Shareholder Engagement
An Implementation Opportunity

The Intentionally Designed Endowment Forum
San Francisco State University
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Danielle Fugere
President
As You Sow
As You Sow

OUR MISSION
To promote environmental and social corporate responsibility through shareholder advocacy, coalition building, and innovative legal strategies.

POWER OF THE PROXY
As You Sow works with investors to engage their shares through proxy voting, resolutions, company dialogue and other corporate engagement methods.

PROGRAMS
As You Sow has several programs: Environmental Health, Human Rights, Waste, Executive Pay, and Energy.
Shareholder Advocacy at As You Sow

11 full time staff plus consultants, interns & legal counsel.

7 staff work directly on engagements

In 2015, we filed with over 30 companies and are holding engagements with approximately 20 others.

Research, report writing.
Over the past century corporate power has become one of the most dominant forces on the planet. Of the 150 largest economic entities in the world, 58% are corporations. This concentration of resources gives companies power and influence over their workers, customers, and the communities and environments in which they operate, making corporate responsibility imperative.
Corporate Responsibility Creates Shareholder Value

- Attracting and Maintaining Workforce
- Customer Attraction and Retention
- Reducing Manufacturing Costs
- Increasing Efficiency
- Reputation Benefits
- Market Signal to Investors
- Millennials prefer responsible companies

Issue Examples

- Sustainability Reporting
- Climate Change and Energy
- Gender Pay Equity
- Human Rights
- Corporate Political Activity
- Executive Pay
- Board Diversity
- Board Oversight
Researching Issue Areas/Shareholder Proposals

Proxy Preview 2015

Annual report summarizing majors environmental and social proposal of the year. Published by As You Sow & partners.

www.proxypreview.org
Portfolio Alignment Strategies

Establishing a Framework for Sustainable Investing

**Investing Strategies**
- Positive & Negative Screens
- Total Portfolio Alignment

**Engagement Strategies**
- Proxy Voting
- Corporate Engagement & Resolutions
Corporate Engagement Activities

- Voting
- Direct Holdings
- Working with Mutual Fund Managers on Voting
- Direct Engagement with Companies
- Filing Shareholder Resolution
- Attend AGM / Make Public Statement
Steps for Establishing Engagement Strategies

1. Determine what assets you own
2. Assess current proxy voting and engagement
3. Determine your guidelines and priority issues
4. Implement voting and engagement according to guidelines
Voting Direct Holdings

- Review proposals for a given company and cast vote aligned with your policy.
- If using a proxy voting service (ex. ISS) confirm the voting guidelines of the service matches your ESG goals and investment policy.

<table>
<thead>
<tr>
<th>Lower</th>
<th>General Sustainability &amp; ESG Levels</th>
<th>Higher</th>
</tr>
</thead>
<tbody>
<tr>
<td>Glass Lewis</td>
<td>Egan-Jones</td>
<td>ISS - General</td>
</tr>
<tr>
<td>ISS - Sustainability &amp; SRI</td>
<td>Proxy Impact</td>
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Peer Voting

- **CalPERS**
  - Global Principle of Accountable Corporate Governance.
  - Discloses proxy voting results

- **CalSTERS**
  - Created 21 Risk Factors for ESG
  - Established a Green Team

- **Stanford**
  - Social Issue Proxy Voting Policy
  - Votes “yes” on resolutions such as: sustainability policies, GHG reporting, renewable energy adoption, etc.
## Voting Comparison 2014

<table>
<thead>
<tr>
<th>Company</th>
<th>Resolution Initiative</th>
<th>SSGA</th>
<th>CALPERS</th>
</tr>
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<tbody>
<tr>
<td>Anadarko</td>
<td>Carbon Asset Risk Disclosure</td>
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<td>For</td>
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<tr>
<td>Abbot</td>
<td>GMO Labeling</td>
<td>No</td>
<td>No</td>
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<tr>
<td>Chevron</td>
<td>Fracking Management Report</td>
<td>No</td>
<td>For</td>
</tr>
<tr>
<td>Dr. Pepper</td>
<td>Adopt Recycling Strategy</td>
<td>No</td>
<td>For</td>
</tr>
<tr>
<td>DuPont</td>
<td>Reporting Herbicide Use on GMOs</td>
<td>No</td>
<td>For</td>
</tr>
<tr>
<td>Kroger</td>
<td>Report on Producer Responsibility</td>
<td>No</td>
<td>No</td>
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<tr>
<td>Consol</td>
<td>Carbon Asset Risk Disclosure</td>
<td>For</td>
<td>For</td>
</tr>
<tr>
<td>Consol</td>
<td>Report of Political Contributions</td>
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<td>For</td>
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<td>ExxonMobil</td>
<td>Adopting GHG Reduction Goals</td>
<td>Abst.</td>
<td>For</td>
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<tr>
<td>ConocoPhillips</td>
<td>Adopting GHG Reduction Goals</td>
<td>No</td>
<td>For</td>
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<tr>
<td>Dominion</td>
<td>Carbon Asset Risk Disclosure</td>
<td>Abst.</td>
<td>For</td>
</tr>
<tr>
<td>Dominion</td>
<td>Methane Management Report</td>
<td>Abst.</td>
<td>For</td>
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</tbody>
</table>
Working With Managers

Request voting record of mutual funds, review to determine if voting policies are aligned with goals.

Communicate priorities and potential concerns with managers.

Request that managers vote according to guidelines.
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Choosing Which Companies to Work With

- Issues of importance to institutional investor.
- High profile corporate problems.
- Advocacy for issues on unaddressed business risk
- Continuation of prior year work with companies.
Elements of Engagement

- Working toward cooperative solutions
- Bring new ideas to increase company awareness
- Educate companies on peer performance
Methods for Company Engagement

- Sign on to support coalition based investor letters
- Initiate direct dialogue through letters to communicate concerns and offer suggestions
- Further engage in conversations and calls
- File resolution if dialogue is not successful
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Dialogue & Resolutions Process

- Initial Dialogue
- File Resolution
- Negotiation
- Vote on Resolution

No resolution needed?

Preferred Outcome

Withdraw?
Participating in a Shareholder Resolution

Authorize Shares for Filing
- Allows an organization to file on your behalf
- Supply document proving share ownership

Co-file Resolution
- File with a lead filer on a particular resolution
- Additional support is optional

Lead File Resolution
- Submit resolution
- Defend resolution at SEC if needed
- Respond to company opposition statement
Shareholder Resolutions 101

Shareholder with approximately $2,000 in shares of a company can file a resolution, or request to the company, which is voted on at the company’s annual general meeting.

Resolutions are nonbinding, even if it receives a 100% vote.

Resolutions serve as public communication between shareholders and management.

Resolutions must receive, by law, a certain percentage of votes to be refiled in future years. 3% in year 1, 6% in year 2, 10% in year 3.
SEC Legal Procedure

Companies can take legal steps to keep resolutions off of proxy statements, and do so strategically.

The SEC decides in favor of companies approximately 70% of the time.

The company and proponent make their case to the SEC based on complex securities law on what can be on a proxy or not.

The SEC decides whether to omit the resolution, and the decision can be appealed to the district court.

Part of the value-add of an organization like As You Sow is expertise at navigating the legal hurdles.

In 2015 As You Sow 2015 won 83% of its challenges.
Proposals Filed, 2006-2015

Sources: IRRC, ISS, Si2. Data as of 2-17-15
2015 E&S Proposal Filers

Primary Filers in 2015

- SRI Group: 33%
- Faith-based: 21%
- Pension Fund: 14%
- Individual: 10%
- Union: 8%
- Special Interest: 8%
- Foundation: 6%

0 Universities
As You Sow 2015 Resolutions

Energy
- Shell
- Chevron
- bp
- FirstEnergy
- Southern Company
- Dominion

Environmental Health
- Monsanto
- Du Pont
- Abbott
- Dunkin' Donuts
- America Runs on Dunkin

Waste & Packaging
- Kraft Foods
- Mondelez International
- Dr Pepper Snapple Group
- Costco Wholesale
Review of SH Engagement Steps

- Create voting guidelines and engagement goals.
- Vote direct holdings according to policy.
- Instruct mutual fund manager of voting priorities.
- Sign investor letters that comport with UC voting policy.
- Begin dialoging with corporations, join existing dialogues.
- Cofile or lead 2017 resolutions (filed in 2016).
Thank you.

Danielle Fugere
President
dfugere@asyousow.org
(510) 735-8141