaign and Southern Poverty Law Center] are also working to direct corporate free speech and freedom of association rights.”

25 Some other determinations on which Northrop Grumman relies involved proposals seeking disclosure regarding lobbying and public policy activities, which the Proposal does not do.

26 No-Action Request, at 10.
customer, product and service. As well, Northrop Grumman would have discretion in how it determines which products, services and business relationships are high-risk and which areas in which its products or services may be used qualify as “conflict-affected.” Nothing in the Proposal would compel the Company to prepare a “detailed, cross-functional matrix” and the Proposal does not impose a deadline for the assessment. There is thus no basis for the Company’s claim that the Proposal would micromanage it “by seeking to impose specific methods for implementing complex policies.”

Northrop Grumman cites determinations in which the Staff concurred that disclosure proposals would micromanage companies, but those proposals requested significantly more detailed and technical reporting than the Proposal. The proposal in JPMorgan Chase & Co. (“JPMC”), for example, asked for a report “on the reputational, financial and climate risks associated with project and corporate lending, underwriting, advising and investing for tar sands production and transportation [including] assessments of:

- Short- and medium-term risk of portfolio devaluation due to stranding of high cost tar sand assets.
- Whether JPMC’s tar sands financing is consistent with the Paris Agreement’s goal of limiting global temperature increase to ‘well below 2 degrees Celsius’.
- How tar sands financing aligns with our company’s support for Indigenous People’s rights.
- Reducing risk by establishing a specific policy, similar to that of other banks, restricting financing for tar sands projects and companies.”

The JPMC proposal would have required the company to conduct several detailed analyses involving technical inputs and results:

- The first bullet asked for analyses of the short- and medium-term risks associated with “lending, underwriting, advising and investing for tar sands production,” including portfolio devaluation risks from asset stranding due to the high cost of extracting oil from tar sands. Such analyses would have involved modeling of portfolios, break-even prices for reserves and future oil prices under various scenarios.
- The second bullet would have mandated an analysis of the role played by tar sands in supplying oil globally, how JPMC’s tar sands-related business activities contribute to tar sands production, and the extent to which the availability of oil from tar sands might frustrate efforts to limit global temperature increase.
- The fourth bullet requested an analysis of how restricting financing for tar sands projects and companies would affect JPMC’s reputational and financial

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27 No-Action Request, at 10.
28 No-Action Request, at 10.
risks, which would involve modeling the impacts of such a change in business strategy on both JPMC’s financial results and risk profile.

The disclosure requested by the Proposal would not compel Northrop Grumman to conduct quantitative and technical analyses as in JPMC.\(^{30}\) Rather, the Proposal focuses on potential and actual human rights impacts of Northrop Grumman’s business. That disclosure need not involve any modeling, quantitative or financial analysis or scientific or economic data. Nor would the Proposal direct the Company to join a Fair Food Program that imposed numerous specific requirements, as the proposal in The Wendy’s Company\(^{31}\) did.

Northrop Grumman’s reliance on the proposals in Amazon.com, Inc.,\(^{32}\) PayPal Holdings, Inc.\(^{33}\) and Verizon Communications, Inc.\(^{34}\) is likewise misplaced. Those proposals asked the companies to report to shareholders about the feasibility of achieving “net-zero” greenhouse gas emissions from all aspects of the business by 2030, as well as the feasibility of reducing other emissions associated with the companies’ activities. The companies argued that the proposals micromanaged because they imposed a specific date for the goal; set the emissions reduction target; would involve “evaluation and prioritization of competing business and strategic interests” in order to conduct feasibility analyses;\(^{35}\) and consider whether and how the companies could influence their suppliers.

The Proposal differs substantially from the “net-zero” proposals. Northrop Grumman would not be required to disclose a complex analysis involving balancing business and strategic priorities in order to implement the Proposal. Information would not need to be obtained from suppliers, nor would their cooperation be required to meet a goal. The specific information requested by the Proposal is straightforward, and Northrop Grumman would have discretion over the amount of detail it provides. Accordingly, the Proposal would not micromanage Northrop Grumman, making exclusion on ordinary business grounds inappropriate.

**Substantial Implementation**

Rule 14a-8(i)(10) permits exclusion of a proposal that has been “substantially implemented,” which can be achieved where the company has already satisfied the proposal’s “essential objective.” Last year, Northrop Grumman unsuccessfully

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\(^{30}\) For this reason, the determination in Ford Motor Company (Mar. 2, 2004), in which the proposal requested a detailed and technical study regarding global warming/cooling, replete with data on temperature measurement and carbon dioxide absorption, is inappropriate.


\(^{32}\) Amazon.com, Inc. (Mar. 6, 2018).

\(^{33}\) PayPal Holdings, Inc. (Mar. 6, 2018).

\(^{34}\) Verizon Communications, Inc. (Mar. 6, 2018).

\(^{35}\) Amazon.com, Inc. (Mar. 6, 2018).
advanced a similar argument regarding the 2019 Proposal, citing many of the same disclosures. This year, Northrop Grumman claims the Proposal’s essential objective is “[t]ransparency,”36 which is overly vague and inconsistent with the Proposal’s clear language. None of the disclosures to which Northrop Grumman points identifies actual and potential human rights impacts from the Company’s products, services or business relationships, as the Proposal requests.

Northrop Grumman asserts that its Human Rights Policy “describes both the policy and how it is implemented.”37 Neither of those items is responsive to the Proposal. The Human Rights Policy itself consists of principles and aspirational goals such as “Northrop Grumman does not tolerate the use of child labor, forced labor, bonded labor, or human trafficking” and “The company expects suppliers to conduct themselves in a manner consistent with the values set forth in our Standards of Business Conduct.”38 But there is no information in the Human Rights Policy about business relationships, products or services Northrop Grumman considers high-risk, or the actual or potential impacts caused by such aspects of the Company’s business.

Similarly, the Company’s Standards of Business Conduct (the “Standards”), which Northrop Grumman says express the Company’s “expectation that its partners and suppliers in its worldwide supply chain share in the commitment to adopt human rights principles similar to those in the Company’s Human Rights Policy,”39 contains none of the information sought in the Proposal. The Corporate Responsibility Report briefly describes the Human Rights Policy and the “expectation” language from the Standards, but adds nothing about specific human rights impacts.

Finally, Northrop Grumman points to language in the “Board Role in Risk Management” section of the proxy statement, urging that “human rights risks naturally would be addressed by the Board through its oversight of the Company’s Enterprise Risk Management Council.”40 Northrop Grumman appears to have retained that argument from last year’s request to exclude the 2019 Proposal, whose supporting statement included language recommending disclosure about board oversight. The Proposal, however, does not mention board oversight, and a discussion of that topic is thus not relevant to the Proposal’s request.

36 No-Action Request, at
37 No-Action Request, at 14.
38 See
39 No-Action Request, at 16.
40 No-Action Request, at 13.
Northrop Grumman points to the determination in The Wendy’s Company, but that proposal differed significantly from the Proposal.\textsuperscript{41} The Wendy’s proposal asked the company to report on the human rights due diligence it was already performing, and the Staff agreed with Wendy’s that its existing disclosures regarding third-party audits satisfied that request. Northrop Grumman does not provide any comparable disclosure about human rights impact assessments. In sum, none of Northrop Grumman’s existing policies or reports satisfies the Proposal’s essential objective of providing information about actual and potential human rights impacts.

**Vagueness**

Rule 14a-8(i)(3) permits a company to exclude a proposal that is so vague that “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.”\textsuperscript{42}

Northrop Grumman claims that the terms “high-risk” and “conflict-affected areas” are “undefined and leave open significant room for interpretation,” disingenuously claiming that “high-risk” could refer to “financial/profitability risk, reputational risk, execution risk, liability risk, or any other business or social risk associated with the Company’s products or services.”\textsuperscript{43} But it is plain from the context of the Proposal that “high-risk” refers to presenting a high risk of adverse human rights impacts, not the risk that a product will be unprofitable. The Proposal gives Northrop Grumman discretion about how to analyze products, services and business relationships for human rights risk.

Likewise, the Proposal’s supporting statement provides examples of conflict-affected areas, which allow both Northrop Grumman and its shareholders to determine with reasonably certainty what the Proposal requests. It is true that conflict-affected areas could shift, but the Proposal requests an assessment at a particular point in time. It is important for Northrop Grumman to consider how its products or services may be used in conflict-affected areas, as such use may be more likely to contribute to human rights abuses.

Northrop Grumman also objects that “potential human rights impacts” could “include unknown risks to human rights based on how and where a customer may choose to employ a product at an unspecified future date.”\textsuperscript{44} This is not an argument that the Proposal is excessively vague—Northrop Grumman has no problem characterizing it—but rather a claim regarding the value of identifying potential, as

\textsuperscript{41} The Wendy’s Company (Apr. 10, 2019).
\textsuperscript{42} Staff Legal Bulletin 14B (Sept. 15, 2004).
\textsuperscript{43} No-Action Request, at 19.
\textsuperscript{44} No-Action Request, at 19.
opposed to actual, human rights impact. As such, that argument is appropriate for inclusion in Northrop Grumman’s statement in opposition to the Proposal.

* * *

For the reasons set forth above, Northrop Grumman has not satisfied its burden of showing that it is entitled to omit the Proposal in reliance on Rule 14a-8(i)(7), (i)(10) or (i)(3). The Proponents thus respectfully request that Northrop Grumman’s request for relief be denied.

The Proponents appreciate the opportunity to be of assistance in this matter. If you have any questions or need additional information, please contact me at (973) 509 - 8800.

Sincerely,

Mary Beth Gallagher
Investor Advocates for Social Justice
On behalf of Sisters of St. Dominic of Caldwell, Sisters of St. Francis of Philadelphia, and School Sisters of Notre Dame

cc: Meredith B. Cross
WilmerHale
Meredith.Cross@wilmerhale.com

Jennifer McGarey
Northrop Grumman
Jennifer.mcgarey@ngc.com
January 14, 2020

Via E-mail to shareholderproposals@sec.gov

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

Re: Northrop Grumman Corporation
Exclusion of Shareholder Proposal Submitted by the Sisters of St. Dominic of Caldwell New Jersey, School Sisters of Notre Dame Cooperative Investment Fund and Sisters of St. Francis of Philadelphia

Ladies and Gentlemen:

We are writing on behalf of our client, Northrop Grumman Corporation (the “Company”), to inform you of the Company’s intention to exclude from its proxy statement and proxy to be filed and distributed in connection with its 2020 Annual Meeting of Shareholders (the “Proxy Materials”) the enclosed shareholder proposal and supporting statement (collectively, the “Shareholder Proposal”) submitted by the Sisters of St. Dominic of Caldwell New Jersey, School Sisters of Notre Dame Cooperative Investment Fund and Sisters of St. Francis of Philadelphia (the “Proponents”)

requesting that the Company “publish a report, at reasonable cost and omitting proprietary information, with the results of human rights impact assessments examining the actual and potential human rights impacts associated with high-risk products and services, including those in conflict-affected areas.”

There are several bases under Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), on which the Company believes it may exclude the Shareholder Proposal. First, as explained throughout this letter, the Shareholder Proposal, at its core, reflects the Proponents’ fundamental disagreement with the Company’s business processes and concern over how third parties may use the Company’s products or services, rather than the substance of the

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1 The Company separately is submitting a no-action request to exclude CODEPINK – Women for Peace as a co-proponent of the Shareholder Proposal for failing to satisfy ownership requirements under Rule 14a-8(b).
Company’s human rights policy, or even over how the Company implements its human rights policy. Implementation of the Shareholder Proposal would interfere with the Company’s ordinary business operations and micromanage the Company’s business. Second, to the extent the Shareholder Proposal seeks to understand how the Company demonstrates its commitment to human rights and implements its Human Rights Policy, the Company already has substantially implemented this objective. Third, certain key terms in the Shareholder Proposal are impermissibly vague and indefinite so as to be materially misleading. Consistent with Rules 14a-8(i)(7), (10) and (3) under the Exchange Act, respectively, we seek the concurrence of the staff of the Division of Corporation Finance (the “Staff”) of the Securities and Exchange Commission (the “Commission”) that the Shareholder Proposal may be excluded from the Company’s Proxy Materials because the Company does not believe it is in its shareholders’ interest to be asked to vote on a proposal that (i) deals with matters relating to a company’s ordinary business operations in accordance with Rule 14a-8(i)(7), (ii) has been substantially implemented in accordance with Rule 14a-8(i)(10), or (iii) in accordance with Rule 14a-8(i)(3), is impermissibly vague and indefinite so as to be materially misleading in violation of Rule 14a-9.

Pursuant to Rule 14a-8(j) of the Exchange Act and Staff Legal Bulletin No. 14D (November 7, 2008) (“SLB 14D”), the Company is submitting electronically to the Commission this letter and the Shareholder Proposal and related correspondence (attached as Exhibit A to this letter), and is concurrently sending a copy to the Proponents, no later than eighty calendar days before the Company intends to file its definitive Proxy Materials with the Commission.

Background

On November 26, 2019, the Company first received the Shareholder Proposal from the Proponents, which states:

Human Rights Impact Assessment
2020 – Northrop Grumman Corporation

Whereas: Under the UN Guiding Principles on Business and Human Rights (UNGPs), companies have a responsibility to respect human rights within their operations and value chains. This responsibility entails that companies should assess, identify, prevent, mitigate, and remediate adverse human rights impacts and disclose how they address salient human rights issues.
Northrop Grumman is the world’s third largest defense contractor, with the U.S. Government (USG) representing 82 percent of 2018 sales. Business relationships with the USG and governments whose activities may be linked to human rights violations may expose Northrop Grumman to legal, financial, and reputational risks. It is essential to conduct human rights impact assessments to evaluate and mitigate associated human rights risks.

In 2018, Northrop Grumman was awarded a $95 million USG contract to develop the Homeland Advanced Recognition Technology (HART) database, which is expected to hold biometric data for 260 million people. This presents concerns regarding algorithmic racial bias, risks to privacy and First Amendment rights, and potential harm to immigrant communities. The UN Office of the High Commissioner for Human Rights expressed alarm regarding the potential use of lethal autonomous robotics for targeted killings by states, including Northrop Grumman’s X-47B drone.

Conflict-affected areas are characterized by widespread human rights abuses, and the UNGPs encourage business enterprises operating in those contexts to conduct enhanced due diligence to ensure that the business is not involved with such abuses. Northrop Grumman has contracts with or supplies weapons to multiple states engaged in international and internal armed conflicts, including Saudi Arabia and United Arab Emirates (Yemen), India (Kashmir), Israel (Palestine), Morocco (Western Sahara), and Colombia.

Northrop Grumman is one of Saudi Arabia’s largest defense partners and has, “been heavily involved in the training and development of Saudi military personnel.” In 2018, the International Commission of Jurists reported that the Saudi-led coalition

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2 www.northropgrumman.com/AboutUs/AnnualReports/Documents/pdfs/2018_noc_ar.pdf
3 www.documentcloud.org/documents/6542043-MSLS-Industry-Day-Presentation-FINAL.html
4 www.theatlantic.com/technology/archive/2014/05/the-military-wants-to-teach-robots-right-from-wrong/370855/
7 www.northropgrumman.com/AboutUs/OurGlobalPresence/MiddleEastAndAfrica/Pages/Who-We-Are-in-the-Middle-East.aspx
violated international humanitarian law during operations in Yemen in 2017.\(^8\) The
UN declared that the conflict created the world’s worst humanitarian crisis, with 24
million people dependent on aid and protection.

Northrop Grumman adopted a Human Rights Policy in 2013, but does not disclose
its salient human rights issues or how the policy is implemented to prevent,
mitigate, or remediate adverse human rights impacts associated with its government
contracts. In 2019, 31% of shareholders voted in favor of increased reporting on the
implementation of the company’s Human Rights Policy.\(^9\) Yet, investors are still
unable to assess how it evaluates and mitigates risks accompanying specific
activities such as weapons contracts, military training, biometrics, and emerging
technologies, or with governments engaged in conflict.

**Resolved:** Shareholders request that Northrop Grumman publish a report, at
reasonable cost and omitting proprietary information, with the results of human
rights impact assessments examining the actual and potential human rights impacts
associated with high-risk products and services, including those in conflict-affected
areas.

**Bases for Exclusion\(^{10}\)**

I. The Shareholder Proposal May Be Excluded Pursuant to Rule 14a-8(i)(7) Because It
Involves Matters that Relate to the Ordinary Business Operations of the Company

Rule 14a-8(i)(7) permits a company to exclude a shareholder proposal from its proxy materials if
the proposal “deals with a matter relating to the company’s ordinary business operations.” The
underlying policy of the ordinary business exclusion is “to confine the resolution of ordinary
business problems to management and the board of directors, since it is impracticable for
shareholders to decide how to solve such problems at an annual shareholders meeting.” SEC
there are two “central considerations” underlying the ordinary business exclusion. The first is


\(^{9}\) [http://investor.northropgrumman.com/node/36321/html](http://investor.northropgrumman.com/node/36321/html)

\(^{10}\) The Company acknowledges that the Staff was unable to concur in exclusion of a shareholder proposal last year
involving human rights that the Proponents submitted to the Company for inclusion in the Company’s proxy
materials for its 2019 Annual Meeting of Shareholders. See Northrop Grumman Corporation (March 19, 2019).
Notwithstanding that the resolution in last year’s proposal also involved human rights, the substantive requests in
last year’s proposal dealt with the Company’s management systems and processes for implementing its human rights
policy, which substantively is entirely distinct from the Shareholder Proposal’s request for a report on specific
human rights impact assessments. Accordingly, the Company is of the view that the Staff’s decision in Northrop
Grumman Corporation (March 19, 2019) should not govern the requests set forth in this letter.
that “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.” The second is that a proposal should not “seek[] to ‘micro-manage’ the company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment.” The Shareholder Proposal implicates both of these considerations, as described in the following sections.

a. The Subject Matter of the Shareholder Proposal Directly Concerns the Company’s Ordinary Business Operations

The Company is deeply committed to respecting human rights. It is embedded in the Company’s culture, policies and practices. It is reflected in the Company’s Human Rights Policy, adopted in 2013, which is discussed in detail in Part II of this letter. The Shareholder Proposal does not appear to question or even address the Company’s commitment to human rights or its policy on the issue. Rather, the Shareholder Proposal seeks to address day-to-day aspects of how the Company conducts its business, in a manner that is inconsistent with the principles underlying the ordinary business exclusion under Rule 14a-8(i)(7). The supporting statement and the recitals to the Shareholder Proposal, which focuses on how the Company works with its largest customer – the U.S. Government – and other government customers, reveals further that overall the Shareholder Proposal seeks to address how the Company considers and manages its relationships with its customers and how the Company sells particular products and services, none of which are appropriate for direct shareholder oversight. Further, and as discussed in greater detail below in our discussion of micromanagement, the Shareholder Proposal seeks to dictate the way in which the Company considers human rights – in particular, requesting an assessment of both actual and potential human rights impacts associated with the Company’s products and services across various geographies. The Company’s contracting processes, product and service development processes, business development processes and government relations processes involve a wide array of business considerations and day-to-day business operations, as well as collaborative efforts across multiple functional areas of the Company. They are inappropriate for such direct shareholder involvement and oversight. Ultimately, decisions about the products and services the Company delivers, contracts it performs and the countries and markets in which it does business involve analyses, business determinations and other tasks fundamental to management’s ability to run the Company on a day-to-day basis. Were information related to such decisions subject to direct shareholder oversight, the Company could be significantly hindered in its ability to operate on a day-to-day basis, with adverse impacts on its competitive posture and customer relationships.

The Staff has concurred in the exclusion of shareholder proposals that, like the subject Shareholder Proposal, purport to concern a company’s assessment of human rights but where the focus of the shareholder proposal actually relates to specific company relationships with organizations whose conduct appears to be the Proponents’ primary target. Recently in The
Home Depot, Inc. (February 13, 2018) and Pfizer Inc. (February 12, 2018), the Staff concurred in exclusion pursuant to Rule 14a-8(i)(7) of shareholder proposals requesting that management of both companies “review its policies related to human rights to assess areas where the Company needs to adopt and implement additional policies and to report its findings.” Similar to the Shareholder Proposal’s focus on the Company’s government customers, these proposals highlighted relationships that the Home Depot and Pfizer had with specific organizations, including the Human Rights Campaign, and discussed extensively the organizational beliefs of and activities undertaken by such organizations, including alleged work by these third-party organizations to reduce religious freedom and target other organizations by attacking their corporate supporters. Notwithstanding that both proposals facially requested a review of each company’s human rights policies on the basis that “[c]orporations that lack fundamental human rights protections may face serious risks to their reputations and shareholder value,” the proposals were clearly intended to control the Home Depot’s and Pfizer’s relationships with specific organizations, leading the Staff to conclude that the proposals “relat[e] to the Company’s ordinary business operations.” More broadly, the Staff has consistently concurred in exclusion pursuant to Rule 14a-8(i)(7), as relating to a company’s ordinary business operations, with respect to shareholder proposals that – like this one – request a company to refrain from certain associations or relationships, on the basis that such proposals relate to a company’s ordinary business operations. See, e.g., PG&E Corporation (February 4, 2015) (in which the Staff concurred in the exclusion of a proposal requesting that the company form a committee to solicit feedback on the effect of “anti-traditional family political and charitable contributions,” on the basis that the proposal related to “contributions to specific types of organizations”); The Walt Disney Company (November 20, 2014) (in which the Staff concurred in the exclusion of a proposal requesting that the company preserve the policy of acknowledging the Boy Scouts of America as an [sic] charitable organization to receive matching contributions” from the company, on the basis that the proposal related to “charitable contribution to a specific organization”); Bristol-Myers Squibb Company (January 29, 2013, recon. denied March 12, 2013) (in which the Staff concurred in the exclusion of a proposal requesting that the company prepare a report describing the policies, procedures, costs and outcomes of the Company’s legislative and regulatory public policy advocacy activities,” on the basis that “the proposal and supporting statement, when read together, focus primarily on Bristol-Myers’ specific lobbying activities that relate to the operation of Bristol-Myers’ business and not on Bristol-Myers’ general political activities”); and PepsiCo, Inc. (March 3, 2011) (in which the Staff concurred in the exclusion of a proposal requesting that the company issue a report, with several specific elements, describing how the company identifies and prioritizes legislative and regulatory public policy advocacy activities, on the basis that “the proposal and supporting statement, when read together, focus primarily on PepsiCo’s specific lobbying activities that relate to the operation of PepsiCo’s business and not on PepsiCo’s general political activities”).
The Staff has also consistently granted no-action relief pursuant to Rule 14a-8(i)(7), as relating to a company’s ordinary business operations, with respect to shareholder proposals that, like the subject Shareholder Proposal, relate to the day-to-day operations of deciding about the content, sale and/or manner of presentation of particular products and services. See McDonald’s Corporation (March 12, 2019) (in which the Staff concurred in the exclusion of a proposal requesting the formation of a special board committee on food integrity to carry duties specified in the proposal in an effort to restore public confidence in the company’s food quality and integrity, on the basis that the proposal related to “the products and services offered for sale by the Company”); Amazon.com, Inc. (March 27, 2015) (in which the Staff concurred in the exclusion of a proposal requesting disclosure of “any reputational and financial risks that [the company] may face as a result of negative public opinion pertaining to the treatment of animals used to produce products it sells,” on the basis that the proposal related to “the products and services offered for sale by the company”); Papa John’s International, Inc. (February 13, 2015) (in which the Staff concurred in the exclusion of a proposal requesting that the company “expand its menu offerings to include vegan cheeses and vegan meats,” on the basis that the proposal related to “the products offered for sale by the company and does not focus on a significant policy issue”); Wal-Mart Stores, Inc. (March 20, 2014) (in which the Staff concurred in the exclusion of a proposal requesting board oversight of determinations whether to sell certain products that endanger public safety and well-being, could impair the reputation of the company and/or would be offensive to family and community values, on the basis that the proposal related to “the products and services offered for sale by the company”); Pepco Holdings, Inc. (February 18, 2011) (in which the Staff concurred in the exclusion of a proposal requesting that the company pursue the solar market, on the basis that the proposal related to “the products and services offered for sale by the company”); Dominion Resources, Inc. (February 3, 2011) (in which the Staff concurred in the exclusion of a proposal requesting that the company “initiate a program to provide financing to home and small business owners for installation of rooftop solar or wind power renewable generation, by 2013,” on the basis that the proposal related to “the products and services offered for sale by the company”); and General Electric Company (January 7, 2011) (in which the Staff concurred in the exclusion of a proposal requesting that the company focus on defining, growing and enhancing aviation, medical, energy, transportation, power generation, lighting, appliances and technology businesses and deemphasize and reduce the role and influence of GE Capital, on the basis that the proposal “relates to the emphasis that the company places on the various products and services it offers for sale”).

Framing the Shareholder Proposal in the form of a request for a report does not change the nature of the underlying proposal. Where “the subject matter of the additional disclosure sought in a particular proposal involves a matter of ordinary business . . . , it may be excluded under rule 14a-8(i)(7).” Johnson Controls, Inc. (October 26, 1999). Requests concerning an evaluation of certain risk does not preclude exclusion of a shareholder proposal if the proposal otherwise
relates to the company’s ordinary business operations, as noted in Staff Legal Bulletin 14E (October 27, 2009).

Consistent with the above-cited precedent, the Shareholder Proposal clearly concerns the Company’s ordinary business operations. When viewed in its entirety, including the preamble and supporting statement, the Shareholder Proposal focuses primarily on specifics of the Company’s relationship with its customers, the products and services sold to such customers, and the geographies in which the Company conducts its business. Multiple paragraphs of the preamble discuss the Company’s recent contracts with the U.S. government and other government customers. Emphasizing contracts with specific customers, the Shareholder Proposal clearly relates to the particular products and services sold by the Company and the customers to whom it sells them. At the core of their proposal, it appears the Proponents do not want the Company to sell certain products to the U.S. government or certain other government customers because of what those governments might decide at some point about where and how they want to use the products. The Proponents’ concern appears to be more with the governments than the Company. In any event, it gets to the heart of the Company’s business operations. For these reasons and consistent with the no-action letter precedent cited above, the Company believes that the Shareholder Proposal may be excluded from the Proxy Materials pursuant to Rule 14a-8(i)(7) because it delves into the core of the Company’s ordinary business operations.

b. The Shareholder Proposal Does Not Involve a Significant Policy Issue

As set out in the 1998 Release, shareholder proposals “focusing on sufficiently significant social policy issues (e.g., significant discrimination matters) generally would not be considered to be excludable [under Rule 14a-8(i)(7)], because the proposals would transcend the day-to-day business matters and raise policy issues so significant that it would be appropriate for a shareholder vote.” Thus, and as is appropriate, an issue must meet certain standards to be deemed a significant policy issue. In determining whether an issue should be deemed a significant policy issue, the Staff considers whether the issue has been the subject of widespread and/or sustained public debate.

The Staff has routinely concurred in the exclusion of shareholder proposals pursuant to Rule 14a-8(i)(7) where the proposal references a significant policy issue (as the Shareholder Proposal in this case does through its reference to the unquestionably important topic of human rights), but ultimately relates to a matter of ordinary business such as the products or services sold by the Company. For example, in Papa John’s International, Inc. (February 13, 2015), the Staff concurred in the exclusion of a proposal requesting that the company “expand its menu offerings to include vegan cheeses and vegan meats,” despite the proponent’s assertion that the proposal would promote animal welfare—a significant policy issue. In granting no-action relief, the Staff noted that, fundamentally, the proposal related to “the products offered for sale by the company.
and does not focus on a significant policy issue.” See also Dominion Resources, Inc. (February 19, 2014) (in which the Staff concurred in the exclusion pursuant to Rule 14a-8(i)(7) of a proposal relating to renewable energy, on the basis that it “relat[ed] to Dominion’s ordinary business operations,” specifically “the products and services that the company offers”) and Danaher Corporation (March 8, 2013, recon. denied March 20, 2013) (in which the Staff concurred in the exclusion pursuant to Rule 14a-8(i)(7) of a proposal requesting a report on policies for eliminating releases of mercury from Danaher products (which touches on the social policy issue of health concerns related to amalgam products), on the basis that the proposal “relat[ed] to Danaher’s ordinary business operations,” specifically “Danaher’s product development”).

The Shareholder Proposal asserts that “companies have a responsibility to respect human rights within their operations and value chains.” Notwithstanding this statement, the Shareholder Proposal does not actually seek to address the Company’s long-standing respect of human rights. Instead, the Shareholder Proposal focuses on the Company’s day-to-day operations, including the Company’s customers, products and services, in addition to its management systems and processes. The Staff has stated that in determining whether the focus of a shareholder proposal is a significant social policy issue, “we consider both the proposal and the supporting statement as a whole.” Staff Legal Bulletin No. 14C, part D.2 (June 28, 2005). Looking at the Shareholder Proposal, the obligatory references to human rights are overshadowed by the Shareholder Proposal’s focus on the Company’s relationship with the U.S. government, its largest customer, and other specified government customers. Similar to the proposals at issue in The Home Depot, Inc. (February 13, 2018) and Pfizer Inc. (February 12, 2018), the Shareholder Proposal targets specific customers and suggests a limitation on the Company’s ability to work with and provide products and services to such customers. The Shareholder Proposal’s mere references to human rights fail to “transcend the day-to-day business matters” that the Shareholder Proposal directly involves.

By seeking a shareholder vote on whether the Company should issue a report on the specific human rights impact assessments of its contracts or proposals for customers, the Shareholder Proposal does precisely what the proposals at issue in the above no-action letters sought to do – subject to direct shareholder oversight day-to-day business decisions about “the Company’s ordinary business operations.” The Shareholder Proposal would operate as a referendum on the management systems and processes that the Company has in place for its operations, contracts, business development and supply chain, particularly as it relates to the certain customers named in the Shareholder Proposal, all in a manner that is inconsistent with Rule 14a-8.
c. The Shareholder Proposal “Micromanages” the Company “by Probing too Deeply into Matters of a Complex Nature upon Which Shareholders, as a Group, Would Not Be in a Position to Make an Informed Judgment”

In addition to interfering with the Company’s day-to-day operations, the Shareholder Proposal seeks to “micro-manage” the Company and its operations. The details of how the Company implements its Human Rights Policy with respect to each product, contract, customer or application, and its overall risk management framework, including those related to human rights impacts, are inherently complex and touch various facets of the Company’s day-to-day operations. The Shareholder Proposal recommends that the Company’s report disclose “actual and potential human rights impacts associated with high-risk products and services, including those in conflict-affected areas.” To comply with this request would require, if possible, the preparation of a detailed, cross-functional matrix that analyzes human rights impacts on the specific type of impact (actual and potential) by the Company’s many products and services and with an overlay that presents this information on a disaggregated basis with respect to the various actual and potential customers and the geographies in which such products and services are or might be used by a customer over time.

In line with the Commission’s explanation of the micromanagement prong of Rule 14a-8(i)(7), each of the elements suggested for inclusion in the report requested by the Shareholder Proposal “involves intricate detail, or seeks to impose specific time-frames or methods for implementing complex policies.” Release No. 34-40018 (May 21, 1998); Staff Legal Bulletin 14K (October 16, 2019) (“SLB 14K”). As the Staff explained in Staff Legal Bulletin 14J (October 23, 2018):

This framework also applies to proposals that call for a study or report. For example, a proposal that seeks an intricately detailed study or report may be excluded on micromanagement grounds. In addition, the staff would, consistent with Commission guidance, consider the underlying substance of the matters addressed by the study or report. Thus, for example, a proposal calling for a report may be excludable if the substance of the report relates to the imposition or assumption of specific timeframes or methods for implementing complex policies.

As the Staff further explained in SLB 14K, “[w]hen a proposal prescribes specific actions that the company’s management or the board must undertake without affording them sufficient flexibility or discretion in addressing the complex matter presented by the proposal, the proposal may micromanage the company to such a degree that exclusion of the proposal would be warranted.” The Shareholder Proposal’s requested report does precisely that.

The Staff has consistently granted no-action relief pursuant to Rule 14a-8(i)(7) as relating to a company’s ordinary business operations in instances where shareholder proposals requested reports with intricate detail similar to the details requested in the Shareholder Proposal. Most
recently, in *Amazon.com, Inc.* (April 3, 2019), the Staff concurred in exclusion pursuant to Rule 14a-8(i)(7) of a proposal remarkably similar to the Shareholder Proposal that requested the board to “commit to conducting and making available to shareholders Human Rights Impact Assessments . . . for at least three food products Amazon sells that present a high risk of adverse human rights impacts.” The Staff explained, “In our view, the Proposal would micromanage the Company by seeking to impose specific methods for implementing complex policies in place of the ongoing judgments of management as overseen by its board of directors.” This is consistent with the Staff’s long-standing precedent in this regard. *See, e.g.*, *JPMorgan Chase & Co.* (March 13, 2019) (in which the Staff concurred in the exclusion of a proposal requesting adoption of transparent procedures to avoid holding or recommending investments that substantially contribute to the most egregious violations of human rights, on the basis that the proposal “micromanages the Company by seeking to impose specific methods for implementing complex policies”); *JPMorgan Chase & Co.* (March 30, 2018) (in which the Staff concurred in the exclusion of a proposal requesting a report on reputational, financial and climate risks associated with lending, underwriting, advising and investing for tar sands production and transportation where the proposal specified several company assessments to be included in the report, on the basis that the proposal “micromanages the Company by seeking to impose specific methods for implementing complex policies”); *Amazon.com, Inc.*, *PayPal Holdings, Inc.* and *Verizon Communications Inc.* (March 6, 2018) (in each of which the Staff concurred in the exclusion of a proposal requesting a report evaluating the feasibility of each company achieving by 2030 “net-zero” emissions of greenhouse gases from all parts of the business directly owned and operated by the Company, as well as the feasibility of reducing other emissions associated with the Company’s activities, on the basis that the proposal “seeks to micromanage the Company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment”); *Amazon.com, Inc.* (January 18, 2018, *recon. denied* April 5, 2018) (in which the Staff concurred in the exclusion of a proposal requesting that the company list WaterSense showerheads before other showerheads and provide a short description of the meaning of WaterSense showerheads, on the basis that the proposal “seeks to micromanage the Company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment”); *The Wendy’s Company* (March 2, 2017) (in which the Staff concurred in the exclusion of a proposal requesting that the company “join the Fair Food Program as promptly as feasible for the purpose of protecting and enhancing consumer and investor confidence in the Wendy’s brand as it relates to the purchase of produce” and then issue a report concerning implementation of the proposal, on the basis that the proposal “seeks to micromanage the company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment”); and *Ford Motor Company* (March 2, 2004) (in which the Staff concurred in the exclusion of a proposal requesting a “Scientific Report on Global Warming/Cooling” that includes detailed information on temperatures, atmospheric gases, sun effects, carbon dioxide production, carbon dioxide
absorption, and costs and benefits of various degrees of heating or cooling, on the basis that the proposal “relat[es] to ordinary business operations (i.e., the specific method of preparation and the specific information to be included in a highly detailed report”).

Each of the items requested in the Shareholder Proposal for inclusion in the report would implicate inherently complex policies, procedures and practices followed every day in the Company’s operations as a leading global security company. These items would touch on such matters as how the Company’s policies are “operationalized,” how the Company “vets” contracts with the government, how the Company conducts due diligence with respect to human rights matters, how the Company makes its routine business decisions in the areas of operations and contracts, how the Company develops customer relationships, and how the Company anticipates or could anticipate how each customer might use each product over time. The Shareholder Proposal’s requests go well beyond those included in the proposal submitted to the Company by the Proponents last year; this year’s requests are even more specific in the ways it seeks to dictate Company actions with respect to specific products and services, customers and potential uses. For instance, given the Shareholder Proposal’s apparent concern for uncertain, future actions that may be undertaken by certain government customers, the Shareholder Proposal would appear to demand that the requested report incorporate the Company’s speculation about the occurrence of any number of complex, future actions that may be undertaken by such customers. As a result, the Shareholder Proposal would micromanage the Company by requesting a report containing detailed elements of a human rights impact assessment with respect to specific types of impact, specific products and services, specific customers, specific geographies and specific potential applications. Such a request would micromanage the Company “by seeking to impose specific methods for implementing complex policies,” as in Amazon.com, Inc. (April 3, 2019) and other no-action letter precedent cited above. The Company’s request for exclusion of the Shareholder Proposal aligns squarely with the guidance in SLB 14K, as the Shareholder Proposal “prescribes specific actions that the company’s management or the board must undertake without affording them sufficient flexibility or discretion in addressing the complex matter presented by the proposal.” The shareholder proposal process is simply not intended to provide an avenue for shareholders to impose detailed requirements of this nature in areas most appropriately addressed by management. Like the proposals at issue in the no-action letter precedent cited above, the intricate requests for the various elements to be included in the report requested in the Shareholder Proposal “prob[e] too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment.”

Accordingly, in keeping with the Staff’s guidance and the no-action letter precedent cited above, the Company believes that the Shareholder Proposal would impermissibly micromanage the

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1 See Northrop Grumman Corporation (March 19, 2019).
Company and that the Shareholder Proposal, therefore, may be excluded from the Proxy
Materials pursuant to Rule 14a-8(i)(7).

II. The Shareholder Proposal May Be Excluded Pursuant to Rule 14a-8(i)(10) Because
the Company Has Substantially Implemented the Shareholder Proposal

The purpose of the Rule 14a-8(i)(10) exclusion is to “avoid the possibility of shareholders having
to consider matters which have already been favorably acted upon by management.”
Commission Release No. 34-12598 (July 7, 1976). While the exclusion was originally
interpreted to allow exclusion of a shareholder proposal only when the proposal was “fully’
effected” by the company, the Commission has revised its approach to the exclusion over time to
allow for exclusion of proposals that have been “substantially implemented.” Commission
Release No. 34-20091 (August 16, 1983) and Commission Release No. 34-40018 (May 21,
1998). In applying this standard, the Staff has noted 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 the guidelines of the proposal.”
Texaco, Inc. (March 6, 1991, recon. granted March 28, 1991). In addition, when a company can
demonstrate that it already has taken actions that address the “essential objective” of a
shareholder proposal, the Staff has concurred that the proposal has been “substantially
implemented” and may be excluded as moot, even where the company’s actions do not precisely
mirror the terms of the shareholder proposal.

The Staff has consistently permitted the exclusion of shareholder proposals under Rule 14a-
8(i)(10) when it has determined that the company’s policies, practices and procedures or public
disclosures compare favorably with the guidelines of the proposal or where the company had
addressed the underlying concerns and satisfied the “essential objective” of the proposal, even
where the company’s actions did not precisely mirror the terms of the shareholder proposal. For
example, in Wal-Mart Stores, Inc. (March 30, 2010), the proposal requested that the company
adopt six principles for national and international action to stop global warming. The company
argued that its Global Sustainability Report, which was available on the company’s website,
substantially implemented the proposal. Although the Global Sustainability Report set forth only
four principles that covered most, but not all, of the issues raised by the proposal, the Staff
concluded that the company’s “policies, practices and procedures compare favorably with the
guidelines of the proposal and that Wal-Mart has, therefore, substantially implemented the
proposal.” See also The Wendy’s Company (April 10, 2019) (in which the Staff concurred in the
exclusion pursuant to Rule 14a-8(i)(10) of a proposal requesting that the company issue a report
by November 2019 on the company’s process for identifying and analyzing potential and actual
human rights risks of operations supply chain that includes specific items set forth in the
proposal, on the basis that “the Company’s public disclosures compare favorably with the
guidelines of the Proposal and that the Company has, therefore, substantially implemented the
Proposal,” where the company argued that its existing company codes, public disclosures and existing risk management frameworks collectively reflected the company’s substantial implementation of the proposal); Applied Materials, Inc. (January 17, 2018) (in which the Staff concurred in the exclusion pursuant to Rule 14a-8(i)(10) of a proposal requesting that the company “improve the method to disclose the Company’s executive compensation information with their actual compensation,” on the basis that the company’s “public disclosures compare favorably with the guidelines of the Proposal and that the Company has, therefore, substantially implemented the Proposal,” where the company argued that its current disclosures follow requirements under applicable securities laws for disclosing executive compensation); Kewaunee Scientific Corporation (May 31, 2017) (in which the Staff concurred in the exclusion pursuant to Rule 14a-8(i)(10) of a proposal requesting that nonemployee directors no longer be eligible to participate in the company’s health and life insurance programs, on the basis that the company’s “policies, practices and procedures compare favorably with the guidelines of the proposal and that Kewaunee . . substantially implemented the proposal,” where the board had adopted a policy prohibiting nonemployee directors from participating in the company’s health and life insurance programs after December 31, 2017); MGM Resorts International (February 28, 2012) (in which the Staff concurred in the exclusion pursuant to Rule 14a-8(i)(10) of a proposal requesting a report on the company’s sustainability policies and performance and recommending the use of the Governance Reporting Initiative Sustainability Guidelines, on the basis that the company’s “public disclosures compare favorably with the guidelines of the proposal and that MGM Resorts has, therefore, substantially implemented the proposal,” where the company published an annual sustainability report that did not use the Governance Reporting Initiative Sustainability Guidelines or include all of the topics covered therein); and Alcoa Inc. (February 3, 2009) (in which the Staff concurred in the exclusion pursuant to Rule 14a-8(i)(10) of a proposal requesting a report describing how the company’s actions to reduce its impact on global climate change may have altered the current and future global climate, where the company published general reports on climate change, sustainability and emissions data on its website that did not discuss all topics requested in the proposal).

The Shareholder Proposal’s supporting statement asserts that “investors are still unable to assess how [the Company] evaluates and mitigates risks accompanying specific activities . . . .” Transparency in this regard is an “essential objective” of the Shareholder Proposal, as further evidenced by the Shareholder Proposal’s resolution, and the Company has taken actions that substantially implement such objective. Specifically, the Company provides various disclosures that directly address the Company’s implementation efforts in this regard. Most prominently, the Company’s Human Rights Policy itself describes both the policy and how it is implemented. For example, some of these statements, as excerpted directly from the Company’s Human Rights Policy, are as follows:

The company treats employees, suppliers, customers and competitors with dignity
and respect. The company does not tolerate any discrimination in employment based on an individual’s protected status. This includes maintaining a work environment free from harassment and retaliation.

All company employees have the right to fair working conditions, competitive wages and reasonable working hours. Northrop Grumman does not tolerate the use of child labor, forced labor, bonded labor, or human trafficking.

Northrop Grumman is committed to the highest standards of ethical and business conduct as it relates to the procurement of goods and services. The company expects suppliers to conduct themselves in a manner consistent with the values set forth in our Standards of Business Conduct.

Operations are conducted in a manner that protects the health and safety of company employees, contractors, and visitors.

The company actively works to protect the environment and support our communities in a manner that is environmentally responsible. In particular, Northrop Grumman is committed to reducing greenhouse gases and solid waste generation and water use.

Northrop Grumman contributes to the well-being of the communities in which we live, work, and serve, through our support of charitable causes.

The company is dedicated to integrity in all we do and to compliance with all applicable laws and regulations. This policy statement is implemented in accordance with the applicable legal and regulatory requirements of the United States and other countries in which the company operates. Northrop Grumman also encourages the partners and suppliers in our worldwide supply chain to adopt and enforce concepts similar to those in this policy.

Employees who believe there may have been a violation of this policy should report it through established channels, including to their supervisor, Business Conduct Officer, the Law Department or Human Resources, or the OpenLine.

Northrop Grumman will periodically review this policy to determine whether revisions are appropriate.
The Company also describes, in its Standards of Business Conduct, its commitment to human rights and expectation that its partners and suppliers in its worldwide supply chain share in the commitment to adopt human rights principles similar to those in the Company’s Human Rights Policy. Further, among other disclosures regarding the implementation of its Human Rights Policy, the Company states as follows in its most recent Corporate Responsibility Report:

At Northrop Grumman, our business practices reflect our strong commitment to human rights. Our Human Rights Policy highlights our commitment to treat employees, suppliers, customers and competitors with dignity and respect and prohibits unlawful discrimination, harassment or retaliation. Additionally, our policy covers freedom of association, fair working conditions, ethical procurement practices, health and safety and protection of the environment. We also have established policies against human trafficking. We expect our partners and suppliers in our worldwide supply chain to share this commitment; we include these requirements in our Supplier Standards of Business Conduct.

As illustrated in the various descriptions of its Human Rights Policy, respect for human rights is embedded in the Company’s culture and day-to-day business operations. Employees are required to abide by Company policies in performing their duties, and such policies clearly reflect the Company’s core commitment to respecting human rights. As evidenced by its public website disclosures regarding its Human Rights Policy, the Company is clearly committed to its Human Rights Policy and has described the ways in which it implements various elements of the policy, including with respect to customers, suppliers and employees.

In terms of the Company’s Board of Directors’ (the “Board’s”) oversight of human rights risks, the Company provides a description in its annual proxy statement, under the caption “Board’s Role in Risk Oversight,” that describes the Board’s risk oversight responsibilities overall. Human rights risks are one of many risks overseen by the Board and can manifest in any number of higher-level risks overseen by the Board and its committees. For instance, human rights risks naturally would be addressed by the Board through its oversight of the Company’s Enterprise Risk Management Council, as described in the Company’s annual proxy statement. In addition, the Board’s Policy Committee reviews and monitors the Company’s policies and practices regarding human rights and receives periodic reports on how the Company is implementing its Human Rights Policy, including if potential human rights risks might significantly impact the Company’s business. The Company is expanding the disclosure in the next annual proxy statement regarding its human rights practices and its ongoing commitment to human rights.

Consistent with the line of precedent cited above, the Company believes that it has substantially implemented the Shareholder Proposal. In this regard, the Company has adopted a Human Rights Policy describing how the policy impacts the Company’s operations and business
relationships. While the resolutions of the Shareholder Proposal speak in terms of a report regarding human rights impact assessments, the Shareholder Proposal’s supporting statement indicates that the essential objective relates to transparency into how the Company “evaluates and mitigates risks,” which is the essential objective of the Shareholder Proposal that the Company has more than satisfied. The Company has provided disclosures about its implementation efforts, which compare favorably with the Shareholder Proposal by underscoring the Company’s commitment to human rights and evidencing processes in place to assess human rights matters and implement the Company’s Human Rights Policy, thereby satisfying the essential objective of the Shareholder Proposal.

III. The Shareholder Proposal May Be Excluded Pursuant to Rule 14a-8(i)(3) Because It Is Impermissibly Vague and Indefinite So As to Be Materially Misleading in Violation of Rule 14a-9

Rule 14a-8(i)(3) permits a company to exclude all or portions of a shareholder proposal “[i]f the proposal or supporting statement is contrary to any of the Commission’s proxy rules, including Rule 14a-9, which prohibits materially false or misleading statements in proxy soliciting materials.” The Commission has determined that a proposal may be excluded pursuant to Rule 14a-8(i)(3) where “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.” Staff Legal Bulletin No. 14B (September 15, 2004). The Staff also has noted that a proposal may be materially misleading as vague and indefinite when the “meaning and application of terms and conditions . . . in the proposal would have to be made without guidance from the proposal and would be subject to differing interpretations” such that “any action ultimately taken by the company upon implementation [of the proposal] could be significantly different from the actions envisioned by shareholders voting on the proposal.” See Fuqua Industries, Inc. (March 12, 1991).

The Staff has routinely concurred in the exclusion of shareholder proposals pursuant to Rule 14a-8(i)(3) in instances where the proposal is “vague and indefinite.” See, e.g., Apple Inc. (December 6, 2019) (in which the Staff concurred in the exclusion of a proposal requesting that the company “improve guiding principles of executive compensation,” failing to define many key terms and leaving room for multiple interpretations); eBay Inc. (April 10, 2019) (in which the Staff concurred in the exclusion of a proposal requesting that the company “reform [its] executive compensation committee” without further instruction as to how to do so or in what regard it should be “reformed”); Cisco Systems, Inc. (October 7, 2016) (in which the Staff concurred in the exclusion of a proposal requesting that “[t]he board shall not take any action whose primary purpose is to prevent the effectiveness of shareholder vote without a compelling justification for such action” without further specifying what actions or measures were required to implement the proposal); Walgreens Boots Alliance, Inc. (October 7, 2016) (in which the Staff
concluded in the exclusion of a proposal requesting that “[b]efore the board takes any action whose primary purpose is to prevent the effectiveness of shareholder vote, it shall make a determination as to whether there is a compelling justification for such action”); *Alaska Air Group, Inc.* (March 10, 2016) (in which the Staff concurred in the exclusion of a proposal requesting that the board amend the company’s bylaws and other governing documents that would require management to “strictly honor shareholders rights to disclosure identification and contact information to the fullest extent possible by technology”); *United Continental Holdings, Inc.* (March 6, 2014) (in which the Staff concurred in the exclusion of a proposal requesting the adoption of a bylaw providing that preliminary voting results would be unavailable for solicitations made for “other purposes” but would be available for solicitations made for “other proper purposes”); *The Home Depot, Inc.* (March 28, 2013) (in which the Staff concurred in the exclusion of a proposal requesting that the board of directors take necessary steps “to strengthen [the] weak shareholder right to act by written consent” where the proposal referenced two requested actions that the proposal “would include” but did not specify whether there were additional actions required to implement the proposal); *Newell Rubbermaid Inc.* (February 21, 2012) (in which the Staff concurred in the exclusion of a proposal requesting the board to take the steps necessary to amend the proper governing documents to provide the right to call a special meeting to shareholders “holding not less than one-tenth of the voting power of the Corporation . . . [o]r the lowest percentage of [the Corporation’s] outstanding common stock permitted by state law,” on the basis that “neither shareholders nor the company would be able to determine with any reasonable certainty exactly what actions or measures the proposal requires”); *The Boeing Company* (January 28, 2011, recon. granted March 2, 2011) (in which the Staff concurred in the exclusion of a proposal requesting, among other things, that senior executives “relinquish . . . preexisting executive pay rights,” on the basis that “the proposal does not sufficiently explain the meaning of ‘executive pay rights’”); *Amazon.com, Inc.* (March 22, 2010, recon. granted April 7, 2010) (in which the Staff concurred in the exclusion of a proposal requesting that the board of directors take steps “to the fullest extent permitted by law” to give holders of 10% of the company’s outstanding stock the power to call a special shareholder meeting, including “that shareholders will have no less rights at management-called special meetings than management has at shareholder-called special meetings to the fullest extent permitted by law,” on the basis that “it is not clear what ‘rights’ the proposal intends to regulate”); *Verizon Communications Inc.* (February 21, 2008) (in which the Staff concurred in the exclusion of a proposal regarding adoption of a policy concerning senior executive compensation where the company argued that the formulas proposed in the proposal were internally inconsistent and not adequately defined and a number of key terms were undefined, including “industry peer group” and “relevant period of time”); *Wendy’s International Inc.* (February 24, 2006, recon. denied April 10, 2006) (in which the Staff concurred in the exclusion of a proposal requesting a report on progress made toward “accelerating development” of controlled-atmosphere killing, where the company argued that “accelerating development” was vague and indefinite); *Peoples Energy Corporation* (November 23, 2004, recon. denied
December 10, 2004) (in which the Staff concurred in the exclusion of a proposal requesting amendment of a company’s governance documents to provide that officers and directors shall not be indemnified from personal liability for acts or omissions involving gross negligence or “reckless neglect,” on the basis that the proposal was vague and indefinite); and The Coca-Cola Company (January 30, 2002) (in which the Staff concurred in the exclusion of a proposal regarding inclusion of “ordinary” persons with certain characteristics on the board of directors where the proposal did not provide guidance as to its implementation or clarify whether the proposal mandates or recommends that such “ordinary” persons be on the board of directors).

Consistent with this precedent, the Company believes that the Shareholder Proposal is excludable on the basis that it is impossibly vague and indefinite so as to be materially misleading. Most prominently, the Shareholder Proposal requests significant detail about human rights impact assessments with regard to “high-risk products and services, including those in conflict-affected areas.” The “high-risk” and “conflict-affected areas” qualifiers are undefined and leave open significant room for interpretation. Though the Shareholder Proposal speaks in great detail about various contractual relationships in the supporting statement, the resolved clause is remarkably unclear in regards to what types of “products and services” it deems to be “high-risk.” For instance, “high-risk” could easily refer to a high degree of risk with regard to the financial/profitability risk, reputational risk, execution risk, liability risk, or any other business or social risk associated with the Company’s products and services. Similarly, “conflict-affected areas” could refer to any number of geographic classifications, which could shift at any time. In addition, the “potential human rights impacts” requested in the Shareholder Proposal could capture any number of risks and, based on the Shareholder Proposal’s supporting statement, appear to include unknown risks to human rights based on how and where a customer may choose to employ a product at an unspecified future date. Stated differently, the Shareholder Proposal’s reference to “potential human rights impacts” essentially seeks discussion of any number of undefined risks, including potentially speculative, indirect risks resulting from actions and motivations of third parties that are outside of the company’s knowledge or control. As a result, neither the Company nor its shareholders should be required to act upon the Shareholder Proposal, where the meaning and application of its terms are subject to differing and particularly poignant interpretations such that actions taken by the Company to implement such a proposal could differ significantly from the very actions envisioned by the Shareholder Proponent and the shareholders voting on the Shareholder Proposal more broadly. Inclusion of the Shareholder Proposal in the Proxy Materials would run counter to the very purposes for which Rule 14a-8(i)(3) was established. The Company and its shareholders reviewing the Shareholder Proposal alongside disclosures in the Proxy Materials would struggle to “be able to determine with any reasonable certainty exactly what actions or measures the proposal requires,” and may indeed form various views.
As a result, the Shareholder Proposal may be open to more than one interpretation and is impossibly vague and indefinite such that neither shareholders voting on the Shareholder Proposal nor the Company in implementing the Shareholder Proposal, if adopted, may be able to determine with reasonable certainty what actions would be taken under the Shareholder Proposal. Accordingly, the Company believes that the Shareholder Proposal may properly be excluded under Rule 14a-8(i)(3) as impossibly vague and indefinite so as to be materially misleading in violation of Rule 14a-9.

Conclusion

Based on the foregoing, the Company respectfully requests that the Staff concur that it will take no action if the Company excludes the Shareholder Proposal from its Proxy Materials pursuant to Rule 14a-8(i)(7), on the basis that the Shareholder Proposal deals with a matter relating to the Company’s ordinary business operations, or, alternatively, pursuant to Rule 14a-8(i)(10), on the basis that the Company has substantially implemented the Shareholder Proposal, or, alternatively, pursuant to Rule 14a-8(i)(3), on the basis that the Shareholder Proposal is impossibly vague and indefinite so as to be materially misleading in violation of Rule 14a-9.

If the Staff has any questions with respect to the foregoing, or if for any reason the Staff does not agree that the Company may exclude the Shareholder Proposal from its Proxy Materials, please do not hesitate to contact me at meredith.cross@wilmerhale.com or (202) 663-6644, or Jennifer C. McGarey, Corporate Vice President & Secretary, Northrop Grumman Corporation at Jennifer.McGarey@ngc.com. In addition, should the Proponents choose to submit any response or other correspondence to the Commission, we request that the Proponents concurrently submit that response or other correspondence to the Company, as required pursuant to Rule 14a-8(k) and SLB 14D, and copy the undersigned.

Very truly yours,

Meredith B. Cross

Enclosures

cc: Jennifer C. McGarey
Mary Beth Gallagher, Investor Advocates for Social Justice
Patricia Daly, Sisters of St. Dominic of Caldwell New Jersey
Ethel Howley, School Sisters of Notre Dame Cooperative Investment Fund
Nora Nash, Sisters of St. Francis of Philadelphia
Dear Jennifer,

We have appreciated the ongoing conversation with you and Sandra on human rights.

Please find attached the materials from the Sisters of St. Dominic of Caldwell NJ to submit a shareholder resolution on Human Rights Impact Assessment for consideration and action by stockholders at the 2020 AGM. Sisters of St. Dominic of Caldwell NJ is a co-lead filer of this resolution with the Sisters of St. Francis of Philadelphia. A copy of the materials is also being sent by mail.

Best wishes for a Happy Thanksgiving holiday.

Mary Beth

Note: Our organization name and email addresses have changed. Please update your contact files.

Mary Beth Gallagher
Executive Director
Investor Advocates for Social Justice (formerly Tri-CRI)
40 South Fullerton Ave. Montclair, NJ 07042
(P) 973-509-8800
mbgallagher@iasj.org
www.iasj.org
November 26, 2019

Jennifer C. McGarey
Corporate Vice President and Secretary
Northrop Grumman Corporation
2980 Fairview Park Drive
Falls Church, VA 22042

Dear Ms. McGarey:

Along with affiliates of the Investor Advocated for Social Justice and the Interfaith Center on Corporate Responsibility, we continue to integrate social and ecological values in our investment programs. We appreciate the opportunity to dialogue with you and your colleagues on issues related to human rights and the contract with the Department of Homeland Security. However, we were disappointed in our last dialogue and subsequent communication at the lack of specificity in implementing the human rights policy, and particularly how this policy relates to vetting your contracts with the government. As a top military contractor, you cannot be complicit in human rights violations that may cause greater risk to the company reputation, shareholder value and more seriously to the human rights of individuals.

The Sisters of St. Dominic of Caldwell are therefore submitting the enclosed shareholder proposal as co-lead filer with the Sisters of St. Francis of Philadelphia on the attached resolution: “Human Rights Impact Assessment”. We submit it for inclusion in the proxy statement for consideration and action by the stockholders at the 2020 annual meeting in accordance with Rule 14-a-8 of the General Rules and Regulations of the Securities and Exchange Act of 1934. A representative of the filers will attend the shareholders meeting to move the proposal. We hope that the company will be willing to dialogue with us about this proposal.

The Sisters of St. Dominic of Caldwell are the beneficial owners of 303 shares of Northrop Grumman common stock. The Sisters of St. Dominic of Caldwell have held this stock continually for over one year and intend to retain the requisite number of shares through the date of the Annual Meeting. A letter of verification of ownership is enclosed.

In addition to Sister Nora Nash, SSF of the Sisters of St. Francis of Philadelphia, please copy all communications regarding this resolution to Mary Beth Gallagher of the Investor Advocates for Social Justice located at 40 South Fullerton Ave, Montclair, NJ 07042, email address: mbgallagher@iasj.org and phone number
(973) 509-8800. We look forward to constructive dialogue with you and your colleagues about these concerns.

Sincerely,

[Signature]

Sister Patricia A. Daly, OP
Corporate Responsibility Representative
Human Rights Impact Assessment
2020 – Northrop Grumman Corporation

Whereas: Under the UN Guiding Principles on Business and Human Rights (UNGPs), companies have a responsibility to respect human rights within their operations and value chains. This responsibility entails that companies should assess, identify, prevent, mitigate, and remediate adverse human rights impacts and disclose how they address salient human rights issues.

Northrop Grumman is the world’s third largest defense contractor, with the U.S. Government (USG) representing 82 percent of 2018 sales.\(^1\) Business relationships with the USG and governments whose activities may be linked to human rights violations may expose Northrop Grumman to legal, financial, and reputational risks. It is essential to conduct human rights impact assessments to evaluate and mitigate associated human rights risks.

In 2018, Northrop Grumman was awarded a $95 million USG contract to develop the Homeland Advanced Recognition Technology (HART) database, which is expected to hold biometric data for 260 million people.\(^2\) This presents concerns regarding algorithmic racial bias, risks to privacy and First Amendment rights, and potential harm to immigrant communities. The UN Office of the High Commissioner for Human Rights expressed alarm regarding the potential use of lethal autonomous robotics for targeted killings by states, including Northrop Grumman’s X-47B drone.\(^3\)

Conflict-affected areas are characterized by widespread human rights abuses, and the UNGPs encourage business enterprises operating in those contexts to conduct enhanced due diligence to ensure that the business is not involved with such abuses.\(^4\) Northrop Grumman has contracts with or supplies weapons to multiple states engaged in international and internal armed conflicts, including Saudi Arabia and United Arab Emirates (Yemen), India (Kashmir), Israel (Palestine), Morocco (Western Sahara), and Colombia.\(^5\)

Northrop Grumman is one of Saudi Arabia’s largest defense partners and has, “been heavily involved in the training and development of Saudi military personnel.”\(^6\) In 2018, the International Commission of Jurists reported that the Saudi-led coalition violated international humanitarian law during operations

\(^1\) www.northropgrumman.com/AboutUs/AnnualReports/Documents/pdfs/2018_noc_ar.pdf
\(^2\) www.documentcloud.org/documents/6542043-MSLS-Industry-Day-Presentation-FINAL.html
\(^3\) www.theatlantic.com/technology/archive/2014/05/the-military-wants-to-teach-robots-right-from-wrong/370855/
\(^6\) www.northropgrumman.com/AboutUs/OurGlobalPresence/MiddleEastAndAfrica/Pages/Who-We-Are-in-the-Middle-East.aspx
in Yemen in 2017. The UN declared that the conflict created the world’s worst humanitarian crisis, with 24 million people dependent on aid and protection.

Northrop Grumman adopted a Human Rights Policy in 2013, but does not disclose its salient human rights issues or how the policy is implemented to prevent, mitigate, or remediate adverse human rights impacts associated with its government contracts. In 2019, 31% of shareholders voted in favor of increased reporting on the implementation of the company’s Human Rights Policy. Yet, investors are still unable to assess how it evaluates and mitigates risks accompanying specific activities such as weapons contracts, military training, biometrics, and emerging technologies, or with governments engaged in conflict.

Resolved: Shareholders request that Northrop Grumman publish a report, at reasonable cost and omitting proprietary information, with the results of human rights impact assessments examining the actual and potential human rights impacts associated with high-risk products and services, including those in conflict-affected areas.

8 http://investor.northropgrumman.com/node/36321/html
November 26, 2019

Corporate Secretary
Northrop Grumman CP
925 S Oyster Bay Rd.
Bethpage, NY 11714

RE: The Sisters of St. Dominic of Caldwell, NJ Inc.
Letter of Verification of Ownership

To Whom It May Concern:

This letter alone shall serve as proof of beneficial ownership of 303 shares of Northrop Grumman CP (hldg co) common stock for the Sisters of St. Dominic of Caldwell, NJ Inc.

Please be advised that as of November 26, 2019, the Sisters of St. Dominic of Caldwell, NJ Inc.:

• have continuously held the requisite number of shares of common stock for at least one year
• intend to continue holding the requisite number of shares of common stock through the date of the next Annual Meeting of Shareholders

Sincerely,

Stephanie Farella
Financial Advisor
Good morning, Jennifer,

I appreciate your many efforts to let us know that you were addressing the human rights policy requirements but we believe that so much more transparent work needs to be accomplished. We're sorry to be sending this around the holiday but we had hoped you would take the UN Guidelines and policy implementation a further step and do the Impact Assessment.

Hopefully, you will see that our filing calls you to begin that process. We have joined the Sisters of St. Dominic of Caldwell, NJ to co-lead the resolution. All materials are attached and originals were sent via UPS yesterday.

Peace and have a very Happy Thanksgiving.

Nora

Nora. M. Nash, OSF
Director, Corporate Social Responsibility
Sisters of St Francis of Philadelphia
609 S. Convent Road
Aston, PA 19014
610-558-7661

Website: www.osfphila.org
Become a fan on Facebook: http://www.facebook.com/SrsofStFrancisPhila#!/SrsofStFrancisPhila?ref=sqm
Follow us on Twitter: http://twitter.com/SrsofStFrancis (http://twitter.com/SrsofStFrancis)
November 26, 2019

Jennifer C. McGarey  
Corporate Vice President and Secretary  
Northrop Grumman Corporation  
2980 Fairview Park Drive  
Falls Church, VA 22042

Dear Ms. McGarey:

Peace and all good! The Sisters of St. Francis of Philadelphia have been shareholders in Northrop Grumman for several years. As faith-based investors and active members of the Interfaith Center on Corporate Responsibility, we appreciate the opportunity to dialogue with you on issues related to human rights. However, in our several communications and dialogues we have not seen any substantial implementation of the policy related to the many salient risks that face the company. The written response that we received last week does not reassure us that you will address human rights impacts and mitigate risks. We still lack information related to vetting your contracts with the government. As a top military contractor, you cannot be complicit in human rights violations that may cause greater risk to the company reputation, shareholder value, and more seriously to the human rights of individuals.

The Sisters of St. Francis of Philadelphia are therefore submitting the enclosed shareholder proposal as co-lead filer with the Sisters of St. Dominic of Caldwell on Human Rights Impact Assessment. I submit it for inclusion in the proxy statement for consideration and action by the stockholders at the next annual meeting in accordance with Rule 14-a-8 of the General Rules and Regulations of the Securities and Exchange Act of 1934. A representative of the filers will attend the shareholders meeting to move the proposal. We hope that the company will be willing to take further steps to implement this proposal. Please note that the contact persons for this proposal will be: Nora Nash, and Mary Beth Gallagher, Investor Advocates for Social Justice.  
Contact information is as follows: Nora Nash nnash@osfphil.org 610-558-7661  
Mary Beth Gallagher mbgallagher@iasj.org 973-509-8800

As verification that we are beneficial owners of common stock in Northrop Grumman, I enclose a letter from Northern Trust Company, our portfolio custodian/record holder attesting to the fact. It is our intention to keep these shares in our portfolio beyond the annual meeting.

Respectfully yours,

Nora M. Nash, OSF  
Director, Corporate Social Responsibility

Enclosures

cc: Julie Wokaty, Interfaith Center on Corporate Responsibility (ICCR)  
Mary Beth Gallagher, Investor Advocates for Social Justice
Human Rights Impact Assessment
2020 – Northrop Grumman Corporation

Whereas: Under the UN Guiding Principles on Business and Human Rights (UNGPs), companies have a responsibility to respect human rights within their operations and value chains. This responsibility entails that companies should assess, identify, prevent, mitigate, and remediate adverse human rights impacts and disclose how they address salient human rights issues.

Northrop Grumman is the world’s third largest defense contractor, with the U.S. Government (USG) representing 82 percent of 2018 sales.1 Business relationships with the USG and governments whose activities may be linked to human rights violations may expose Northrop Grumman to legal, financial, and reputational risks. It is essential to conduct human rights impact assessments to evaluate and mitigate associated human rights risks.

In 2018, Northrop Grumman was awarded a $95 million USG contract to develop the Homeland Advanced Recognition Technology (HART) database, which is expected to hold biometric data for 260 million people.2 This presents concerns regarding algorithmic racial bias, risks to privacy and First Amendment rights, and potential harm to immigrant communities. The UN Office of the High Commissioner for Human Rights expressed alarm regarding the potential use of lethal autonomous robotics for targeted killings by states, including Northrop Grumman’s X-47B drone.3

Conflict-affected areas are characterized by widespread human rights abuses, and the UNGPs encourage business enterprises operating in those contexts to conduct enhanced due diligence to ensure that the business is not involved with such abuses.4 Northrop Grumman has contracts or supplies weapons to multiple states engaged in international and internal armed conflicts, including Saudi Arabia and United Arab Emirates (Yemen), India (Kashmir), Israel (Palestine), Morocco (Western Sahara), and Colombia.5

Northrop Grumman is one of Saudi Arabia’s largest defense partners and has, “been heavily involved in the training and development of Saudi military personnel.”6 In 2018, the International Commission of Jurists reported that the Saudi-led coalition violated international humanitarian law during operations in Yemen in 2017.7 The UN declared that the conflict created the world’s worst humanitarian crisis, with 24 million people dependent on aid and protection.

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1 www.northropgrumman.com/AboutUs/AnnualReports/Documents/psdfs/2018_ann_ar.pdf
2 www.documentcloud.org/documents/6542043-MSIS-Industry-Day-Presentation-FINAL.html
3 www.theatlantic.com/technology/archive/2014/05/the-military-wants-to-teach-robots-right-from-wrong/370855/
9 www.northropgrumman.com/AboutUs/OurGlobalPresence/MiddleEastAndAfrica/Pages/Who-We-Are-in-the-Middle-East.aspx
Northrop Grumman adopted a Human Rights Policy in 2013, but does not disclose its salient human rights issues or how the policy is implemented to prevent, mitigate, or remediate adverse human rights impacts associated with its government contracts. In 2019, 31% of shareholders voted in favor of increased reporting on the implementation of the company’s Human Rights Policy. Yet, investors are still unable to assess how it evaluates and mitigates risks accompanying specific activities such as weapons contracts, military training, biometrics, and emerging technologies, or with governments engaged in conflict.

Resolved: Shareholders request that Northrop Grumman publish a report, at reasonable cost and omitting proprietary information, with the results of human rights impact assessments examining the actual and potential human rights impacts associated with high-risk products and services, including those in conflict-affected areas.

\(^5\) http://investor.northropgrumman.com/node/36321/html
November 26, 2019

To Whom It May Concern:

This letter will confirm that the Sisters of St. Francis of Philadelphia hold 11 shares of Northrop Grumman Corp. Common Stock (CUSIP: 666807102). These shares have been held continuously, for at least a one-year period preceding and including November 26, 2019 and will continue to be at the time of your next shareholders meeting.

The Northern Trust Company serves as custodian/record holder for the Sisters of St. Francis of Philadelphia. The above mentioned shares are registered in the nominee name of the Northern Trust Company.

This letter will further verify that Sister Nora M. Nash and/or Thomas McCaney are representatives of the Sisters of St. Francis of Philadelphia and are authorized to act on their behalf.

Sincerely,

Lisa M. Martinez-Shaffer
Second Vice President

NTAC:3NS-20
Ms. Jennifer McGarey:

Attached here is a resolution on Human Rights to be presented at the next shareholders annual meeting.

Ethel Howley, SSND
School Sisters of Notre Dame Cooperative Investment Fund
Social Responsibility Resource Person
345 Belden Hill Road
Wilton, CT 06897

Click here for our SSND newsletter https://conta.cc/2naN2Fl

P: 203-762-3318
Cell: 443-600-6186
Ms. Jennifer C. McGarey
Corporate Secretary
Northrop Grumman Corporation
2980 Fairview Park Drive
Falls Church, Virginia 22042

Dear Ms. McGarey:

The School Sisters of Notre Dame Cooperative Investment Fund has been a shareholder with Northrop Grumman for several years. As a congregation of Religious Women, we have been involved in educational ministries for almost two hundred years in four different continents. Because of our involvement with preparing students to move into a variety professions and aspects of the business world, we anticipate these opportunities to be places without adverse human rights impacts. I am concerned about Northrop Grumman’s impacts with high-risk products and services. Therefore, I am co-filing this resolution on Human Rights Impact Assessment.

I am hereby authorized to notify you of our intention to present the attached proposal requesting a Human Rights Impact Assessment for consideration and action by the stockholders at the next annual meeting. I hereby submit it for inclusion in the proxy statement in accordance with rule 14a-8 of the general rules and regulations of the Securities Exchange Act of 1934.

The Sisters of St. Francis of Philadelphia and Sisters of St. Dominic of Caldwell are the primary filers of this resolution, and if an agreement is reached, a representative of the primary filers is authorized to withdraw the resolution on our behalf. We look forward to discussing the issues raised in the proposal at your earliest convenience.

Sincerely,

Ethel Howley, SSND
Ethel Howley, SSND
Social Responsibility Resource Person
ehowley@amssnd.org
p: 203-762-3318
Whereas: Under the UN Guiding Principles on Business and Human Rights (UNGP), companies have a responsibility to respect human rights within their operations and value chains. This responsibility entails that companies should assess, identify, prevent, mitigate, and remediate adverse human rights impacts and disclose how they address salient human rights issues.

Northrop Grumman is the world’s third largest defense contractor, with the U.S. Government (USG) representing 82 percent of 2018 sales. Business relationships with the USG and governments whose activities may be linked to human rights violations may expose Northrop Grumman to legal, financial, and reputational risks. It is essential to conduct human rights impact assessments to evaluate and mitigate associated human rights risks.

In 2018, Northrop Grumman was awarded a $95 million USG contract to develop the Homeland Advanced Recognition Technology (HART) database, which is expected to hold biometric data for 260 million people. This presents concerns regarding algorithmic racial bias, risks to privacy and First Amendment rights, and potential harm to immigrant communities. The UN Office of the High Commissioner for Human Rights expressed alarm regarding the potential use of lethal autonomous robotics for targeted killings by states, including Northrop Grumman’s X-47B drone.

Conflict-affected areas are characterized by widespread human rights abuses, and the UNGPs encourage business enterprises operating in those contexts to conduct enhanced due diligence to ensure that the business is not involved with such abuses. Northrop Grumman has contracts with or supplies weapons to multiple states engaged in international and internal armed conflicts, including Saudi Arabia and United Arab Emirates (Yemen), India (Kashmir), Israel (Palestine), Morocco (Western Sahara), and Colombia.

Northrop Grumman is one of Saudi Arabia’s largest defense partners and has, “been heavily involved in the training and development of Saudi military personnel.” In 2018, the International Commission of Jurists reported that the Saudi-led coalition violated international humanitarian law during operations in Yemen in 2017. The UN declared that the conflict created the world’s worst humanitarian crisis, with 24 million people dependent on aid and protection.

1 www.northropgrumman.com/AboutUs/AnnualReports/Documents/pdfs/2018_noc_ar.pdf
2 www.documentcloud.org/documents/6542043-MSLS-Industry-Day-Presentation-FINAL.html
3 www.theatlantic.com/technology/archive/2014/05/the-military-wants-to-teach-robots-right-from-wrong/370855/
6 www.northropgrumman.com/AboutUs/OurGlobalPresence/MiddleEastAndAfrica/Pages/Who-We-Are-in-the-Middle-East.aspx
Northrop Grumman adopted a Human Rights Policy in 2013, but does not disclose its salient human rights issues or how the policy is implemented to prevent, mitigate, or remediate adverse human rights impacts associated with its government contracts. In 2019, 31% of shareholders voted in favor of increased reporting on the implementation of the company’s Human Rights Policy. Yet, investors are still unable to assess how it evaluates and mitigates risks accompanying specific activities such as weapons contracts, military training, biometrics, and emerging technologies, or with governments engaged in conflict.

**Resolved:** Shareholders request that Northrop Grumman publish a report, at reasonable cost and omitting proprietary information, with the results of human rights impact assessments examining the actual and potential human rights impacts associated with high-risk products and services, including those in conflict-affected areas.

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8 [http://investor.northropgrumman.com/node/36321/html](http://investor.northropgrumman.com/node/36321/html)
November 27, 2019

Sister Ethel Howley  
School Sisters of Notre Dame Cooperative Investment Fund  
345 Belden Hill Road  
Wilton, CT 06897-3898

Re: School Sisters of Notre Dame Cooperative Investment Fund Proof of Ownership

Dear Sister Ethel:

This is to confirm that the following security is held in the above referenced account:

<table>
<thead>
<tr>
<th>Security</th>
<th>Current Shares</th>
<th>Acquisition Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>NORTHROP GRUMMAN CORP</td>
<td>88,000</td>
<td>6/23/2003</td>
</tr>
</tbody>
</table>

To the best of my knowledge, the Sisters intend to hold this security in this account at least through the date of the next annual meeting.

If you have any questions or need additional information, please call me at 816-871-7249.

Sincerely,

Tammie Henry  
State Street Bank & Trust  
US Asset Owners
Please see attached letter. Have a nice weekend.

Jennifer C. McGarey
Corporate Vice President & Secretary
Northrop Grumman Corporation
2980 Fairview Park Drive
Falls Church, VA 22042
703-280-4011 (phone)
844-888-9054 (fax)
Jennifer.mcgarey@ngc.com
December 5, 2019

VIA EMAIL (ehowley@amssnd.org) AND FEDEX

School Sisters of Notre Dame Cooperative Investment Fund
345 Belden Hill Road
Wilton, CT 06897
ATTN: Sister Ethel Howley

Re: Notice of Deficiency Relating to Shareholder Proposal

Dear Sister Ethel:

On November 27, 2019, Northrop Grumman Corporation (the “Company”) received the shareholder proposal submitted by you on behalf of the School Sisters of Notre Dame Cooperative Investment Fund for consideration at the Company’s 2020 Annual Meeting.

Rule 14a-8(b) under the Securities Exchange Act of 1934, as amended, provides that a shareholder must submit a written statement that it intends to continue to hold the securities through the date of the shareholders meeting. To date, the Company has not received such a statement. To remedy this defect, you must submit a written statement that the Fund intends to continue to hold the shares through the date of the Company’s 2020 Annual Meeting.

The SEC’s rules require that any response to this letter be postmarked or transmitted electronically no later than 14 calendar days from the date you receive this letter. Failure to correct the deficiency within this timeframe will provide the Company with a basis to exclude the proposal from the Company’s proxy materials for the 2020 Annual Meeting.

Sincerely,

Jennifer C. McGarey
Corporate Vice President and Secretary

cc: Mary Beth Gallagher, Investor Advocates for Social Justice
Sister Nora Nash, Sisters of St. Francis of Philadelphia
Sister Patricia A. Daly, Sisters of St. Dominic of Caldwell New Jersey

Enclosures — Exchange Act Rule 14a-8
Staff Legal Bulletins 14F and 14G
§ 240.14a-8 Shareholder proposals

This section addresses when a company must include a shareholder’s proposal in its proxy statement and identifies the proposal in its form of proxy when the company holds an annual or special meeting of shareholders. In summary, in order to have your shareholder proposal included on a company’s proxy card, and included along with any supporting statement in its proxy statement, you must be eligible and follow certain procedures. Under a few specific circumstances, the company is permitted to exclude your proposal, but only after submitting its reasons to the Commission. We structured this section in a question-and-answer format so that it is easier to understand. The references to “you” are to a shareholder seeking to submit the proposal.

(a) Question 1. What is a proposal? A shareholder proposal is your recommendation or requirement that the company and/or its board of directors take action, which you intend to present at a meeting of the company’s shareholders. Your proposal should state as clearly as possible the course of action that you believe the company should follow. If your proposal is placed on the company’s proxy card, the company must also provide in the form of proxy means for shareholders to specify by ballot a choice between approval or disapproval, or abstention. Unless otherwise indicated, the word “proposal” as used in this section refers both to your proposal, and to your corresponding statement in support of your proposal (if any).

(b) Question 2. Who is eligible to submit a proposal, and how do I demonstrate to the company that I am eligible? (1) In order to be eligible to submit a proposal, you must have continuously held at least 3,000 in market value, or 1%, of the company’s securities entitled to be voted on the proposal at the meeting for at least one year by the date you submit the proposal. You must continue to hold those securities through the date of the meeting.

(2) You are the registered holder of your securities, which means that your name appears in the company’s records as a shareholder, the company can verify your eligibility on its own. Although you will still have to provide the company with a written statement that you intend to continue to hold the securities through the date of the meeting of shareholders. However, if you are not a registered holder, the company likely does not know that you are a shareholder, or how many shares you own. In this case, at the time you submit your proposal, you must prove your eligibility to the company in one of two ways.

(1) The first way is to submit to the company a written statement from the “record” holder of your securities (usually a broker or bank) verifying that, at the time you submitted your proposal, you continuously held the securities for at least one year. You must also include your own written statement that you intend to continue to hold the securities through the date of the meeting of shareholders, or

(2) The second way to prove ownership applies only if you have filed a Schedule 13D (§ 240.13d-1), Schedule 13G (§ 240.13g-105), Form 3 (§ 249.103 of this chapter), Form 4 (§ 249.104 of this chapter) and/or Form 5 (§ 249.105 of this
§ 240.14a-8 17 CFR Ch. II (4-1-19 Edition)

chapter), or amendments to those documents or updated forms, reflecting your ownership of the shares as of or before the date on which the one-year eligibility period begins. If you have filed one or more written statements with the SEC, you may demonstrate your eligibility by submitting to the company:

(A) A copy of the schedule and/or form, and any subsequent amendments reporting a change in your ownership level;

(B) Your written statement that you continuously held the required number of shares for the one-year period as of the date of the statement; and

(C) Your written statement that you intend to continue ownership of the shares through the date of the company's annual or special meeting.

(d) Question 1: How many proposals may I submit? Each shareholder may submit no more than one proposal to a company for a particular shareholders meeting.

(e) Question 2: How long can my proposal be? The proposal, including any accompanying supporting statement, may not exceed 500 words.

(f) Question 3: What is the deadline for submitting a proposal? (1) If you are submitting your proposal for the company's annual meeting, you can in most cases find the deadline in last year's proxy statement. However, if the company did not hold an annual meeting last year, or has changed the date of its meeting for this year more than 30 days from last year's meeting, you can usually find the deadline in one of the company's quarterly reports on Form 10-Q (§240.305a of this chapter), or in shareholder reports of investment companies under §270.30-1 of this chapter of the Investment Company Act of 1940. In order to avoid controversy, shareholders should submit their proposals by means, including electronic means, that permit them to prove the date of delivery.

(2) The deadline is calculated in the following manner if the proposal is submitted for a regularly scheduled annual meeting. The proposal must be received at the company's principal executive office not less than 120 calendar days before the date of the company's proxy statement released to shareholders in connection with the previous year's annual meeting. However, if the company did not hold an annual meeting the previous year, or if the date of this year's annual meeting has been changed by more than 30 days from the date of the previous year's meeting, then the deadline is a reasonable time before the company begins to print and send its proxy materials.

(g) Question 4: If you are submitting your proposal for a meeting of shareholders other than a regularly scheduled annual meeting, the deadline is a reasonable time before the company begins to print and send its proxy materials.

(h) Question 5: What if I fail to follow one of the eligibility or procedural requirements explained in answers to Questions 1 through 4 of this section?

(1) The company may exclude your proposal, but only after it has notified you of the problem, and you have failed adequately to correct it. Within 14 calendar days of receiving your proposal, the company must notify you in writing of any procedural or eligibility deficiencies, as well as the time frame for your response. Your response must be postmarked, or transmitted electronically, no later than 14 days from the date you received the company's notification. A company need not provide you such notice of a deficiency if the deficiency cannot be remedied, such as if you fail to submit a proposal by the company's properly determined deadline. If the company intends to exclude the proposal, it will later have to make a submission under §240.14a-6(j) and provide you with a copy under §240.14a-6(j).

(2) If you fail in your promise to hold the required number of securities through the date of the meeting of shareholders, then the company will be permitted to exclude all of your proposals from its proxy materials for any meeting held in the following two calendar years.

(i) Question 6: Who has the burden of persuading the Commission or its staff that my proposal can be excluded? Except as otherwise noted, the burden is on the company to demonstrate that it is entitled to exclude a proposal.

(j) Question 7: Must I appear personally at the shareholders' meeting to present the proposal? (1) Either you, or your representative who is qualified
under state law to present the proposal on your behalf, must attend the meeting to present the proposal. Whether you attend the meeting yourself or send a qualified representative to the meeting in your place, you should make sure that you, or your representative, follow the proper state law procedures for attending the meeting and/or presenting your proposal.

(2) If the company holds its shareholder meeting in whole or in part via electronic media, and the company permits you or your representative to present your proposal via such media, then you may appear through electronic media rather than traveling to the meeting to appear in person.

(3) If you or your qualified representative fail to appear and present the proposal, without good cause, the company will be permitted to exclude all of your proposals from its proxy materials for any meetings held in the following two calendar years.

1 Question 9: If I have complied with the procedural requirements, on what other bases may a company rely to exclude my proposal? (1) Improper under state law: If the proposal is not a proper subject for action by shareholders under the laws of the jurisdiction of the company’s organization.

Note to Paragraph (1)(1): Depending on the subject matter, some proposals are not considered proper under state law if they would be binding on the company if approved by shareholders. In our experience, most proposals that are cast as recommendations or requests that the board of directors take specified action are proper under state law. Accordingly, we will assume that a proposal drafted as a recommendation or suggestion is proper unless the company demonstrates otherwise.

(2) Violation of law: If the proposal would, if implemented, cause the company to violate any state, federal, or foreign law to which it is subject;

Note to Paragraph (1)(2): We will not apply this basis for exclusion to permit exclusion of a proposal on grounds that it would violate foreign law if compliance with the foreign law would result in a violation of any state or federal law.

(3) Violation of proxy rules: If the proposal or supporting statement is contrary to any of the Commission’s proxy rules, including §240.14a−8, which prohibits materially false or misleading statements in proxy soliciting materials;

(4) Personal grievance: special interest: If the proposal relates to the redress of a personal claim or grievance against the company or any other person, or if it is designed to result in a benefit to you, or to further a personal interest, which is not shared by the other shareholders at large;

(5) Relevance: If the proposal relates to operations which account for less than 5 percent of the company’s total assets at the end of its most recent fiscal year, and for less than 5 percent of its net earnings and gross sales for its most recent fiscal year, and is not otherwise significantly related to the company’s business;

(6) Absence of power or authority: If the company would lose the power or authority to implement the proposal;

(7) Management functions: If the proposal deals with a matter relating to the company’s ordinary business operations;

(8) Director elections: If the proposal:

(i) Would disfranchise a nominee who is standing for election;

(ii) Would remove a director from office before his or her term expired;

(iii) Questions the competence, business judgment, or character of one or more nominees or directors;

(iv) Seeks to include a specific individual in the company’s proxy materials for election to the board of directors;

(v) Otherwise could affect the outcome of the upcoming election of directors.

(9) Conflicts with company’s proposal: If the proposal directly conflicts with one of the company’s own proposals to be submitted to shareholders at the same meeting;

Note to Paragraph (1)(9): A company’s submission to the Commission under this section should specify the point or points of conflict with the company’s proposal;

(10) Substantially implemented: If the company has already substantially implemented the proposal;

Note to Paragraph (1)(10): A company may exclude a shareholder proposal that would provide an advisory vote or seek future advisory votes to approve the compensation of executives as disclosed pursuant
to Form 14a of Regulation S-K (§240.14a-9 of this chapter) or any successor to Form 14a (a "say-on-pay vote") or that relates to the frequency of say-on-pay votes, provided that in the most recent shareholder vote required by §240.14a-10(b) of this chapter: a single year (i.e., one, two, or three years) received approval of a majority of votes cast on the matter and the company has adopted a policy on the frequency of say-on-pay votes that is consistent with the choice of the majority of votes cast in the most recent shareholder vote required by §240.14a-10(b) of this chapter.

(1) Duplication. If the proposal substantially duplicates another proposal previously submitted to the company by another proponent that will be included in the company’s proxy materials for the same meeting.

(2) Resubmissions. If the proposal deals with substantially the same subject matter as another proposal or proposals that has or have been previously included in the company’s proxy materials within the preceding 5 calendar years, a company may exclude it from its proxy materials for any meeting held within 5 calendar years of the last time it was included if the proposal received:

(1) Less than 3% of the vote if proposed once within the preceding 5 calendar years;

(2) Less than 6% of the vote on its last submission to shareholders if proposed twice previously within the preceding 5 calendar years; or

(3) Less than 10%, of the vote on its last submission to shareholders if proposed three times or more previously within the preceding 5 calendar years; and

(4) Specific amount of dividends: If the proposal relates to specific amounts of cash or stock dividends.

(1) Question 10: What procedures must the company follow if it intends to exclude my proposal? (1) If the company intends to exclude a proposal from its proxy materials, it must: (a) file its supporting statement. The Commission staff may permit the company to make its submission later than 85 days before the company files its definitive proxy statement and form of proxy, if the company demonstrates good cause for missing the deadline.

(2) The company must file six paper copies of the following:

(i) The proposal;

(ii) An explanation of why the company believes that it may exclude the proposal, which should, if possible, refer to the most recent applicable authority, such as prior Division letters issued under the rules; and

(iii) A supporting opinion of counsel when such reasons are based on matters of state or foreign law.

(2) Question 11: May I submit my own statement to the Commission responding to the company’s arguments?

Yes, you may submit a response, but it is not required. You should try to submit any response to us, with a copy to the company, as soon as possible after the company makes its submission. This way, the Commission staff will have time to consider fully your submission before it issues its response. You should submit six paper copies of your response.

(1) Question 12: If the company includes my shareholder proposal in its proxy materials, what information about me must it include along with the proposal itself?

(1) The company’s proxy statement must include your name and address, as well as the number of the company’s voting securities that you hold. However, instead of providing that information, the company may instead include a statement that it will provide the information to shareholders promptly upon receiving an oral or written request.

(2) The company is not responsible for the contents of your proposal or supporting statement.

(3) Question 13: What can I do if the company includes in its proxy statement reasons why it believes shareholders should not vote in favor of my proposal, and I disagree with some of its statements?

(1) The company may elect to include in its proxy statement reasons why it believes shareholders should vote against your proposal. The company is allowed to make arguments reflecting its own point of view, just as you may
express your own point of view in your proposal's supporting statement.

(2) However, if you believe that the company's opposition to your proposal contains materially false or misleading statements that may violate our anti-fraud rule, §240.14a-9, you should promptly send to the Commission staff and the company a letter explaining the reasons for your view, along with a copy of the company's statements opposing your proposal. To the extent possible, your letter should include specific factual information demonstrating the inaccuracy of the company's claim. Time permitting, you may wish to try to work out your differences with the company by yourself before contacting the Commission staff.

(3) We require the company to send you a copy of its statements opposing your proposal before it sends its proxy materials, so that you may bring to our attention any materially false or misleading statements, under the following circumstances:

(a) If our no-action response requires that you make revisions to your proposal or supporting statements as a condition of requiring the company to include it in its proxy materials, then the company must provide you with a copy of its opposition statements no later than 5 calendar days after the company receives a copy of your revised proposal;

(b) In all other cases, the company must provide you with a copy of its opposition statements no later than 30 calendar days before its files definitive copies of its proxy statement and form of proxy under §240.14a-8.

§240.14a-9 False or misleading statements.

(a) 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.

(b) The fact that a proxy statement, form of proxy or other soliciting material has been filed with or examined by the Commission shall not be deemed a finding by the Commission that such material is accurate, or complete or not false or misleading, or that the Commission has passed upon the merits of or approved any statement contained therein or any matter to be acted upon by security holders. No representation contrary to the foregoing shall be made.

(c) No nominee, nominating shareholder or nominating shareholder group, or any member thereof, shall cause to be included in a registrant's proxy materials, either pursuant to the Federal proxy rules, an applicable state or foreign law provision, or a registrant's governing documents as they relate to including shareholder nominees for director in a registrant's proxy materials, include in a notice on Schedule 14N (§240.13e-101), or include in any other related communication, 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 a solicitation for the same meeting or subject matter which has become false or misleading.

Note: The following are some examples of what, depending upon particular facts and circumstances, may be misleading within the meaning of this section.

a. Predictions as to specific future market values.

b. Material which directly or indirectly impugns character, integrity or personal reputation, or directly or indirectly creates a charge concerning improper, illegal or immoral conduct or associations, without factual foundation.
Division of Corporation Finance
Securities and Exchange Commission

Shareholder Proposals
Staff Legal Bulletin No. 14F (CF)

Action: Publication of CF Staff Legal Bulletin

Date: October 18, 2011

Summary: This staff legal bulletin provides information for companies and shareholders regarding Rule 14a-8 under the Securities Exchange Act of 1934.

Supplementary Information: The statements in this bulletin represent the views of the Division of Corporation Finance (the "Division"). This bulletin is not a rule, regulation or statement of the Securities and Exchange Commission (the "Commission"). Further, the Commission has neither approved nor disapproved its content.

Contacts: For further information, please contact the Division's Office of Chief Counsel by calling (202) 551-3500 or by submitting a web-based request form at https://www.sec.gov/forms/corp_fin_interpretive.

A. The purpose of this bulletin

This bulletin is part of a continuing effort by the Division to provide guidance on important issues arising under Exchange Act Rule 14a-8. Specifically, this bulletin contains information regarding:

- Brokers and banks that constitute "record" holders under Rule 14a-8(b)(2)(i) for purposes of verifying whether a beneficial owner is eligible to submit a proposal under Rule 14a-8;

- Common errors shareholders can avoid when submitting proof of ownership to companies;

- The submission of revised proposals;

- Procedures for withdrawing no-action requests regarding proposals submitted by multiple proponents; and

- The Division's new process for transmitting Rule 14a-8 no-action responses by email.

You can find additional guidance regarding Rule 14a-8 in the following bulletins that are available on the Commission's website: SLB No. 14, SLB No. 14A, SLB No. 14B, SLB No. 14C, SLB No. 14D and SLB No. 14E.

B. The types of brokers and banks that constitute "record" holders under Rule 14a-8(b)(2)(i) for purposes of verifying whether a beneficial owner is eligible to submit a proposal under Rule 14a-8

1. Eligibility to submit a proposal under Rule 14a-8
To be eligible to submit a shareholder proposal, a shareholder must have continuously held at least $2,000 in market value, or 1% of the company's securities entitled to be voted on the proposal at the shareholder meeting for at least one year as of the date the shareholder submits the proposal. The shareholder must also continue to hold the required amount of securities through the date of the meeting and provide the company with a written statement of intent to do so.

The steps that a shareholder must take to verify his or her eligibility to submit a proposal depend on how the shareholder owns the securities. There are two types of security holders in the U.S.: registered owners and beneficial owners. Registered owners have a direct relationship with the issuer because their ownership of shares is listed on the records maintained by the issuer or its transfer agent. If a shareholder is a registered owner, the company can independently confirm that the shareholder's holdings satisfy Rule 14a-8(b)'s eligibility requirement.

The vast majority of investors in shares issued by U.S. companies, however, are beneficial owners, which means that they hold their securities in book-entry form through a securities intermediary, such as a broker or a bank. Beneficial owners are sometimes referred to as "street name" holders. Rule 14a-8(b)(2)(i) provides that a beneficial owner can prove ownership to support his or her eligibility to submit a proposal by submitting a written statement from the "record" holder of [the] securities (usually a broker or bank), verifying that, at the time the proposal was submitted, the shareholder held the required amount of securities continuously for at least one year.

2. The role of the Depository Trust Company

Most large U.S. brokers and banks deposit their customers' securities with, and hold those securities through, the Depository Trust Company ("DTC"), a registered clearing agency acting as a securities depository. Such brokers and banks are often referred to as "participants" in DTC. The names of these DTC participants, however, do not appear as the registered owners of the securities deposited with DTC on the list of shareholders maintained by the company or, more typically, by its transfer agent. Rather, DTC's nominee, Cede & Co., appears on the shareholder list as the sole registered owner of securities deposited with DTC by the DTC participants. A company can request from DTC a "securities position listing" as of a specified date, which identifies the DTC participants having a position in the company's securities and the number of securities held by each DTC participant on that date.

3. Brokers and banks that constitute "record" holders under Rule 14a-8(b)(2)(i) for purposes of verifying whether a beneficial owner is eligible to submit a proposal under Rule 14a-8

In The Hain Celestial Group, Inc. (Oct. 1, 2008), we took the position that an introducing broker could be considered a "record" holder for purposes of Rule 14a-8(b)(2)(i). An introducing broker is a broker that engages in sales and other activities involving customer contact, such as opening customer accounts and accepting customer orders, but is not permitted to maintain custody of customer funds and securities. Instead, an introducing broker engages another broker, known as a "clearing broker," to hold custody of client funds and securities, to clear and execute customer trades, and to handle other functions such as issuing confirmations of customer trades and customer account statements. Clearing brokers generally are DTC participants; introducing brokers generally are not. As introducing brokers generally are not DTC participants, and therefore typically do not appear on DTC's securities position listing, Hain Celestial has required companies to
accept proof of ownership letters from brokers in cases where, unlike the positions of registered owners and brokers and banks that are DTC participants, the company is unable to verify the positions against its own or its transfer agent's records or against DTC's securities position listing.

In light of questions we have received following two recent court cases relating to proof of ownership under Rule 14a-8(b)(2) and in light of the Commission's discussion of registered and beneficial owners in the Proxy Mechanics Concept Release, we have reconsidered our views as to what types of brokers and banks should be considered "record" holders under Rule 14a-8(b)(2)(i). Because of the transparency of DTC participants' positions in a company's securities, we will take the view going forward that, for Rule 14a-8(b)(2)(i) purposes, only DTC participants should be viewed as "record" holders of securities that are deposited at DTC. As a result, we will no longer follow Hain Celestial.

We believe that taking this approach as to who constitutes a "record" holder for purposes of Rule 14a-8(b)(2)(i) will provide greater certainty to beneficial owners and companies. We also note that this approach is consistent with Exchange Act Rule 12g5-1 and a 1988 staff no-action letter addressing that rule, under which brokers and banks that are DTC participants are considered to be the record holders of securities on deposit with DTC when calculating the number of record holders for purposes of Sections 12(g) and 15(d) of the Exchange Act.

Companies have occasionally expressed the view that, because DTC's nominee, Cede & Co., appears on the shareholder list as the sole registered owner of securities deposited with DTC by the DTC participants, only DTC or Cede & Co. should be viewed as the "record" holder of the securities held on deposit at DTC for purposes of Rule 14a-8(b)(2)(i). We have never interpreted the rule to require a shareholder to obtain a proof of ownership letter from DTC or Cede & Co., and nothing in this guidance should be construed as changing that view.

How can a shareholder determine whether his or her broker or bank is a DTC participant?

Shareholders and companies can confirm whether a particular broker or bank is a DTC participant by checking DTC's participant list, which is currently available on the Internet at http://www.dtcc.com/~/media/Files/Downloads/client-center/DTC/alpha.ashx.

What if a shareholder's broker or bank is not on DTC's participant list?

The shareholder will need to obtain proof of ownership from the DTC participant through which the securities are held. The shareholder should be able to find out who this DTC participant is by asking the shareholder's broker or bank.

If the DTC participant knows the shareholder's broker or bank's holdings, but does not know the shareholder's holdings, a shareholder could satisfy Rule 14a-8(b)(2)(i) by obtaining and submitting two proof of ownership statements verifying that, at the time the proposal was submitted, the required amount of securities were continuously held for at least one year - one from the shareholder's broker or bank confirming the shareholder's ownership, and the other from the DTC participant confirming the broker or bank's ownership.

How will the staff process no-action requests that argue for exclusion on the basis that the shareholder's proof of ownership is not from a DTC?
The staff will grant no-action relief to a company on the basis that the shareholder's proof of ownership is not from a DTC participant only if the company's notice of defect describes the required proof of ownership in a manner that is consistent with the guidance contained in this bulletin. Under Rule 14a-8(f)(1), the shareholder will have an opportunity to obtain the requisite proof of ownership after receiving the notice of defect.

C. Common errors shareholders can avoid when submitting proof of ownership to companies

In this section, we describe two common errors shareholders make when submitting proof of ownership for purposes of Rule 14a-8(b)(2), and we provide guidance on how to avoid these errors.

First, Rule 14a-8(b) requires a shareholder to provide proof of ownership that he or she has "continuously held at least $2,000 in market value, or 1%, of the company's securities entitled to be voted on the proposal at the meeting for at least one year by the date you submit the proposal." (emphasis added).10 We note that many proof of ownership letters do not satisfy this requirement because they do not verify the shareholder's beneficial ownership for the entire one-year period preceding and including the date the proposal is submitted. In some cases, the letter speaks as of a date before the date the proposal is submitted, thereby leaving a gap between the date of the verification and the date the proposal is submitted. In other cases, the letter speaks as of a date after the date the proposal was submitted but covers a period of only one year, thus failing to verify the shareholder's beneficial ownership over the required full one-year period preceding the date of the proposal's submission.

Second, many letters fail to confirm continuous ownership of the securities. This can occur when a broker or bank submits a letter that confirms the shareholder's beneficial ownership only as of a specified date but omits any reference to continuous ownership for a one-year period.

Second, many letters fail to confirm continuous ownership of the securities. This can occur when a broker or bank submits a letter that confirms the shareholder's beneficial ownership only as of a specified date but omits any reference to continuous ownership for a one-year period.

We recognize that the requirements of Rule 14a-8(b) are highly prescriptive and can cause inconvenience for shareholders when submitting proposals. Although our administration of Rule 14a-8(b) is constrained by the terms of the rule, we believe that shareholders can avoid the two errors highlighted above by arranging to have their broker or bank provide the required verification of ownership as of the date they plan to submit the proposal using the following format:

"As of [date the proposal is submitted], [name of shareholder] held, and has held continuously for at least one year, [number of securities] shares of [company name] [class of securities]."11

As discussed above, a shareholder may also need to provide a separate written statement from the DTC participant through which the shareholder's securities are held if the shareholder's broker or bank is not a DTC participant.

D. The submission of revised proposals

On occasion, a shareholder will revise a proposal after submitting it to a company. This section addresses questions we have received regarding revisions to a proposal or supporting statement.
1. A shareholder submits a timely proposal. The shareholder then submits a revised proposal before the company’s deadline for receiving proposals. Must the company accept the revisions?

Yes. In this situation, we believe the revised proposal serves as a replacement of the initial proposal. By submitting a revised proposal, the shareholder has effectively withdrawn the initial proposal. Therefore, the shareholder is not in violation of the one-proposal limitation in Rule 14a-8(c). If the company intends to submit a no-action request, it must do so with respect to the revised proposal.

We recognize that in Question and Answer E.2 of SLB No. 14, we indicated that if a shareholder makes revisions to a proposal before the company submits its no-action request, the company can choose whether to accept the revisions. However, this guidance has led some companies to believe that, in cases where shareholders attempt to make changes to an initial proposal, the company is free to ignore such revisions even if the revised proposal is submitted before the company’s deadline for receiving shareholder proposals. We are revising our guidance on this issue to make clear that a company may not ignore a revised proposal in this situation.

2. A shareholder submits a timely proposal. After the deadline for receiving proposals, the shareholder submits a revised proposal. Must the company accept the revisions?

No. If a shareholder submits revisions to a proposal after the deadline for receiving proposals under Rule 14a-8(e), the company is not required to accept the revisions. However, if the company does not accept the revisions, it must treat the revised proposal as a second proposal and submit a notice stating its intention to exclude the revised proposal, as required by Rule 14a-8(j). The company’s notice may cite Rule 14a-8(e) as the reason for excluding the revised proposal. If the company does not accept the revisions and intends to exclude the initial proposal, it would also need to submit its reasons for excluding the initial proposal.

3. If a shareholder submits a revised proposal, as of which date must the shareholder prove his or her share ownership?

A shareholder must prove ownership as of the date the original proposal is submitted. When the Commission has discussed revisions to proposals, it has not suggested that a revision triggers a requirement to provide proof of ownership a second time. As outlined in Rule 14a-8(b), proving ownership includes providing a written statement that the shareholder intends to continue to hold the securities through the date of the shareholder meeting. Rule 14a-8(f)(2) provides that if the shareholder fails in [his or her] promise to hold the required number of securities through the date of the meeting of shareholders, then the company will be permitted to exclude all of [the same shareholder’s] proposals from its proxy materials for any meeting held in the following two calendar years. With these provisions in mind, we do not interpret Rule 14a-8 as requiring additional proof of ownership when a shareholder submits a revised proposal.

E. Procedures for withdrawing no-action requests for proposals submitted by multiple proponents

We have previously addressed the requirements for withdrawing a Rule 14a-8 no-action request in SLB Nos. 14 and 14C. SLB No. 14 notes that a company should include with a withdrawal letter documentation demonstrating that a shareholder has withdrawn the proposal. In cases where a proposal submitted by multiple shareholders is withdrawn, SLB No. 14C states that, if each shareholder has designated a lead individual to act
on its behalf and the company is able to demonstrate that the individual is authorized to act on behalf of all of the proponents, the company need only provide a letter from that lead individual indicating that the lead individual is withdrawing the proposal on behalf of all of the proponents.

Because there is no relief granted by the staff in cases where a no-action request is withdrawn following the withdrawal of the related proposal, we recognize that the threshold for withdrawing a no-action request need not be overly burdensome. Going forward, we will process a withdrawal request if the company provides a letter from the lead filer that includes a representation that the lead filer is authorized to withdraw the proposal on behalf of each proponent identified in the company's no-action request.15

F. Use of email to transmit our Rule 14a-8 no-action responses to companies and proponents

To date, the Division has transmitted copies of our Rule 14a-8 no-action responses, including copies of the correspondence we have received in connection with such requests, by U.S. mail to companies and proponents. We also post our response and the related correspondence to the Commission's website shortly after issuance of our response.

In order to accelerate delivery of staff responses to companies and proponents, and to reduce our copying and postage costs, going forward, we intend to transmit our Rule 14a-8 no-action responses by email to companies and proponents. We therefore encourage both companies and proponents to include email contact information in any correspondence to each other and to us. We will use U.S. mail to transmit our no-action response to any company or proponent for which we do not have email contact information.

Given the availability of our responses and the related correspondence on the Commission's website and the requirement under Rule 14a-8 for companies and proponents to copy each other on correspondence submitted to the Commission, we believe it is unnecessary to transmit copies of the related correspondence along with our no-action response. Therefore, we intend to transmit only our staff response and not the correspondence we receive from the parties. We will continue to post to the Commission's website copies of this correspondence at the same time that we post our staff no-action response.

1 See Rule 14a-8(b).

2 For an explanation of the types of share ownership in the U.S., see Concept Release on U.S. Proxy System, Release No. 34-62495 (July 14, 2010) [75 FR 42982] ("Proxy Mechanics Concept Release"), at Section II.A. The term "beneficial owner" does not have a uniform meaning under the federal securities laws. It has a different meaning in this bulletin as compared to "beneficial owner" and "beneficial ownership" in Sections 13 and 16 of the Exchange Act. Our use of the term in this bulletin is not intended to suggest that registered owners are not beneficial owners for purposes of those Exchange Act provisions. See Proposed Amendments to Rule 14a-8 under the Securities Exchange Act of 1934 Relating to Proposals by Security Holders, Release No. 34-12598 (July 7, 1976) [41 FR 29982], at n.2 ("The term 'beneficial owner' when used in the context of the proxy rules, and in light of the purposes of those rules, may be interpreted to have a broader meaning than it would for certain other purpose[s] under the federal securities laws, such as reporting pursuant to the Williams Act.")
If a shareholder has filed a Schedule 13D, Schedule 13G, Form 3, Form 4 or Form 5 reflecting ownership of the required amount of shares, the shareholder may instead prove ownership by submitting a copy of such filings and providing the additional information that is described in Rule 14a-8(b)(2)(ii).

DTC holds the deposited securities in “fungible bulk,” meaning that there are no specifically identifiable shares directly owned by the DTC participants. Rather, each DTC participant holds a pro rata interest or position in the aggregate number of shares of a particular issuer held at DTC. Correspondingly, each customer of a DTC participant—such as an individual investor—owns a pro rata interest in the shares in which the DTC participant has a pro rata interest. See Proxy Mechanics Concept Release, at Section II.B.2.a.


See KBR Inc. v. Chevedden, Civil Action No. H-11-0196, 2011 U.S. Dist. LEXIS 36431, 2011 WL 1463611 (S.D. Tex. Apr. 4, 2011); Apache Corp. v. Chevedden, 696 F. Supp. 2d 723 (S.D. Tex. 2010). In both cases, the court concluded that a securities intermediary was not a record holder for purposes of Rule 14a-8(b) because it did not appear on a list of the company’s non-objecting beneficial owners or on any DTC securities position listing, nor was the intermediary a DTC participant.

Techne Corp. (Sept. 20, 1988).

In addition, if the shareholder’s broker is an introducing broker, the shareholder’s account statements should include the clearing broker’s identity and telephone number. See Net Capital Rule Release, at Section II.C.(iii). The clearing broker will generally be a DTC participant.

For purposes of Rule 14a-8(b), the submission date of a proposal will generally precede the company’s receipt date of the proposal, absent the use of electronic or other means of same-day delivery.

This format is acceptable for purposes of Rule 14a-8(b), but it is not mandatory or exclusive.

As such, it is not appropriate for a company to send a notice of defect for multiple proposals under Rule 14a-8(c) upon receiving a revised proposal.

This position will apply to all proposals submitted after an initial proposal but before the company’s deadline for receiving proposals, regardless of whether they are explicitly labeled as “revisions” to an initial proposal, unless the shareholder affirmatively indicates an intent to submit a second, additional proposal for inclusion in the company’s proxy materials. In that case, the company must send the shareholder a notice of defect pursuant to Rule 14a-8(f)(1) if it intends to exclude either proposal from its proxy materials in reliance on Rule 14a-8(c). In light of this guidance, with respect to proposals or revisions received before a company’s deadline for submission, we will no longer follow Layne Christensen Co. (Mar. 21, 2011) and other prior staff no-action letters in which we took the view that a proposal would violate the Rule 14a-8(c) one-proposal limit if such proposal is submitted to a company after the company has either submitted a Rule 14a-8 no-action request to exclude an earlier proposal submitted by
the same proponent or notified the proponent that the earlier proposal was excludable under the rule.

15 See, e.g., Adoption of Amendments Relating to Proposals by Security Holders, Release No. 34-12999 (Nov. 22, 1976) [41 FR 52994].

16 Because the relevant date for proving ownership under Rule 14a-8(b) is the date the proposal is submitted, a proponent who does not adequately prove ownership in connection with a proposal is not permitted to submit another proposal for the same meeting on a later date.

16 Nothing in this staff position has any effect on the status of any shareholder proposal that is not withdrawn by the proponent or its authorized representative.

http://www.sec.gov/interp/1999/cfs1b14f.htm
Division of Corporation Finance
Securities and Exchange Commission

Shareholder Proposals
Staff Legal Bulletin No. 14G (CF)

Action: Publication of CF Staff Legal Bulletin

Date: October 16, 2012

Summary: This staff legal bulletin provides information for companies and shareholders regarding Rule 14a-8 under the Securities Exchange Act of 1934.

Supplementary Information: The statements in this bulletin represent the views of the Division of Corporation Finance (the "Division"). This bulletin is not a rule, regulation or statement of the Securities and Exchange Commission (the "Commission"). Further, the Commission has neither approved nor disapproved its content.

Contacts: For further information, please contact the Division’s Office of Chief Counsel by calling (202) 551-3500 or by submitting a web-based request form at https://www.sec.gov/forms/corp_fin_interpretive.

A. The purpose of this bulletin

This bulletin is part of a continuing effort by the Division to provide guidance on important issues arising under Exchange Act Rule 14a-8. Specifically, this bulletin contains information regarding:

• the parties that can provide proof of ownership under Rule 14a-8(b)(2)(i) for purposes of verifying whether a beneficial owner is eligible to submit a proposal under Rule 14a-8;

• the manner in which companies should notify proponents of a failure to provide proof of ownership for the one-year period required under Rule 14a-8(b)(1); and

• the use of website references in proposals and supporting statements.

You can find additional guidance regarding Rule 14a-8 in the following bulletins that are available on the Commission’s website: SLB No. 14, SLB No. 14A, SLB No. 14B, SLB No. 14C, SLB No. 14D, SLB No. 14E and SLB No. 14F.

B. Parties that can provide proof of ownership under Rule 14a-8(b)(2)(i) for purposes of verifying whether a beneficial owner is eligible to submit a proposal under Rule 14a-8

1. Sufficiency of proof of ownership letters provided by affiliates of DTC participants for purposes of Rule 14a-8(b)(2)(i)
To be eligible to submit a proposal under Rule 14a-8, a shareholder must, among other things, provide documentation evidencing that the shareholder has continuously held at least $2,000 in market value, or 1%, of the company's securities entitled to be voted on the proposal at the shareholder meeting for at least one year as of the date the shareholder submits the proposal. If the shareholder is a beneficial owner of the securities, which means that the securities are held in book-entry form through a securities intermediary, Rule 14a-8(b)(2)(i) provides that this documentation can be in the form of a "written statement from the 'record' holder of your securities (usually a broker or bank)...."

In SLB No. 14F, the Division described its view that only securities intermediaries that are participants in the Depository Trust Company ("DTC") should be viewed as "record" holders of securities that are deposited at DTC for purposes of Rule 14a-8(b)(2)(i). Therefore, a beneficial owner must obtain a proof of ownership letter from the DTC participant through which its securities are held at DTC in order to satisfy the proof of ownership requirements in Rule 14a-8.

During the most recent proxy season, some companies questioned the sufficiency of proof of ownership letters from entities that were not themselves DTC participants, but were affiliates of DTC participants. By virtue of the affiliate relationship, we believe that a securities intermediary holding shares through its affiliated DTC participant should be in a position to verify its customers' ownership of securities. Accordingly, we are of the view that, for purposes of Rule 14a-8(b)(2)(i), a proof of ownership letter from an affiliate of a DTC participant satisfies the requirement to provide a proof of ownership letter from a DTC participant.

2. Adequacy of proof of ownership letters from securities intermediaries that are not brokers or banks

We understand that there are circumstances in which securities intermediaries that are not brokers or banks maintain securities accounts in the ordinary course of their business. A shareholder who holds securities through a securities intermediary that is not a broker or bank can satisfy Rule 14a-8's documentation requirement by submitting a proof of ownership letter from that securities intermediary. If the securities intermediary is not a DTC participant or an affiliate of a DTC participant, then the shareholder will also need to obtain a proof of ownership letter from the DTC participant or an affiliate of a DTC participant that can verify the holdings of the securities intermediary.

C. Manner in which companies should notify proponents of a failure to provide proof of ownership for the one-year period required under Rule 14a-8(b)(1)

As discussed in Section C of SLB No. 14F, a common error in proof of ownership letters is that they do not verify a proponent's beneficial ownership for the entire one-year period preceding and including the date the proposal was submitted, as required by Rule 14a-8(a)(1). In some cases, the letter speaks as of a date before the date the proposal was submitted, thereby leaving a gap between the date of verification and the date the proposal was submitted. In other cases, the letter speaks as of a date after the date the proposal was submitted but covers a period of only one year, thus failing to verify the proponent's beneficial ownership over the required full one-year period preceding the date of the proposal's submission.

Under Rule 14a-8(f), if a proponent fails to follow one of the eligibility or procedural requirements of the rule, a company may exclude the proposal only if it notifies the proponent of the defect and the proponent fails to
correct it. In SLB No. 14 and SLB No. 14B, we explained that companies should provide adequate detail about what a proponent must do to remedy all eligibility or procedural defects.

We are concerned that companies' notices of defect are not adequately describing the defects or explaining what a proponent must do to remedy defects in proof of ownership letters. For example, some companies' notices of defect make no mention of the gap in the period of ownership covered by the proponent's proof of ownership letter or other specific deficiencies that the company has identified. We do not believe that such notices of defect serve the purpose of Rule 14a-8(f).

Accordingly, going forward, we will not concur in the exclusion of a proposal under Rules 14a-8(b) and 14a-8(f) on the basis that a proponent's proof of ownership does not cover the one-year period preceding and including the date the proposal is submitted unless the company provides a notice of defect that identifies the specific date on which the proposal was submitted and explains that the proponent must obtain a new proof of ownership letter verifying continuous ownership of the requisite amount of securities for the one-year period preceding and including such date to cure the defect. We view the proposal's date of submission as the date the proposal is postmarked or transmitted electronically. Identifying in the notice of defect the specific date on which the proposal was submitted will help a proponent better understand how to remedy the defects described above and will be particularly helpful in those instances in which it may be difficult for a proponent to determine the date of submission, such as when the proposal is not postmarked on the same day it is placed in the mail. In addition, companies should include copies of the postmark or evidence of electronic transmission with their no-action requests.

D. Use of website addresses in proposals and supporting statements

Recently, a number of proponents have included in their proposals or in their supporting statements the addresses to websites that provide more information about their proposals. In some cases, companies have sought to exclude either the website address or the entire proposal due to the reference to the website address.

In SLB No. 14, we explained that a reference to a website address in a proposal does not raise the concerns addressed by the 500-word limitation in Rule 14a-8(d). We continue to be of this view and, accordingly, we will continue to count a website address as one word for purposes of Rule 14a-8(d). To the extent that the company seeks the exclusion of a website reference in a proposal, but not the proposal itself, we will continue to follow the guidance stated in SLB No. 14, which provides that references to website addresses in proposals or supporting statements could be subject to exclusion under Rule 14a-8(i)(3) if the information contained on the website is materially false or misleading, irrelevant to the subject matter of the proposal or otherwise in contravention of the proxy rules, including Rule 14a-9.3

In light of the growing interest in including references to website addresses in proposals and supporting statements, we are providing additional guidance on the appropriate use of website addresses in proposals and supporting statements.4

1. References to website addresses in a proposal or supporting statement and Rule 14a-8(i)(3)

References to websites in a proposal or supporting statement may raise concerns under Rule 14a-8(i)(3). In SLB No. 14B, we stated that the
exclusion of a proposal under Rule 14a-8(i)(3) as vague and indefinite may be appropriate if neither the shareholders 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. In evaluating whether a proposal may be excluded on this basis, we consider only the information contained in the proposal and supporting statement and determine whether, based on that information, shareholders and the company can determine what actions the proposal seeks.

If 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 raise concerns under Rule 14a-9 and would be subject to exclusion under Rule 14a-8(i)(3) as vague and indefinite. By contrast, if shareholders and the company can understand with reasonable certainty exactly what actions or measures the proposal requires without reviewing the information provided on the website, then we believe that the proposal would not be subject to exclusion under Rule 14a-8(i)(3) on the basis of the reference to the website address. In this case, the information on the website only supplements the information contained in the proposal and in the supporting statement.

2. Providing the company with the materials that will be published on the referenced website

We recognize that if a proposal references a website that is not operational at the time the proposal is submitted, it will be impossible for a company or the staff to evaluate whether the website reference may be excluded. In our view, a reference to a non-operational website in a proposal or supporting statement could be excluded under Rule 14a-8(i)(3) as irrelevant to the subject matter of a proposal. We understand, however, that a proponent may wish to include a reference to a website containing information related to the proposal but wish to activate the website until it becomes clear that the proposal will be included in the company's proxy materials. Therefore, we will not concur that a reference to a website may be excluded as irrelevant under Rule 14a-8(i)(3) on the basis that it is not yet operational if the proponent, at the time the proposal is submitted, provides the company with the materials that are intended for publication on the website and a representation that the website will become operational at, or prior to, the time the company files its definitive proxy materials.

3. Potential issues that may arise if the content of a referenced website changes after the proposal is submitted

To the extent the information on a website changes after submission of a proposal and the company believes the revised information renders the website reference excludable under Rule 14a-8, a company seeking our concurrence that the website reference may be excluded must submit a letter presenting its reasons for doing so. While Rule 14a-8(i) requires a company to submit its reasons for exclusion with the Commission no later than 80 calendar days before it files its definitive proxy materials, we may concur that the changes to the referenced website constitute "good cause" for the company to file its reasons for excluding the website reference after the 80-day deadline and grant the company's request that the 80-day requirement be waived.
An entity is an “affiliate” of a DTC participant if such entity directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the DTC participant.

2 Rule 14a-8(b)(2)(i) itself acknowledges that the record holder is “usually,” but not always, a broker or bank.

3 Rule 14a-9 prohibits statements in proxy materials which, at the time and in the light of the circumstances under which they are made, are false or misleading with respect to any material fact, or which omit to state any material fact necessary in order to make the statements not false or misleading.

4 A website that provides more information about a shareholder proposal may constitute a proxy solicitation under the proxy rules. Accordingly, we remind shareholders who elect to include website addresses in their proposals to comply with all applicable rules regarding proxy solicitations.

http://www.sec.gov/interp/legal/cfs1b14g.htm
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7 lbs / 3.18 kgs

DELIVERED TO
Receptionist/Front Desk

TOTAL PIECES
1

TOTAL SHIPMENT WEIGHT
7 lbs / 3.18 kgs

TERMS
Shipper

PACKAGING
FedEx Pak

SPECIAL HANDLING SECTION
Deliver Weekday

STANDARD TRANSIT
12/09/2019 by 10:30 am

SHIP DATE
Fri 12/06/2019

ACTUAL DELIVERY
Mon 12/09/2019 9:58 am

Travel History

Monday, 12/09/2019
9:58 am        WILTON, CT        Delivered
8:06 am        DANBURY, CT      On FedEx vehicle for delivery
6:44 am        DANBURY, CT      At local FedEx facility

Saturday, 12/07/2019
5:14 pm        DANBURY, CT      At local FedEx facility
8:53 am        DANBURY, CT      Package not due for delivery
<table>
<thead>
<tr>
<th>Time</th>
<th>Location</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>6:39 am</td>
<td>NEWBURGH, NY</td>
<td>At destination sort facility</td>
</tr>
<tr>
<td>3:36 am</td>
<td>MEMPHIS, TN</td>
<td>Departed FedEx location</td>
</tr>
<tr>
<td>12:04 am</td>
<td>MEMPHIS, TN</td>
<td>Arrived at FedEx location</td>
</tr>
<tr>
<td>Friday, 12/06/2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9:00 pm</td>
<td>ALEXANDRIA, VA</td>
<td>Left FedEx origin facility</td>
</tr>
<tr>
<td>6:08 pm</td>
<td>ALEXANDRIA, VA</td>
<td>Picked up</td>
</tr>
<tr>
<td>2:53 pm</td>
<td></td>
<td>Shipment information sent to FedEx</td>
</tr>
</tbody>
</table>
Ms. McGarey:
This proof of ownership was sent with the proposal and I understand it to fit the SEC requirements. I have requested a second proof with additional information and I will send it when I receive it.

Ethel Howley, SSND
School Sisters of Notre Dame Cooperative Investment Fund
Social Responsibility Resource Person
345 Belden Hill Road
Wilton, CT 06897
P: 203-762-3318

Please see attached letter. Have a nice weekend.

Jennifer C. McGarey
Corporate Vice President & Secretary
Northrop Grumman Corporation
2980 Fairview Park Drive
Falls Church, VA 22042

703-280-4011 (phone)
844-888-9054 (fax)
Jennifer.mcgarey@ngc.com
November 27, 2019

Sister Ethel Howley  
School Sisters of Notre Dame Cooperative Investment Fund  
345 Belden Hill Road  
Wilton, CT 06897-3898

Re: School Sisters of Notre Dame Cooperative Investment Fund Proof of Ownership

Dear Sister Ethel:

This is to confirm that the following security is held in the above referenced account:

<table>
<thead>
<tr>
<th>Security</th>
<th>Current Shares</th>
<th>Acquisition Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>NORTHROP GRUMMAN CORP</td>
<td>88,000</td>
<td>6/23/2003</td>
</tr>
</tbody>
</table>

To the best of my knowledge, the Sisters intend to hold this security in this account at least through the date of the next annual meeting.

If you have any questions or need additional information, please call me at 816-871-7249.

Sincerely,

Tammie Henry  
State Street Bank & Trust  
US Asset Owners
Ms. McGarey:
I have attached a second letter with the statement you cited as missing. I hope that I have now satisfied the SEC regulations.

Thank you for your persistence.
Ethel Howley, SSND
School Sisters of Notre Dame Cooperative Investment Fund
Social Responsibility Resource Person
345 Belden Hill Road
Wilton, CT 06897
P: 203-762-3318

Dear Sister Ethel,
Thank you for your reply. We received the November 27, 2019 letter from State Street Bank & Trust confirming your holdings in Northrop Grumman Corporation (the “Company”) common stock. However, as set forth in our December 6, 2019 letter, we have not yet received the written statement from the School Sisters of Notre Dame Cooperative Investment Fund, the shareholder in this case, that it intends to continue to hold the requisite amount of common stock through the date of the Company’s 2020 Annual Meeting, as required by Rule 14a-8(b).

The SEC’s rules require that any response to our December 6, 2019 letter notifying you of that deficiency must be postmarked or transmitted electronically no later than 14 calendar days from the date you received that letter. Failure to correct the deficiency within this timeframe could provide the Company with a basis to exclude the proposal from the Company’s proxy materials for the 2020 Annual Meeting.
Thanks very much. Jennifer McGarey.

From: Ethel Howley <ehowley@amsnd.org>
Sent: Monday, December 9, 2019 2:32 PM
To: McGarey, Jennifer C [US] (CO) <Jennifer.McGarey@ngc.com>
Subject: EXT :RE: Shareholder Proposal

Ms. McGarey:
This proof of ownership was sent with the proposal and I understand it to fit the SEC requirements. I have requested a second proof with additional information and I will send it when I receive it.

Ethel Howley, SSND
School Sisters of Notre Dame Cooperative Investment Fund
Social Responsibility Resource Person
345 Belden Hill Road
Wilton, CT 06897
P: 203-762-3318

From: McGarey, Jennifer C [US] (CO) [mailto:Jennifer.McGarey@ngc.com]
Sent: Friday, December 6, 2019 5:15 PM
To: Ethel Howley <ehowley@amsnd.org>
Cc: mbgallagher@iasj.org; Nora Nash <nnash@osfphila.org>
Subject: Shareholder Proposal

Please see attached letter. Have a nice weekend.

Jennifer C. McGarey
Corporate Vice President & Secretary
Northrop Grumman Corporation
2980 Fairview Park Drive
Falls Church, VA 22042

703-280-4011 (phone)
844-888-9054 (fax)
Jennifer.mcgarey@ngc.com
Ms. Jennifer C. McGarey  
Corporate Secretary  
Northrop Grumman Corporation  
2980 Fairview Park Drive  
Falls Church, Virginia 22042

Dear Ms. McGarey:

The *School Sisters of Notre Dame Cooperative Investment Fund* has been a shareholder with Northrop Grumman for several years. As a congregation of Religious Women, we have been involved in educational ministries for almost two hundred years in four different continents. Because of our involvement with preparing students to move into a variety professions and aspects of the business world, we anticipate these opportunities to be places without adverse human rights impacts. I am concerned about Northrop Grumman’s impacts with high-risk products and services. Therefore, I am co-filing this resolution on Human Rights Impact Assessment.

I am hereby authorized to notify you of our intention to present the attached proposal requesting a Human Rights Impact Assessment for consideration and action by the stockholders at the next annual meeting. *The School Sisters of Notre Dame Cooperative Investment Fund* intends to continue to hold the requisite amount of common stock through the date of the Company’s 2020 Annual Meeting. I hereby submit it for inclusion in the proxy statement in accordance with rule 14-a-8 of the general rules and regulations of the Securities Exchange Act of 1934.

The Sisters of St. Francis of Philadelphia and Sisters of St. Dominic of Caldwell are the primary filers of this resolution, and if an agreement is reached, a representative of the primary filers is authorized to withdraw the resolution on our behalf. We look forward to discussing the issues raised in the proposal at your earliest convenience.

Sincerely,

*Ethel Howley, SSND*  
Ethel Howley, SSND  
Social Responsibility Resource Person  
ehowley@amssnd.org  
p: 203-762-3318
From: Ethel Howley <ehowley@amssnd.org>
Sent: Wednesday, December 11, 2019 9:46 AM
To: McGarey, Jennifer C [US] (CO) <Jennifer.McGarey@ngc.com>
Subject: EXT :Proof of ownership

Ms. McGarey:
I have now attached the revised proof of ownership.

Ethel Howley, SSND
School Sisters of Notre Dame Cooperative Investment Fund
Social Responsibility Resource Person
345 Belden Hill Road
Wilton, CT 06897
P: 203-762-3318
December 11, 2019

Sister Ethel Howley
School Sisters of Notre Dame Cooperative Investment Fund
345 Belden Hill Road
Wilton, CT 06897-3898

Re: School Sisters of Notre Dame Cooperative Investment Fund Proof of Ownership

Dear Sister Ethel:

This is to confirm that the following security is held in the above referenced account:

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<td>88,000</td>
<td>6/23/2003</td>
</tr>
</tbody>
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The shares have been continuously owned for at least one year as of the Submission Date. They have been continuously owned since the Acquisition date of June 23, 2003.

To the best of my knowledge, the Sisters intend to continue to hold the shares through the date of their 2020 Annual Meeting.

If you have any questions or need additional information, please call me at 816-871-7249.

Sincerely,

Tammie Henry
State Street Bank & Trust
US Asset Owners