



How to Vote Your Proxies

The steps to proxy voting are relatively simple, which is why proxy voting is often the first task that a committee on investor responsibility is set up to address. The process of casting a single proxy vote looks like this:

1. Research the issue. There are a variety of ways to go about this, but one of the simplest and easiest strategies is to see what existing research is out there.¹ Is there a substantial enough body of research that the CIR can get behind it – and stay behind it – not only on this issue, but into the future, with precedence and the potential future creation of proxy voting guidelines in mind?
2. Review the resolution. Note carefully the wording of the statement.

Excerpts from a Shareholder Resolution

Lobbying Expenditures Disclosure – Union Pacific Corporation (2012)

RESOLVED, the shareholders of Union Pacific Corporation (“Union Pacific”) request the Board authorize the preparation of a report, updated annually, disclosing:

1. Company policy and procedures governing the lobbying of legislators and regulators, including that done on our company’s behalf by trade associations. The disclosure should include both direct and indirect lobbying and grassroots lobbying communications.
2. A listing of payments (both direct and indirect, including payments to trade associations) used for direct lobbying as well as grassroots lobbying communications, including the amount of the payment and the recipient.
3. Membership in and payments to any tax-exempt organization that writes and endorses model legislation.
4. Description of the decision making process and oversight by the management and Board for
 - a. direct and indirect lobbying contribution or expenditure; and
 - b. payment for grassroots lobbying expenditure.

For purposes of this proposal, a “grassroots lobbying communication” is a communication directed to the general public that (a) refers to specific legislation, (b) reflects a view on the legislation and (c) encourages the recipient of the communication to take action with respect to the legislation.

Both “direct and indirect lobbying” and “grassroots lobbying communications” include efforts at the local, state and federal levels.

¹ Many schools subscribe to online databases such as ICCR’s Ethvest and Si2, which conveniently compile and alert users when there are incoming resolutions in their holdings.

3. Review the positions of the resolution's proponents, and management's positions, both available on the company's proxy statement.² A proxy statement is released about a month before the annual shareholder's meeting, and contains all successfully filed shareholder resolutions as well as the management's response.

When looking at the proxy statement, the following questions are useful to keep in mind: Do the views of one side or the other intersect with established positions or policies publicly taken by the university? Can the issue be interpreted as intersecting with broader university values, such as those espoused in the Mission Statement, Investment Responsibility Statement, or implicitly in the institutions' public image? Do they have a possibly adverse effect on the world?

Excerpts from a Company's Response to a Resolution

Union Pacific Corporation (2012) – Lobbying Expenditures Disclosure

The Board of Directors believes that it is in the best interest of the Company and its shareholders for the Company to participate in the political process... including certain lobbying activities, to educate and inform public officials about the Company's position on issues significant to the Company's business. In addition, the Company is a member of a number of trade associations and industry groups.... The Company does not direct how these funds are used, and the Company may not agree with all positions supported by these organizations. As a result, disclosure of the Company's dues to these organizations may misrepresent the Company's position on certain legislative issues.... The Board believes that the proposal would impose an unnecessary administrative burden on the Company when ample disclosure already exists.

4. Write a short voting recommendation. REC can provide you with more sample materials if needed.

Excerpts from a Voting Recommendation

**Carleton Responsible Investment Committee (CRIC) 2012 Annual Report
Lobbying Expenditures Disclosure – Union Pacific Corporation**

After the 2010 Supreme Court ruling on Citizens United vs. FEC, companies can exert significantly greater influence than single persons or groups regarding access to legislators and regulators. They may also promote interests unknown and contrary to the fiscal and ethical concerns of their shareholders.

Given the danger of monopoly and disproportionate influence that comes with the greater financial and political-lobbying power of companies, CRIC agrees that transparent disclosure and accountability about lobbying expenditures is both equitable and in shareholders' best interests... Union Pacific Railroad did not disclose their respective \$ 50,000 contribution to the 2011 annual meeting of ALEC to shareholders. ALEC is a tax-exempt group that drafts and endorses model legislation.

We argue that such discrepancies between the company's objectives and values and their concrete activities, as well as their questionable lobbying activity may pose risks to the company's reputation

² The proxy statement is usually available online on the company's website under the Investor Relations section.

5. Submit the recommendation to the Investment Committee (or Investment Office) for voting. Based on past experiences with most proxy voting efforts, the institution will rarely, if ever, overrule the committee.
6. If possible, follow-up with a letter in support of the resolution to the company's Investor Relations department. This would help start a dialogue between the company and shareholders to discuss the possibility of fulfilling the demands expressed in the resolution.

Example of a Letter Supporting a Resolution

**Carleton Responsible Investment Committee (CRIC)
Lobbying Expenditures Disclosure – Union Pacific Corporation**

Investor Relations Department
Union Pacific Corporation
1400 Douglas St., 19th Floor
Omaha, NE 68179

To Whom It May Concern:

The Investment Committee of the Trustees of Carleton College have granted us, the Committee on Responsible Investment at Carleton (CRIC), authority to support shareholder resolutions. In the spring of 2012, we decided to vote for the resolution in support of Lobbying Expenditure Disclosure. At the time, Carleton held 4,020 shares of Union Pacific stock. We and many other shareholders are very concerned about this issue as evidenced by 35.48% of shareholders who voted to support the resolution. We believe that it is important that Union Pacific's lobbying expenditures and positions, as well as processes to influence public policy, are transparent and publicly available. Corporate influence on Congress and public policy is a challenge to our democracy and as a college, where we promote citizenship; we believe that transparency is crucial to a fair democracy—and to the long-term health of corporations. Additionally, questionable lobbying activity may pose risks to the company's reputation when controversial positions are embraced, and as investors we want to be able to evaluate that spending. Hence, we believe full disclosure of Union Pacific's policies, procedures and oversight mechanisms is warranted.

The full resolution is attached for your information.

Shareholders in growing numbers support proxy resolutions calling for disclosure of lobbying expenditures. We look forward to hearing from you and will share your response with the leadership of Carleton College.

Sincerely,

[signed by co-chairs of the committee]

Compiled by Rafadi Hakim (Carleton College '13 and Carleton Responsible Investments Committee) for the Responsible Endowments Coalition