



Mid-Year Review:
**Corporate Political Activity Proposals
in the 2014 Proxy Season**

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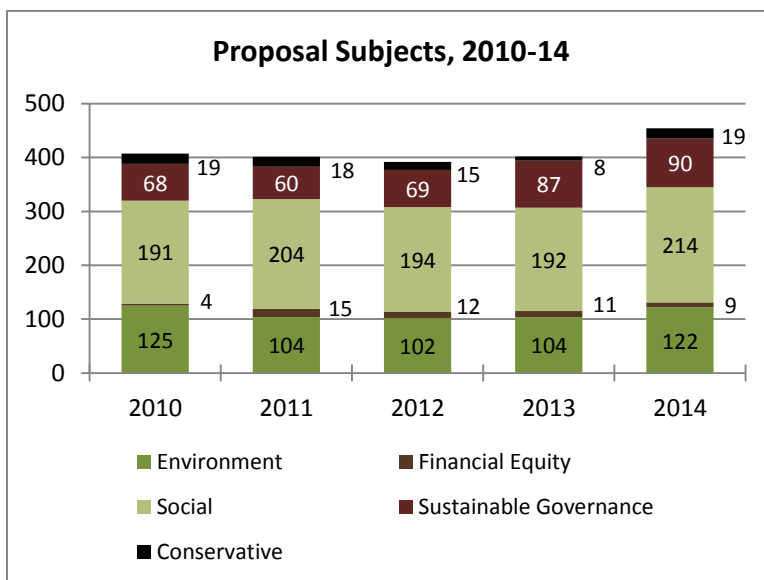
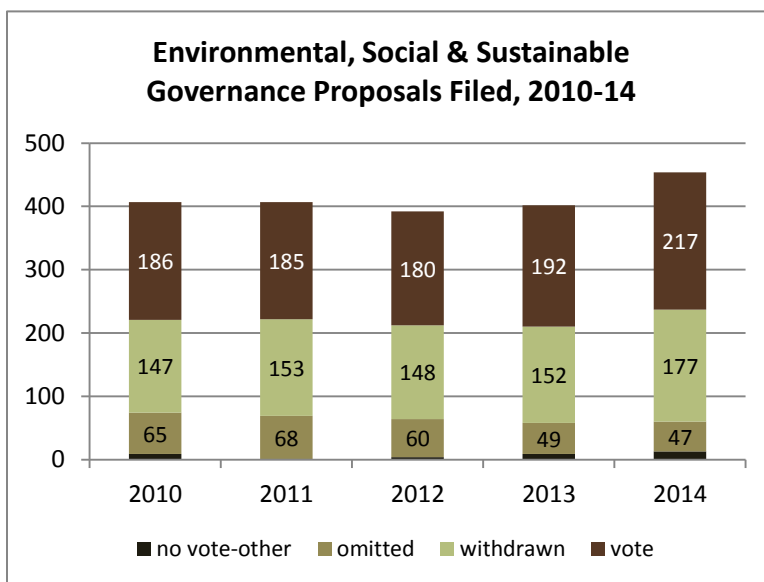
Excerpted above is the Table of Contents from Si2's full Mid-Year Review, to provide context for the political activity proposals.

Sections included in this excerpt are shaded above, [with hyperlinks](#) for included portions.

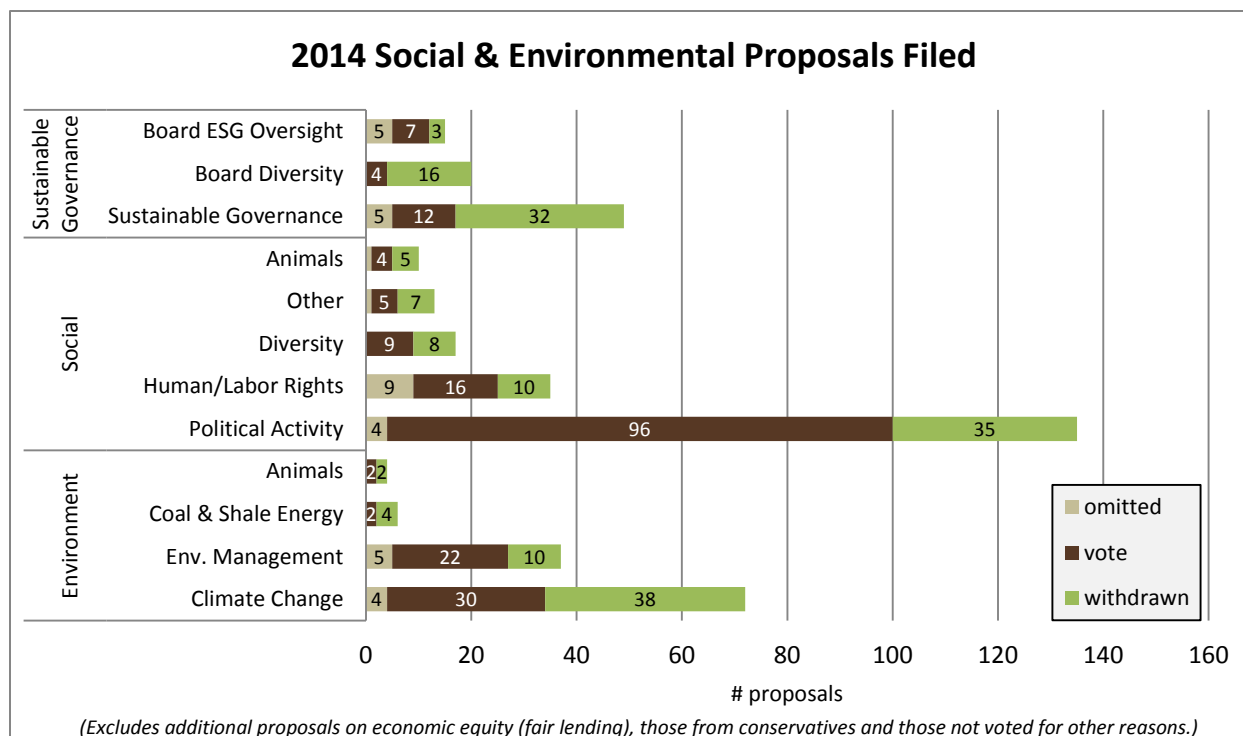
INTRODUCTION

Investors concerned with environmental and social issues filed 454 shareholder proposals at U.S. companies in 2014, a big jump from 402 in 2013 and far more than in any previous year. Support levels have reached a new average high of 21.7 percent for 200 resolutions voted on so far¹—with up to 16 more votes to come this fall. The number of proposals omitted continued to fall, with only 10 percent of filings excluded after company challenges at the Securities and Exchange Commission (SEC), the lowest level in at least 10 years. Companies faced proposals from shareholders who want more disclosure and action on a wide range of environmental, social and sustainable governance issues. Corporate officials and proponents often reached accords about the requests, with a record number of 177 withdrawals, keeping the proportion of withdrawn proposals about where it has been for the last six years. (See charts for details on recent trends.)

The overwhelming focus remains on political involvement and energy issues, with an ever-increasing number of proposals about corporate involvement in politics, but there were increases in all subject areas. Corporate governance matters—such as board declassification, independent board chairs, supermajority vote requirements and majority voting in director elections—account for a decreasing share of the total number of shareholder proposals, particularly since the adoption of mandatory say-on-pay votes in the Dodd-Frank financial reform law. An [analysis](#) of the 2014 proxy season from Gibson, Dunn, a leading law firm that advises companies about shareholder proposals, noted in its June analysis of the season that investors filed about 900 shareholder proposals on all topics in the first half of the year. (See table p. 9 for filings and average votes for major categories in 2014.)



¹Excludes one management supported proposal at Kraft Foods Group. All votes in this report are figured as a proportion of shares cast in favor divided by those cast for and against; they are current as of August 15, 2014.



Five Majority Votes

There were five majority votes in 2014. Three asked for more information on corporate lobbying: 58.6 percent at **SLM**, 53.7 percent at **Lorillard** and 51.6 percent at **Valero Energy**. Another used the template of the Center for Political Accountability to request more oversight and disclosure on election spending at **Dean Foods** and earned 51.8 percent. The fifth, at **Kraft Foods Group**, was not opposed by management since it asked only for a commendation of the company's animal welfare policy; it earned 81.7 percent. This brings the total number of management-opposed shareholder resolutions earning majority votes to 15 in the last five years, a figure inconceivable in the early days of shareholder activism.

Key Developments in 2014

Environment

The biggest change in 2014 regarding environmental proposals was a surge in those about climate change: proponents filed 29 more resolutions than in 2013. Twenty-two asked companies to adopt GHG reduction goals generally and 12 asked specifically for data on methane emissions and reduction targets, expanding an effort begun in 2013. Climate risk reporting proposals doubled to a dozen, asking pointed questions about what might happen to company valuations if large fossil fuel reserves are not exploited because of scientific warnings about dangerous planetary warning that will ensue if these assets are developed. Whatever the angle, investors cast about one-quarter of their shares in favor of climate disclosure and action. The highest vote was 39.4 percent in favor of setting GHG goals at **Valero Energy**.

The first-ever reporting proposal on nanomaterials in food to go to a vote earned a respectable 18.7 percent at **Dunkin' Donuts**. Additional environmental proposals that earned fairly high support favored more recycling and action on packaging.

Social Issues

On the social front, political activity proposals that overwhelmingly emphasized disclosure again were split about evenly between lobbying and election spending, commonly insisting on transparency about corporate funds that make their way into politics through intermediaries like trade groups and social welfare organizations. The latter are responsible for the huge influx of cash into U.S. elections and currently need not disclose their donors. Election spending resolutions again earned a bit more than lobbying proposals—about 28 percent versus about 26 percent. (See table, p. 9, for trends.)

A new wrinkle for 2014 was a set of seven resolutions asking for more scrutiny of corporate climate change lobbying, from proponents who feel companies are undermining GHG mitigation possibilities. Additionally, a half dozen new calls for corporate political spending bans asserted companies should not oppose state referenda about labeling products containing genetically modified organisms (GMOS) but votes on these were low. Investors clearly remain fairly enthusiastic about spending disclosure but not too willing to contemplate any spending restrictions.

The highest scoring of other social issues were proposals asking for non-discrimination for lesbian, gay, bisexual and transgender (LGBT) workers; six of 12 filed proposals went to votes and earned on average 30 percent, with the highest of 47.8 percent for a resubmission at **Leggett & Platt**. Another important social issues development was the warm reception for a human rights risk assessment request at 14 companies; six of the eight resulting votes were above 25 percent. Three firms successfully argued at the SEC they already have taken action to address human rights risks, though, prompting omissions and one withdrawal.

| 2014 Resolutions With More than 40 Percent Support | | | |
|--|--|---------------------------------|-------------|
| Company | Proposal | Proponent | Vote (%)* |
| Kraft Foods Group | Commend animal welfare policy | HSUS | 80.7 |
| SLM | Report on lobbying | AFL-CIO | 58.6 |
| Lorillard | Report on lobbying | Midwest Capuchins | 53.7 |
| Dean Foods | Review/report on political spending | NYSCRF | 51.8 |
| Valero Energy | Report on lobbying | NYSCRF | 51.6 |
| Duke Energy | Review/report on political spending | Nathan Cummings Fndn | 49.4 |
| Leggett & Platt | Adopt sexual orientation and gender ID policy | NYC pension funds | 47.8 |
| Marathon Petroleum | Report on lobbying | Trillium Asset Mgt | 47.7 |
| Emerson Electric | Review/report on political spending | Trillium Asset Mgt | 47.4 |
| Cabot Oil & Gas | Review/report on political spending | NYC pension funds | 44.7 |
| Nabors Industries | Publish sustainability report | Appleseed Fund | 43.5 |
| Alpha Natural Res. | Adopt sexual orientation and gender ID policy | NYSCRF | 43.4 |
| American Financial Grp | Adopt sexual orientation and gender ID policy | NYSCRF | 43.2 |
| Marathon Oil | Report on lobbying | NYSCRF | 43.2 |
| TECO Energy | Review/report on political spending | Phila. Public Employees | 42.7 |
| Western Union | Review/report on political spending | NYSCRF | 42.1 |
| Emerson Electric | Report on lobbying | The Sustainability Group | 41.7 |
| BB&T | Report on political spending and lobbying | Mass. Laborers | 41.1 |
| PPL Corporation | Review/report on political spending | NYC pension funds | 41.0 |
| Olin | Report on political spending and lobbying | Amalgamated Bank | 41.0 |
| Equity Lifestyle Prop. | Report on political spending and lobbying | Reinvestment Partners | 40.3 |
| Monster Beverage | Adopt board diversity policy | NYSCRF | 40.2 |

*Percentages presented as shares cast for divided by shares cast for and against. All proposals listed are advisory and majority votes do not legally require management action. Official passage can require other vote calculations including the consideration of shares cast as abstentions or total shares outstanding, but all resolutions are precatory.

| Proposals Pending for Late 2014 Votes | | | |
|---------------------------------------|---|--------------------------|---------------|
| Company | Proposal | Proponent | Meeting Date* |
| AutoZone | Review/report on political spending | NYC pension funds | (12/18/13) |
| Cardinal Health | Review/report on political spending | Teamsters | (11/6/13) |
| Cisco Systems | Review/report on political spending | Newground Social Inv. | (11/19/13) |
| Darden Restaurants | Review/report on political spending | Plumbers and Pipefitters | Sept. 30 |
| | Report on lobbying | AFL-CIO | |
| FedEx | Review/report on political spending | NYC pension funds | Sept. 29 |
| General Mills | Report on packaging | As You Sow | Sept. 23 |
| | Remove GMOs from products | | |
| H&R Block | Review/report on political spending | NYSCRF | Sept. 11 |
| Hain Celestial | Report on supplier pesticide use | Calvert Investment Mgt | (11/19/13) |
| IXYS | Adopt board diversity policy | Episcopal Church | Aug. 28 |
| NetApp | Establish board committee on responsibility | Jing Zhao | Sept. 5 |
| Procter & Gamble | Adopt policy on values, political spending | NorthStar Asset Mgt | Oct. 14 |
| | Report on packaging | As You Sow | |
| Smith & Wesson | Report on political spending and lobbying | Amalgamated Bank | Sept. 22 |
| Sysco | Report on palm oil supply chain | Srs. of St. Dominic, WI | (11/15/13) |

*Dates from 2013 appear in parentheses when 2014 meeting dates are not available; they are predictive of this year's dates.

Sustainable Governance

As in the past, resolutions fared well when they asked companies to produce comprehensive sustainability reports with comparable metrics, using frameworks such as those offered by the Global Reporting Initiative and CDP (formerly the Carbon Disclosure Project); 11 of 33 filed proposals earned just shy of 30 percent average support. The highest vote of 43.5 percent was at **Nabors Industries**, where irate shareholders also voted against the company's executive compensation package for the third year in a row since they were unhappy with the board's approval of an extra \$60 million in CEO compensation that was included in its pay restructuring plan. None of 11 proposals asking for mandatory sustainability reporting by major suppliers went to votes because of withdrawals successfully negotiated by the New York City and New York State Comptrollers' offices. This also has been a fruitful area for deals in the past, spurred by the fallout from hundreds of fatalities in Bangladesh garment factories and documentation of unsafe conditions and underage workers elsewhere in Asian supply chains.

Out of 24 proposals filed on board diversity, there will be just three votes; the highest scoring was 40.2 percent at **Monster Beverage**. While women and ethnic minorities continue to be sorely underrepresented on corporate boards and among top managers compared to their share of the population, many companies when approached are willing to adopt policies committing themselves to more inclusive searches for board candidates. There were 15 withdrawals for these resolutions that were coordinated by [The 30 Percent Coalition](#).

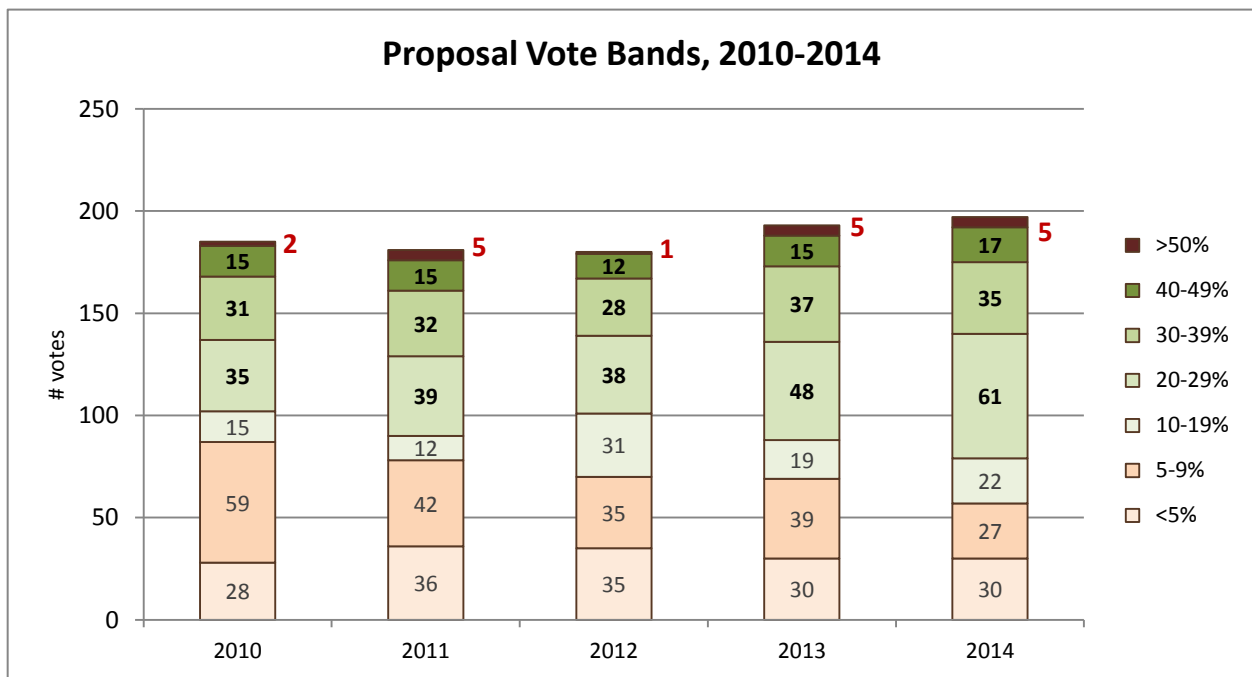
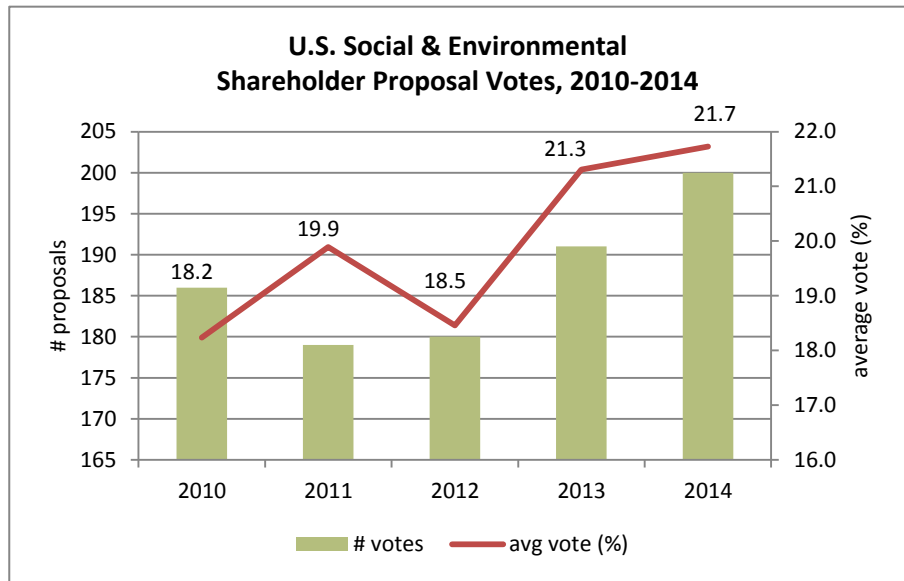
Although investors give sustainability reporting proposals high levels of support, they are far less likely to approve more prescriptive board oversight proposals. Eight of sixteen filed resolutions asking for specific types of board committees or expert members went to votes and averaged just below 10 percent support. The highest score was 21.8 percent for a fifth-year resolution at **Chevron** from the New York State Common Retirement System (NYSCRF) asking for an environmental expert on the board, but all the others earned less than 8 percent.

Conservatives

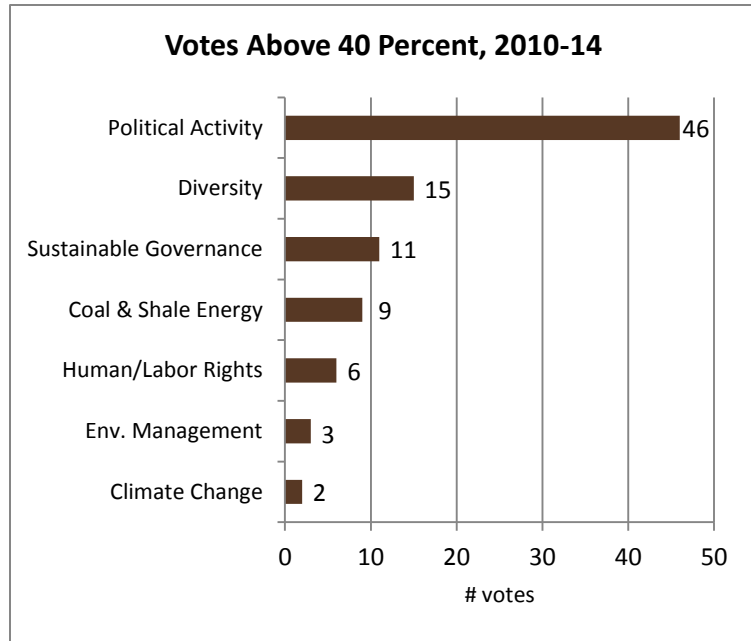
Conservative groups raised a few new angles but did not gain much support. A new social proposal expressed opposition to the Affordable Care Act and asked five firms to adopt a set of free market health care principles, but it failed to pass muster at the SEC and never went to a vote. Three other votes on a new request for cost-benefit analysis of sustainability efforts also earned 4 percent or less.

Trends, 2010 to 2014

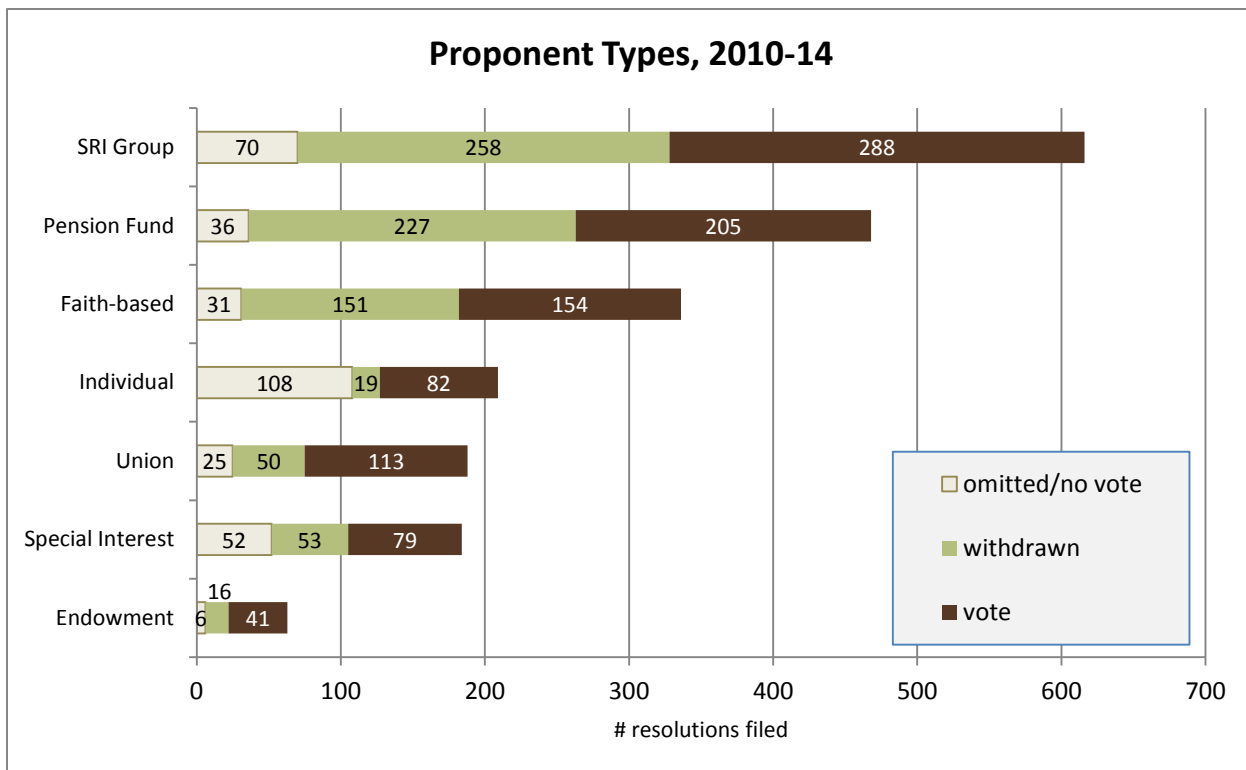
The number of high-scoring proposals has continued to increase, with a diminishing number of lower-scoring proposals. (See chart below.) So far in 2014, 59 percent of all social and environmental votes have been more than 20 percent, compared with 45 percent of the total in 2010 and only 11 percent in 2004. This figure may change slightly by year's end with up to 16 more votes. (See table, p. 6, for those still pending.)

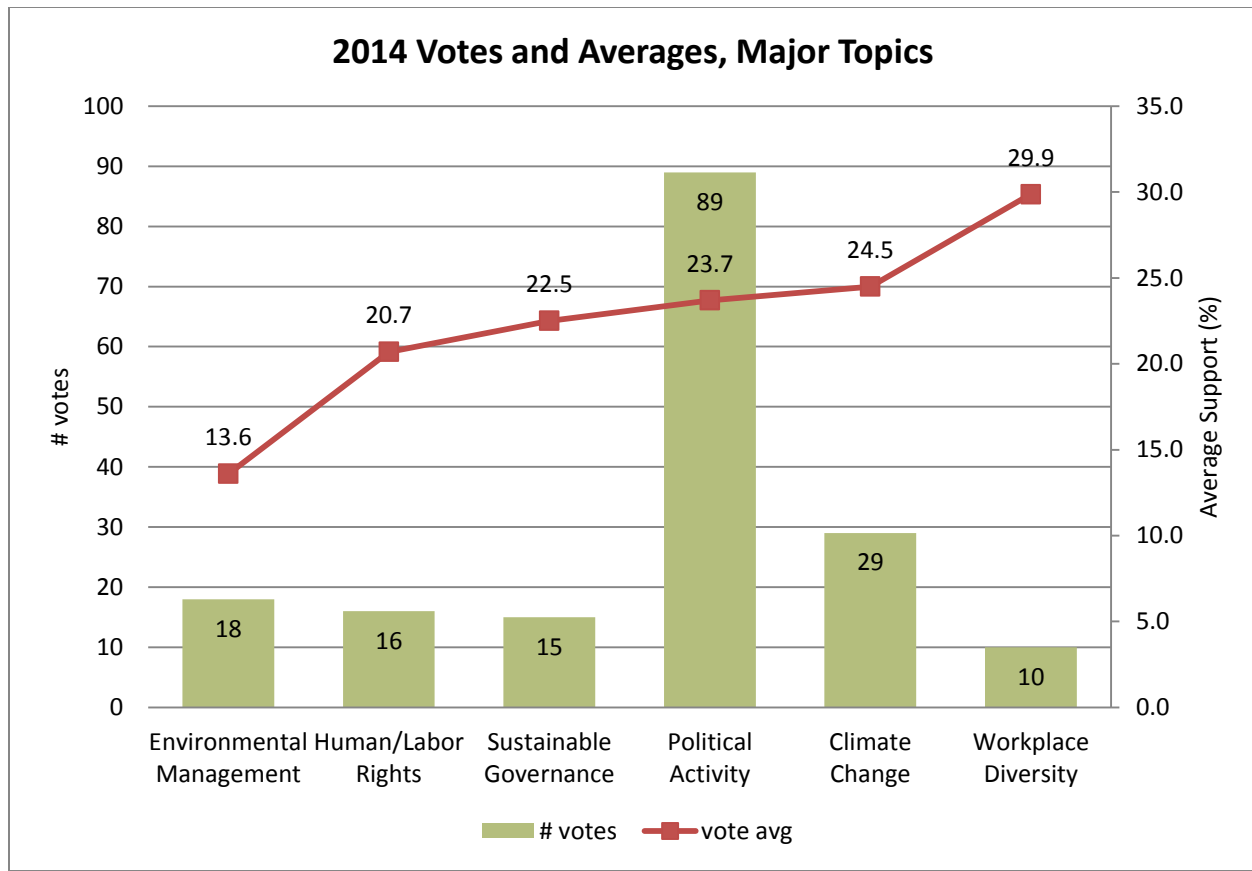


Highest scoring proposals—In the last five years there have been more high-scoring proposals on political activity than any other subject; investors also particularly have liked diversity proposals and those about sustainable governance issues. This trend continued in 2014, with 16 of the 22 votes above 40 percent about lobbying or election spending. The others above 40 percent this year included one calling for sustainability reporting, three asking for LGBT non-discrimination policies and one requesting a board diversity policy. (A list of the highest votes in 2014 is on p. 5.) Last year, a total of 20 resolutions garnered more than 40 percent support.



Proponent types: A look at the 2,064 resolutions about social and environmental issues filed in the last five years provides some insight about the types of proponents and how outcomes vary. With some proposals, there may be multiple co-filers, but for this analysis Si2 assigned a classification for each proposal based only on the lead filer. Social investment firms, pension funds and faith-based investors have filed the largest number of proposals since 2010. These three types of proponents are also the most likely to withdraw their resolutions after negotiations with companies. Unions, special interest groups advocating on a single issue (such as animal rights proponents) and endowments are far less likely to withdraw resolutions. Individual proponents are the most likely to see their proposals omitted after SEC challenges.





Shareholder Resolution Withdrawals and Votes on Corporate Political Activity, 2010-2014

| | 2010 | | | 2011 | | | 2012 | | |
|------------|-----------|-------|---------|-----------|-------|---------|-------------------|-------|---------|
| | Withdrawn | Votes | Avg (%) | Withdrawn | Votes | Avg (%) | Withdrawn | Votes | Avg (%) |
| Disclosure | 13 | 31 | 29.4 | 22 | 46 | 31.3 | 29 | 57 | 25.8 |
| Elections | 12 | 29 | 30.4 | 20 | 40 | 32.3 | 15 | 32 | 28.1 |
| Lobbying | 1 | 2 | 14.0 | 2 | 5 | 24.3 | 14 | 20 | 23.9 |
| Hybrid | | | | | 1 | 23.6 | | 5 | 18.2 |
| Other | 14 | 6 | 5.7 | 4 | 9 | 6.1 | 1 | 16 | 5.0 |
| | 2013 | | | 2014 | | | Cumulative Totals | | |
| | Withdrawn | Votes | Avg (%) | Withdrawn | Votes | Avg (%) | Withdrawn | Votes | Avg (%) |
| Disclosure | 27 | 73 | 28.5 | 32 | 77 | 26.9 | 123 | 284 | 28.1 |
| Elections | 18 | 31 | 30.4 | 11 | 34 | 27.7 | 76 | 166 | 29.9 |
| Lobbying | 9 | 38 | 25.8 | 21 | 39 | 25.1 | 47 | 104 | 24.9 |
| Hybrid | | 4 | 38.8 | | 4 | 37.9 | 0 | 14 | 30.1 |
| Other | 1 | 14 | 4.6 | 3 | 9 | 3.0 | 10 | 54 | 4.8 |

Excludes 105 additional resolutions that did not go to votes because they were omitted after company challenges at the SEC or for other reasons, most often because of company mergers.

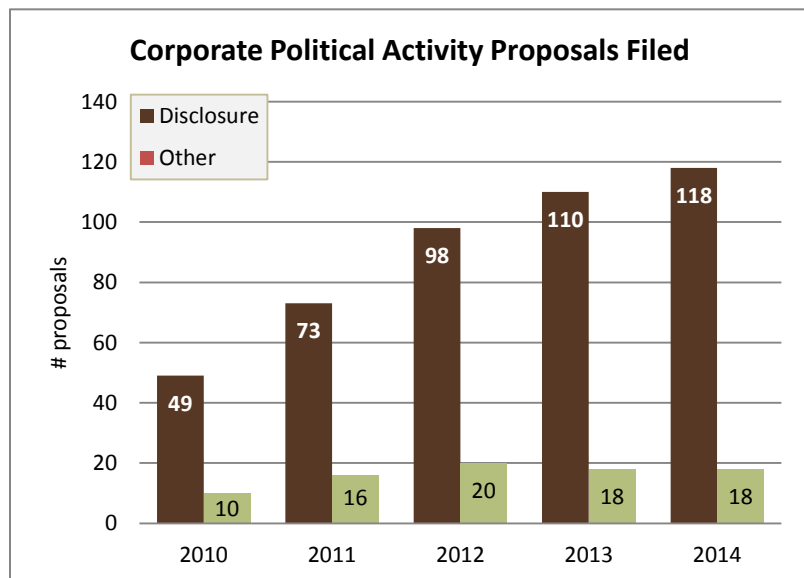
Corporate Political Activity

A broad coalition of investors continued to file resolutions asking companies to tell stockholders and the public more about what they spend on political campaigns and lobbying, both directly and most particularly through intermediary groups. Proponents include social investment and religious organizations, leading pension funds such as the New York City and New York State pension funds, trade unions and some individuals. In all, shareholders have filed 530 resolutions on these subjects in the last five years, with 136 in 2014. In sharp contrast to most shareholder resolutions on social and environmental issues, compromise on this issue is relatively limited, with just under 70 percent of the filed proposals going to votes, in a proportion that has increased from 63 percent last year. Political activity resolutions are also the most likely to win majority votes—they were responsible for all four of the proposals opposed by management that earned a majority in 2014. Overall, one-quarter of these proposals were withdrawn.

The overwhelming focus in 2014 and previous years has been on disclosure. Investors want companies to disclose contributions to intermediary groups that disburse money to both political campaigns and lobbying after elections are over—via trade associations, non-profit “social welfare” organizations and charities that promote model legislation, most prominently the [American Legislative Exchange Council](#) (ALEC) but also [The Heartland Institute](#).

Comparative information on how companies oversee and disclose their spending was included in Si2’s 2011 benchmarking research on the S&P 500, funded by the IRRC Institute, which found that just 66 S&P 500 companies voluntarily told how much they gave to non-profits. *(The report is on IRRCI’s [website](#); updated information appeared in Si2 reports this year.)*

Looking ahead, it is likely that companies will continue to face more shareholder proposals on this subject. This could change if disclosure becomes required, but given present political realities in Washington that is a very slim likelihood. Late last year, the SEC postponed formal consideration of a proposed rulemaking to require all publicly traded companies to report on political spending in their securities filings, but the number of public comments in favor of the move has now surpassed one million. Support for the rule is being coordinated by the [Corporate Reform Coalition](#),² which includes many of the investors who file shareholder resolutions on the subject. The petition drive is opposed by many business groups, though, including the U.S. Chamber of Commerce, the National Association of Manufacturers and others listed in a January 2013 [letter](#). The Center for Political Accountability (CPA) in its [CPA-Zicklin Index](#), last updated in September 2013, documents the growing uptake by companies of more transparency, while underscoring that many firms still do not voluntarily provide a full accounting for their political activities.



² Si2 provides research to the CRC but does not advocate for specific legislative, regulatory or policy approaches.

| Political Activity Filings, 2010-2014 | | | | | | | |
|---|--|-----------|-----------|------------|------------|------------|------------|
| | | 2010 | 2011 | 2012 | 2013 | 2014 | Total |
| Disclosure | | | | | | | 449 |
| Election Spending | Review & report on political spending | 44 | 62 | 53 | 49 | 49 | 265 |
| | Adopt policy on indirect spending | | | | 2 | | |
| | Report on indirect spending | | 1 | 1 | 2 | 2 | |
| Lobbying | Report on lobbying | 3 | 9 | 39 | 53 | 49 | 165 |
| | Report on indirect lobbying | | | | | 5 | |
| | Review/report on climate change advocacy | | | | | 7 | |
| Hybrid | Report on election spending and lobbying | 2 | 1 | 5 | 4 | 6 | 18 |
| Other | | | | | | | 83 |
| Shareholder Input | Require shareholder approval of spending | 1 | 4 | 2 | | 3 | 24 |
| | Adopt advisory vote on spending | 1 | 5 | 8 | | | |
| Values | Adopt policy on values, political spending | | | | 9 | 5 | 14 |
| Moratorium | End political spending | 2 | 1 | 5 | 7 | 7 | 22 |
| Others | Adopt board oversight of all spending | | | | | 1 | 22 |
| | Affirm political non-partisanship | 2 | 2 | 1 | | | |
| | Consider running for political office | | | | 1 | | |
| | Disclose prior government service | 2 | 2 | 3 | | | |
| | Disclose contributions in newspapers | | 2 | 1 | | | |
| | Lobby for and implement carbon tax | | | | | 1 | |
| | Report on ethics policy | 2 | | | | | |
| Report on charitable & election contributions | | | | 1 | 1 | | |
| TOTAL | | 59 | 89 | 118 | 128 | 136 | 530 |

Snapshot of this year's proposals: The corporate political activity disclosure campaign since 2010 has broadened with an array of suggested responses to the new spending landscape opened up that year by the *Citizens United* U.S. Supreme Court decision.

In addition to the bedrock demand for more oversight and accountability at the board level and full disclosure of campaign spending (highlighting the model promoted for more than a decade by the [Center for Political Accountability](#)), recent attention also has focused on lobbying and public policy advocacy by the same groups that spend corporate money on political candidates. Walden Asset Management and the AFSCME have coordinated this campaign. New in 2014 was a request at seven energy companies for more information on lobbying about public policies that could mitigate global warming.

Proposals that concern matters other than disclosure of campaign spending and lobbying continue to be scant (*see bar chart, previous page*). Back this year after a hiatus was a request for shareholder approval of political spending. A handful of proposals from Northstar Asset Management also continued to ask companies about making companies values and political spending congruent, as they did last year for the first time. A new twist in the lineup this year was a campaign spending moratorium proposal from investors critical of food companies' spending to defeat state ballot initiatives about labeling genetically modified food. Still, the main thrust of investor requests has been and remains disclosure. (*Table above summarizes filings by category over the last five years.*)

In addition, this year groups on the right had new formulations of their proposals filed at a few companies that functionally mirrored the requests of liberal groups, with different objectives. (*Proposals from these groups are in the Conservative Groups section.*)

Lobbying

Proponents of greater lobbying disclosure see their effort as a natural extension of the campaign for more accountability in corporate contributions to intermediaries, which spend in both elections and on lobbying. As noted above, a new resolution this year looked at climate change advocacy; another new proposal zeroed in on indirect lobbying through intermediaries. A few hybrid proposals from trade unions also continued to address the full spectrum of corporate involvement in the political arena by covering both campaign spending and lobbying.

Primary resolution: The main resolution was essentially unchanged from 2013 and was filed at 49 companies, compared with 53 filings last year and 39 in 2012. It asked for annual reports on policy, payments, memberships in groups that write model legislation, and information on how these payments occur and how management and the board of directors monitors them. (See table below for a list.)

| LOBBYING PROPOSALS | | | | | |
|--------------------------------|--------------------------------|------------------------------|----------------------------------|-------------------------|------------------|
| Company | Proponent | Outcome (%) | Company | Proponent | Outcome (%) |
| Abbott Laboratories | AFSCME | 7.3 | Facebook | Benedictine Srs | 8.2 |
| Accenture | Walden Asset Mgt | Withdrawn | FirstEnergy | Green Century | Withdrawn |
| Aetna [#] | NYSCRF | 27.2 | General Dynamics | NYSCRF | 4.1 ☹ |
| Alliant Techsystems | Midwest Capuchins | Withdrawn | Google | Walden Asset Mgt | 8.6 |
| Allstate | AFL-CIO | 10.33 × | Honeywell Intl | AFSCME | 37.9 |
| Altria | Midwest Capuchins | 6.5 ☹ | IBM | FAFN | 24.2 |
| Ameren | United Church Funds | 36.8 | JPMorgan Chase | Srs. of St. Francis | 7.6 × |
| Amer. Elec. Power [§] | Unitarians | Withdrawn | Lorillard | Midwest Capuchins | 53.7 |
| Amgen | Trillium Asset Mgt | Withdrawn | Marathon Oil | NYSCRF | 43.2 |
| AT&T | AFSCME | 24.9 | Marathon Petroleum | Trillium Asset Mgt | 47.7 |
| Bank of America | AFSCME | 30.4 | Morgan Stanley | AFSCME | 16.8 |
| BB&T [%] | Mass. Laborers | 41.1 | Norfolk Southern | NYSCRF | Withdrawn * |
| BlackRock | Missionary Oblates | Withdrawn | Northern Trust | Mass. Laborers | 29.2 |
| Boeing | NYSCRF | 22.9 | Occidental Petrol. [#] | Needmor Fund | 28.9 |
| Celgene | AFSCME | 37.1 | Olin [%] | Amalgamated Bank | 41.0 |
| Chevron | AFSCME | 24.1 | Peabody Energy | AFL-CIO | Withdrawn |
| | C. Reynolds Fndn [§] | Withdrawn* | Pfizer [#] | C. Reynolds Fndn | 6.2 |
| Cisco Systems [@] | Citizens' Climate Lobby | Omitted (b) | Philip Morris Intl | AFL-CIO | 33.1 |
| Citigroup | Change to Win | 25.8 × | Raytheon | Srs. of St. Agnes | 33.3 |
| Comcast | Episcopal Church | 14.7 | Reynolds American | AFL-CIO | 10.8 |
| ConocoPhillips | Walden | 25.3 | SLM | AFL-CIO | 58.6 |
| | Needmor Fund [§] | Withdrawn | Smith & Wesson Hldg [%] | Amalgamated Bank | Sept. 22 × |
| CVS Caremark | Srs. of St. Francis | Withdrawn | Southwestern Energy [§] | Episcopal Church | Withdrawn * |
| Darden Restaurants | AFL-CIO | Sept. 30 | Time Warner Cable | Walden Asset Mgt | 32.7 |
| Devon Energy | CT Retirement Plans | 27.3 | | Unitarians [#] | Withdrawn * |
| | Dominion Resources | Pax World Funds [§] | Withdrawn × | United Parcel Service | Walden Asset Mgt |
| NYSCRF | | 7.0 × | Zevin Asset Mgt [#] | | Withdrawn* |
| Seth Heald [#] | | Withdrawn* | United Technologies | AFL-CIO | Withdrawn |
| Duke Energy [%] | Ruth Amundsen [§] | Withdrawn | UnitedHealth Group | AFL-CIO | 24.2 |
| | Laborers | Omitted (i-11) | Valero Energy | NYSCRF | 51.6 |
| eBay | Benedictine Srs | Withdrawn * | Verizon | Domini Soc. Inv. | 26.6 |
| Emerson Electric | Needmor Fund | 41.7 | Visa | Boston CAM | Withdrawn |
| Equity Lifestyle Prop. | Reinvestment Partners | 40.3 | Wal-Mart Stores | Zevin Asset Mgt | 11.7 |
| Exxon Mobil | Steel Workers | 21.1 | Yahoo! | NYSCRF | 18.1 |
| | Midwest Capuchins [§] | Withdrawn * | | | |

^{*}SEC challenge lodged [×] SEC challenge rejected [☹]Cannot be resubmitted

[#]Report on indirect lobbying [§]Review/report on climate change advocacy [%]Hybrid campaign spending & lobbying [@]Lobby for carbon tax

NOTE: Pax World Funds withdrew the proposal at Devon Energy about climate change lobbying, but Devon recorded a 16.3 percent vote.

Votes—Thirty-eight lobbying proposals have gone to votes and earned an average of just under 26 percent support; two are pending for fall votes at **Darden Restaurants** and **Smith & Wesson** in late September. Three received support from a majority of the shares cast for and against—53.7 percent at **Lorillard**, 58.6 percent at **SLM (Sallie Mae)** and 51.6 percent at **Valero Energy**. (Valero counted votes cast in abstention as being against the proposal and using this calculation the resolution earned only 44 percent support.) Three more earned more than 40 percent (**Emerson Electric**, **Marathon Oil and Marathon Petroleum**), and seven others between 30 percent and 40 percent (**Ameren**, **Bank of America**, **Celgene**, **Honeywell International**, **Philip Morris International**, **Raytheon** and **Time Warner Cable**).

Particularly low votes occurred at **Altria** and **General Dynamics**, where the second-year proposals did not earn enough to be resubmitted. Other votes of less than 10 percent were at **Abbott Laboratories**, **Dominion Resources**, **Facebook**, **Google** and **JPMorgan Chase**. For all but Facebook and Google, the dominant proxy advisory firm ISS recommended against the proposals—although the policies and practices of each falls short of the proposal requests.

Withdrawals—Some companies are proving amenable to more disclosure of their lobbying activities. Proponents reached several substantive agreements and withdrew proposals. For example:

- Walden Asset Management withdrew after **Accenture** said it had examined the disclosure practices of 60 other firms and updated its own website, including identifying major trade association memberships, dues paid and how much of these are used for lobbying. Investors had given the proposal 31.2 percent support in 2013.
- Trillium Asset Management withdrew after **Amgen** agreed to annually disclose its memberships in trade associations and how much these groups spend from its fees on lobbying. A 2012 proposal about lobbying had earned 25 percent support.
- **CVS Caremark** agreed to disclose all federal lobbying and trade association payments and further explain its board oversight of these payments. Last year the proposal earned 35.7 percent and election spending proposals from 2010 to 2012 earned 40 percent or more.
- The AFL-CIO withdrew after **United Technologies** confirmed that it asks outside organizations which it supports—including 501(c)4 groups and other non-profits—not to use its financial support for political purposes, including lobbying. It agreed to identify "significant" outside groups that receive its support, listing those that receive more than \$10,000, including any special assessments outside of dues. Unlike the other targeted companies with deals, no proposal on political activity has gone to a recent vote at the company.
- Boston Common Asset Management withdrew after **Visa** explained it has ended its support for ALEC, put in place greater board oversight and plans to conduct an annual review of its lobbying. It also will disclose memberships in any trade associations which write model legislation, boosting its disclosure. The resolution had earned 37.0 percent in 2013.

SEC action—At several companies, proponents filed separate resolutions asking for disclosure of lobbying and for adherence to the model oversight and disclosure standards promoted by the Center for Political Accountability. In most cases, the paired resolutions noted they excluded the other type of proposal. **Allstate** unsuccessfully challenged the proposal at the SEC on this point, arguing that it duplicated a NYSCRF resolution on election spending, since the AFL-CIO proposal did not explicitly state it excluded campaign spending, but the SEC nonetheless rejected the challenge.

For its part, **eBay** said the Benedictine Sisters failed to prove their stock ownership and the proposal had not been properly presented in 2013 (even though the company recorded a 29.3 percent vote); the

Benedictines withdrew before any SEC response. The SEC also rejected challenge on ownership grounds from **Citigroup** and an argument from **Dominion Resources** that it already had complied. Further, **Norfolk Southern** told the SEC the resolution was moot and NYSCRF withdrew before any SEC comment.

Climate change advocacy: New this year was a proposal at seven energy and utility companies (**American Electric Power, Chevron, ConocoPhillips, Devon Energy, Dominion Resources, Exxon Mobil** and **Southwestern Energy**). It asked each to review “positions, oversight and processes related to public policy advocacy on energy policy and climate change” and to report. The resolution cited an “urgent” need to action to cut GHG emissions in half by 2050, but said progress has been stymied by U.S. Chamber of Commerce lobbying. The proposal was part of the Ceres coalition push for its 2013 [Climate Declaration](#) and asked that the review note whether companies support GHG reductions, how boards oversee public policy advocacy on climate, related direct and indirect spending on both elections and lobbying and engagement with scientists and other stakeholders.

SEC action and withdrawals—Proponents wanted to raise climate concerns but often were doing so at companies that also received the main lobbying proposal, which **Chevron, ConocoPhillips, Devon Energy** and **ExxonMobil** all pointed out in challenges that argued the two were duplicative. Withdrawals that aimed to avoid an adverse response precluded any SEC response at Chevron, Conoco and Exxon, but the SEC ultimately ended up rejecting the argument at Devon. Then, although the proponent did not present the resolution because it sold the stock before the annual meeting, Devon nonetheless recorded a vote of 16.3 percent. Other withdrawals occurred after companies agreed to discuss the issue at **American Electric Power** and **Southwestern Energy**; the latter had argued the proposal concerned ordinary business and was moot. Investors looking ahead to 2015 may see more climate advocacy proposals, given these developments.

Indirect lobbying: Seven companies got variations on a new proposal about indirect lobbying expenditures at the federal, state and local level, which targeted corporate funding for ALEC and asserted association with the group could produce reputational damage. It pointed out various controversial public policy positions the group takes on issues such as immigration, voting rights, gun laws and renewable energy. In each case, the proponents highlighted that a company executive sits on ALEC’s board and funds it—in contrast to more than 50 companies that have ended their ties.

Votes—Four resolutions went to votes, with relatively high tallies of 27.2 percent at **Aetna**, 24.6 percent at **AT&T** and 28.9 percent at **Occidental Petroleum**, although it earned just 6.2 percent at **Pfizer**, which has extensive disclosure about its political activity but also works closely with ALEC.

SEC action and withdrawals—Pfizer had challenged the proposal arguing it concerned ordinary business, was moot and duplicated earlier proposals from longtime proponent Evelyn Davis about political spending that missed the resubmission threshold in 2012, but agreed to include it after discussions anyway; future resubmissions to the company still may be challenged, however. Withdrawals that precluded SEC decisions occurred at **Dominion Resources** (which said it concerned ordinary business), **Time Warner Cable** (which argued the same thing and said it duplicated another lobbying resolution this year), and **United Parcel Service** (which also argued it duplicated a different lobbying proposal).

Hybrids: Six proposals from the Laborers’ pension funds and Amalgamated Bank asked for comprehensive disclosure about lobbying and election spending. **Duke Energy** omitted the proposal because the SEC agreed it was too similar to a proposal using the CPA template that the company received first. But the SEC rejected a challenge from **Smith & Wesson** that contended it was submitted too late and inves-

tors there will vote in September, as noted. The others have earned high votes: 41.1 percent at **BB&T**, 40.1 percent at **Equity Lifestyle Properties**, 29.2 percent at **Northern Trust** and 41.0 percent at **Olin**.

Carbon tax: A new late-season resolution from [The Citizens' Climate Lobby](#) to **Cisco Systems** about lobbying for a carbon tax will not go to a vote because the SEC agreed there was insufficient proof of stock ownership. Future resolutions along this line may surface, however. The group has been working since 2011 to build support for climate change legislation and its advisory board includes former Secretary of State George Schultz and climate scientist James Hansen. The proposal asked that:

1. Cisco Corporation will send a letter within 30 days to the leadership of the US Congress, House and Senate requesting a revenue neutral carbon tax to address climate change. The letter is to request that Congress hold hearings as soon as possible on the merits of this tax/fee and dividend.
2. Cisco Corporation will announce support of a steadily increasing, revenue-neutral, carbon tax with revenues distributed equally to households, to all levels of management within the corporation.

The CPA Campaign and Indirect Spending

The [Center for Political Accountability](#) and its allies, a wide range of institutional investors, continued its long-running effort seeking more board oversight and disclosure of corporate political campaign spending, as they have for the last 11 years. The standard CPA proposal remained unchanged and asked each company to produce a report, with semiannual updates, on how it makes direct and indirect contributions to political campaigns and referenda, identifying recipients, individual contributions, and the titles of corporate officials making decisions. Forty-nine proposals used the CPA template this year, 38 went to votes and 11 were withdrawn. Another two proposals asked specifically about indirect election spending. (One more from animal rights proponents also asked about charitable and election spending.)

Votes: Overall, the average vote for these resolutions so far in 2014 is about 28 percent. The resolution to **Dean Foods** earned 51.8 percent support of the shares cast for and against, although the company reported the resolution was not approved since it includes abstentions in its calculations—which only gave it 41.3 percent support. Six more earned between 40 and 50 percent (**Cabot Oil & Gas**, **Duke Energy**, **Emerson Electric**, **PPL Corporation**, **TECO Energy** and **Western Union**), while eight others received between 30 and 40 percent (**Ameriprise Financial**, **Danaher**, **DTE Energy**, **McKesson**, **NiSource**, **Raytheon**, **Travelers** and **Waste Management**).

Five of the resolutions earned less than 10 percent. At **Cablevision Systems**, the company is closely held by a family, **Genworth Holdings** has partially complied with the CPA's disclosure model but declined to release candidate-specific information about its contributions to state candidates, **Newmont Mining** released information about its practices but did not negotiate with the proponent, and **Yahoo!** has provided some information although it did not supply enough to persuade the proponents to withdraw. The **Sprint** proposal was a holdover from 2013, when it had not gone to a vote because of a merger; a parent company now holds a majority of the company's stock.

Six still pending—Resolutions using the CPA template still may go to votes at **AutoZone** (in December), **Cardinal Health** and **Cisco Systems** (in November) and **Darden Restaurants**, **FedEx** and **H&R Block** (in September).

Withdrawals and agreements: Proponents withdrew 11 of the resolutions, in all but one case after reaching agreement with the companies on additional disclosure. **Dentsply International** noted it has not made any political contributions in the last five years. The **JetBlue Airways** proposal appeared in the proxy statement but the proponents withdrew before the annual meeting because the company agreed to do everything that was requested. The agreements occurred sometimes following earlier votes: the

proposal in 2013 earned 66 percent at **CF Industries**, 14 percent at **Comcast**, 31.2 percent at **Dentsply International**, and 46 percent at **Hess**.

SEC action: There were no substantive challenges to the proposal at the SEC. Eight companies—**Allstate**, **AT&T**, **Comcast**, **Darden Restaurants**, **Emerson Electric**, **Peabody Energy**, **Raytheon** and **Yahoo!**—received both a CPA resolution and a lobbying proposal—allowed by the SEC after a precedent set last year.

Variants: Two election spending proposals took a somewhat different approach. At **Aetna**, investors gave 27.2 percent to a resolution from the Unitarian Universalists about board oversight of all types of spending through “intermediaries such as trade associations and social welfare organizations,” requesting criteria for giving to these intermediaries with a business rationale. The resolution took note of a \$4 million “voter education” contribution to the Chamber of Commerce and a \$3 million donation to the American Action Network, a social welfare organization that sponsors attack ads.

The other proposal, at **AT&T**, also looked at indirect campaign spending; it asked for adoption of the CPA’s disclosure and oversight model but emphasized in particular action on indirect election spending by trade associations and other non-profits. It earned 26.1 percent.

The Humane Society of the United States used a modified form of the CPA’s template to ask **Seaboard**, a meat packer, to disclose its over-

| CAMPAIGN SPENDING PROPOSALS | | |
|---|------------------------------|------------|
| Company | Proponent | Outcome |
| Aetna [%] | Unitarian Universalists | 27.2 |
| Allstate ^{&} | NYSCRF | 11.1 |
| Amazon.com | Investor Voice | 22.9 |
| Ameriprise Financial | NYC pension funds | 31.3 |
| Anadarko Petroleum | NYSCRF | 26.1 |
| AT&T ^{# &} | Domini Social Investments | 24.6 |
| AutoNation | NYSCRF | 21.2 |
| AutoZone | NYC pension funds | (12/18/13) |
| Cablevision Systems | Phila. Employees Ret. System | 5.9 |
| Cabot Oil & Gas | NYC pension funds | 44.7 |
| Cardinal Health | NYC pension funds | (11/6/13) |
| CF Industries Hldgs | NYSCRF | withdrawn |
| Charles Schwab | NYC pension funds | 26.6 |
| Cisco Systems | Newground Social Inv. | (11/19/13) |
| Comcast ^{&} | NYSCRF | withdrawn |
| CONSOL Energy | NYSCRF | 14.0 |
| Danaher | Mercy Investment Services | 38.6 |
| Darden Restaurants ^{&} | Plumbers and Pipefitters | 9/30/14 |
| Dean Foods | NYSCRF | 51.8 |
| DENTSPLY Intl | Mercy Investment Services | withdrawn |
| DTE Energy | NYC pension funds | 34.1 |
| Duke Energy | Nathan Cummings Fndn | 49.4 |
| Emerson Electric ^{&} | Trillium Asset Mgt | 47.4 |
| EQT | Clean Yield Asset Mgt | withdrawn |
| Expedia | NYSCRF | 18.3 |
| Express Scripts | Clean Yield Asset Mgt | withdrawn |
| FedEx | NYC pension funds | Sept. 29 |
| Fifth Third Bancorp | FAFN | withdrawn |
| Genworth Financial | NYSCRF | 8.4 |
| H&R Block | NYSCRF | Sept. 11 |
| Hess | Trillium Asset Mgt | withdrawn |
| Humana | NYSCRF | 22.0 |
| JetBlue Airways | Domini Social Investments | withdrawn |
| McKesson | Miami Firefighters | 37.6 |
| Motorola Solutions | Trillium Asset Mgt | 23.9 |
| Newmont Mining | NYSCRF | 6.8 |
| NiSource | NYSCRF | 33.5 |
| Peabody Energy ^{&} | Phila. Employees Ret. System | withdrawn |
| Pioneer Natural Resources | Phila. Employees Ret. System | withdrawn |
| PPL Corporation | NYC pension funds | 41.0 |
| Raytheon ^{&} | NYSCRF | 34.2 |
| Regions Financial | NYC pension funds | withdrawn |
| Republic Services | NYSCRF | 18.9 |
| Seaboard [@] | HSUS | 2.8 ☹ |
| Spectra Energy | Nathan Cummings Fndn | 29.6 |
| Sprint | NYC pension funds | 1.5 ☹ |
| TECO Energy | Phila. Employees Ret. System | 42.7 |
| Travelers | NYSCRF | 33.2 |
| Waste Mgt | NYSCRF | 38.9 |
| Western Union | NYSCRF | 42.1 |
| Wynn Resorts | NYSCRF | 26.1 |
| Yahoo! ^{&} | Trillium Asset Mgt | 6.1 |
| ☹ Cannot be resubmitted | | |
| Unless noted, these resolutions all use the CPA template. | | |
| #Report on indirect political spending &Lobbying resolution also filed. | | |
| %Adopt board oversight of all spending @Charitable & political contributions report. | | |

sight and spending on elections and contributions to charitable organizations. It was prompted by concerns about animal welfare and investors at the company gave the proposal short shrift: just 2.8 percent support, not enough for resubmission.

Additional Political Spending Proposals

Political spending bans and GMOs: New this year were five proposals to food companies from As You Sow, the Environmental Working Group (EWG) and Green Century, asking them to end election spending. The proponents filed the proposal at firms that spent the most to defeat state ballot initiatives that would have required labeling of genetically modified food. They were particularly incensed by more than \$44 million spent through the Grocery Manufacturers' Association to defeat a California initiative in 2012 and a similar Washington state measure in November 2013, in which the GMA and its allies spent a state record of more than \$22 million.

Votes—While the proponents asserted that such spending could tarnish company reputations, by and large investors did not take this view. The highest vote of 3.5 percent was at **Du Pont**, and the proponent did not present the resolution at **Kraft Foods Group** so no vote was recorded there.

SEC action and withdrawals—**Coca-Cola** unsuccessfully challenged the stock ownership proof of EWG, which ended up withdrawing it anyway. Both **Dow Chemical** and **PepsiCo** said it concerned ordinary business since it focused so narrowly on the GMO issue. There is some precedent for such an omission when a resolution relates narrowly to a particular issue and the proponents did not want to set an adverse precedent so withdrew before any SEC decision. Pepsi did agree to provide the Environmental Working Group with speaking time at the annual meeting, however.

Other ban proposals: Harrington Investments refiled a 2013 proposal asking **Starbucks** to amend its bylaws to prevent any spending in elections but failed to win sufficient support for resubmission (2.2 percent). A similar proposal at **Wellpoint** fared even worse (1.7 percent).

Values congruency: Northstar Asset Management continued to ask companies to more explicitly align their stated values with political spending decision-making, but neither of the two proposals that went to votes earned enough for resubmission, getting just 4.0 percent at **EMC**, down from 5.0 percent last year, and only 0.6 percent at **Facebook**.

Omission and withdrawals—**Johnson & Johnson** successfully challenged the proposal on ordinary business grounds. It had not done so in 2013 and the resolution earned 6.4 percent, but this year in response to the company the SEC said, “the proposal and supporting statement, when read together, focus primarily on Johnson & Johnson's specific political contributions that relate to the operation of Johnson & Johnson's business and not on Johnson & Johnson's general political activities.” The SEC did not agree, however,

| OTHER POLITICAL ACTIVITY PROPOSALS | | |
|--|---------------------------|----------------|
| Company | Proponent | Outcome |
| Ban Spending | | |
| Coca-Cola | Environmental Working Grp | Withdrawn × |
| Dow Chemical | As You Sow | Withdrawn * |
| Du Pont | As You Sow | 3.5 |
| Kraft Foods Group | Green Century | Not presented |
| PepsiCo | Environmental Working Grp | Withdrawn * |
| Starbucks | Harrington Investments | 2.2 ☹ |
| Wellpoint | Harrington Investments | 1.7 ☹ |
| Values Congruency Policy | | |
| EMC | NorthStar Asset Mgt | 4.0 ☹ |
| Facebook | | 0.6 ☹ |
| FedEx | | Withdrawn * |
| Johnson & Johnson | | Omitted (i-7) |
| Procter & Gamble | | Oct. 14 × |
| Shareholder Approval | | |
| Lowe's | James W. Mackie | Omitted (b) |
| PepsiCo | | 3.6 |
| Pfizer | | 3.7 |
| * SEC challenge lodged × SEC challenge rejected ☹ Cannot be resubmitted i-7: Concerns ordinary business | | |

with a challenge on the same grounds at **Procter & Gamble**. Northstar withdrew at **FedEx** before any SEC ruling on an ordinary business challenge there.

Shareholder approval: Individual investor James Mackie returned with his previous request for preemptive approval from 75 percent of outstanding shares for any political spending, which last aired at Johnson & Johnson in 2012. **Lowe's** successfully knocked the proposals out as Mackie did not provide sufficient proof of stock ownership, but elsewhere it earned 3.6 percent at **PepsiCo** and 3.7 percent at **Pfizer**—just enough for resubmission.

Conservative Group Proposals on Political & Charitable Activity

The agenda pursued by shareholder reformers overwhelmingly approaches corporate responsibility from a decidedly liberal viewpoint, but conservative groups continued to make their views known in 2014. The most organized articulation from the right comes from the National Center for Public Policy Research (NCPPr), but a few proposals always pop up from individual investors, as well. (NCPPr posted its views in a July [blog posting](#), expressing concern about “collective adoration of big government policies.”)

Five of the seven conservative proposals about political activity came from NCPPr. At **Apple**, investors gave 2.1 percent (not enough for resubmission) to a proposal that asked for a report on company involvement in any trade associations or other groups that promote corporate efforts to conserve energy and natural resources. This prompted a sharp rebuttal from CEO Tim Cook at the annual meeting.

The other vote came on NCPPr's resolution that mirrored Northstar Asset Management's values congruency and political spending approach; it earned 4.4 percent at **Kraft Foods Group**. But **Coca-Cola** knocked it out on an ownership technicality and the SEC agreed at **PepsiCo** that it duplicated another political spending resolution.

Wal-Mart Stores argued at the SEC that NCPPr's proposal improperly duplicated another it received earlier from Zevin Asset Management, as well, and it was withdrawn. The proposal noted that Wal-Mart belongs to the Retail Industry Leaders Association, which it said promotes sustainability programs that could harm company customers, suppliers and shareholders because “progressive and liberal environmentalists commonly support such measures, while conservatives and individuals that believe in the free-market generally oppose such mandates.” It also said the company's decision to sever ties with the American Legislative Exchange Council “angered free-market proponents and mollified racial agitators.”

An individual investor asked **Peabody Energy** to take more action in the political arena to counter the “war on coal,” but the company persuaded the SEC it already has done so. The resolution expressed opposition to “rulings of dubious legal authority by the EPA” about coal that “should not be allowed to stand and a need for industry “to achieve victory in the war on coal and other fossil fuels.”

| CONSERVATIVE GROUP PROPOSALS | | | |
|--|--|--------------------|----------------|
| Company | Proposal | Proponent | Outcome |
| <i>Political and Charitable Activity</i> | | | |
| Apple | Report on indirect political spending | NCPPr | 2.1 ☹ |
| Chevron | Report on charitable contributions | Tom Strobhar | 5.0 |
| Coca-Cola | Adopt policy on values, political spending | NCPPr | Omitted (b) |
| Kraft Foods Group | Adopt policy on values, political spending | NCPPr | 4.4 |
| Peabody Energy | Take public policy action to support coal | Edward F. Ragsdale | Omitted (i-10) |
| PepsiCo | Adopt policy on values, political spending | NCPPr | Omitted (i-11) |
| Wal-Mart Stores | Report on public policy advocacy | NCPPr | Withdrawn * |
| *SEC challenge lodged ☹ Cannot be resubmitted (b) Insufficient ownership proof i-10: Moot i-11: Duplicates a similar proposal | | | |

A resolution from Tom Strobhar to **Chevron** earned 5.0 percent support. It asked for a listing of charities supported by the company that get more than \$5,000 and said company support for “LBGT groups is a cause for concern among some Christian, Jewish and Muslim groups. Our corporate contributions to Planned Parenthood have drawn down upon our Company a boycott by the prominent group Life Decisions International.” It concluded that more disclosure to investors would help the company “make more fruitful decisions... to better serve the interests of the shareholders.”

Rule 14a-8 Grounds for Omission of Shareholder Resolutions

Technical Rules

- b Proponent did not provide sufficient proof of stock ownership.
- e-2 Proposal was filed past the submission deadline.
- h-3 Proposal was submitted but not properly presented within the last two years.

Substantive Rules

- i-1 Is not a proper subject under state law (usually if it is proposed as a requirement, not a recommendation).
- i-2 Would be contrary to state, federal or foreign laws if implemented.
- i-3 Contains false or misleading statements.
- i-4 Relates to personal claims, grievances or interests.
- i-5 Is not significantly related to the company's business (less than 5 percent of total assets and less than 5 percent of net earnings & gross sales).
- i-6 Company lacks the power or authority to implement.
- i-7 Deals with a matter relating to the company's ordinary business operations and does not raise a significant issue.
- i-8 Relates to nomination or election to the board of directors.
- i-9 Conflicts with a management proposal.
- i-10 Has been substantially implemented.
- i-11 Duplicates another proposal that is substantially the same.
- i-12 Is substantially the same as a previous proposal (submitted in the last five years) that did not receive enough support for resubmission (3 percent of the shares cast for and against in the first year, 6 percent the second year and 10 percent thereafter).
- i-13 Relates to specific amounts of cash or stock dividends.