

Guide to Filing Proxy Resolutions



Why File a Shareholder Resolution?

Resolutions appear on the company's proxy statement and are voted on by all shareholders at the company's annual general meeting (AGM). By virtue of their public nature, resolutions can be an effective lever for change within a corporation.

- **Management's attention:** filing a resolution can help start (or resurrect) a dialogue with a company about an issue that matters to your institution.
- **Educate investors:** resolutions also a good way to inform other investors about your issue.
- **Educate public and leverage press pressure:** resolution filings signal that investors are willing to air their grievances publicly which often brings management to the table.

Filing Procedures

Have \$2,000 worth of stock: Anyone wishing to file must hold \$2,000 worth of a company's stock **continuously** for **1 year** before filing (specifically, one year from the date listed at the top of your filing letter).

Hold onto it through the AGM: You must also continuously hold at least \$2,000 worth of stock through the date of your company's annual general meeting.

One resolution per company: You can file resolutions with as many companies as you like during a given filing season; however, you can only file *one resolution per company* using your shares.

Getting Started: What to Do, and When

Most corporations require you to file your resolutions by the **fall or winter** preceding their annual shareholder meetings. Companies publish these specific deadlines, called 'filing deadlines', in their DEF14a SEC filings.

Filing deadlines vary from year to year, so you will need to double check your dates each year.

Your Deadline: The Filing Date

Shareholders are getting ready right *now* to file next year's shareholder resolutions.

We call resolutions filed in the fall of 2016 “2017” resolutions, since that is the year in which the resolutions will be voted on at corporate AGMs.

Your filing packet must reach the company by the close of business on its filing deadline. Generally, filing packets are sent to the Corporate Secretary.

You can mail, FedEx/UPS or fax your packet.

Next Steps

Contact the ‘lead’ filer: the investor who leads a group of investors in filing a shareholder resolution is called the ‘lead’ or ‘primary’ filer. The lead filer is the company’s main point of contact in negotiating a potential withdrawal.

Get the resolution: tell the ‘lead’ filer you would like to co-file, and ask her for the resolution.

File your resolution: The ‘lead’ filer files/mailes her resolution packet first, and then you can mail yours.

The Filing Packet – What to Send the Company

By the close of business on or before the company's filing date, mail or overnight to the Corporate Secretary:

- **A cover letter**
- **The resolution**
- **Verification of your stock ownership**

Your Cover Letter: Phrases to Include

- State that you are “**co-filing with** [name of lead institution];” otherwise the company can treat your filing as a separate resolution, and exclude it.
- Likewise, **lead institutions should list their co-filers**, when possible.
- Say that you “submit this resolution 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,” and that:
- “A **representative** of the filers will attend the annual meeting to move the resolution as required by SEC rules.”

Your Cover Letter: Phrases to Include

- Say also that your institution “is the beneficial owner of **at least \$2,000 worth** of X Corporation common stock,” and that:
- You “have held the requisite amount of stock for over a year and **intend to maintain ownership** through the annual meeting in 201X.”
- Specify the exact number of shares held if possible.



Your Cover Letter: Phrases to Include

- Name your institution's **authorized contact person** on the issue and provide contact details.
- You can also make a **statement of concern** about your issue.



A Note about Verifying Stock Ownership:

Your custodian can separately send verification of your stock ownership to the company, or you can enclose it with your filing letter. Note: the custodian's letter must state that your institution has *continuously* owned its shares for at least one year prior to *the date at the top of your filing letter*.

Resolution Structure and Content

Total text may not exceed **500 words**, including citations (links).

A resolution may **not** contain any false or **misleading statements**.

Begin with a “Resolved” clause: In one clear sentence, frame the **investor ask**. Least challenged requests are either for **reports** or **policies**, not overly prescriptive. If possible, indicate a reasonable **timeframe for compliance** (e.g., 6 months after annual mtg.).

Follow with “Whereas” or Supporting Statements: Series of compelling rationales for request. Moral arguments can/should be made, but provide as many **research/fact-based support** statements as possible with citations.

Always include a **clear business and investor case** for proposal. If possible, the **moral case** should be made within these contexts.

Remember:

This document will be scrutinized by many; make every word count!

Case Study: Animal Welfare Proposal

Writing an effective resolved clause

Less effective: Cease using gestation crates in company- and supplier- owned farms.

More effective: Disclose to shareholders the potential risks and operational impacts associated with indefinitely allowing “gestation crates” in its supply system, including those regarding impacts on animal cruelty, brand reputation, customer relations, public perception, and regulatory compliance.

Supported by:

- List of 9 pending/adopted state regulations that ban gestation crates
- List of customers/buyers that have adopted policies regarding gestation crates-free pork
- List of peers/competitors that have adopted policies to cease using gestation crates in supply chain.

Co-filing and Collaboration

As a group, decide in advance:

- What are near and long-term objectives?
- Who can lead, co-file and support?
- Building a broad list of co-filers and early declarations of investor support
- Next steps if challenged?
- Grounds for withdrawal: group consensus and written commitment
- Keep everyone apprised!

What Happens After I File?

Wait for the company to respond. A company might:

- Do nothing.
- Ask you and the other filers to withdraw your resolution.
- Challenge the resolution at the SEC.

Criteria for Evaluating Shareholder Proposals

Three themes the SEC and Proxy Voting Services are considering when evaluating resolutions:

- 1) Is this a real risk to the company in terms of:
 - Proposed regulation/legislation;
 - Consumers demand;
 - Performance versus peers?

- 2) Based on company disclosure, **is the company managing this** risk or taking steps to reduce the risk?

- 3) How prescriptive is the request? Allow for **multiple possible solutions versus specific request.**

What is an SEC Challenge?

The Company may write to the SEC asking to exclude your resolution from its annual proxy statement. (It will send you a copy of its letter.) The lead filer can, but is not required to defend his/her resolution in writing. One of 2 things will happen to your resolution:

- **It may be Omitted:** If the SEC agrees with the company after both parties make their cases, your resolution will be omitted from the company's proxy materials. In this case, the resolution cannot be re-filed at the company for the next 3 years.
- **It Wins:** If the SEC agrees with the lead filer's arguments, the Company must print the resolution in its proxy materials.

Grounds for No Action or Exclusion

Procedural/technical error

Ordinary Business

Duplicative of another proposal

Substantially Implemented or moot

Other

What if the Company Doesn't Challenge?

Withdraw: after receiving your resolution, the company may approach the filers and offer to strike a deal. It may agree to issue the report you've asked for. It may offer to start a dialogue about the issue that concerns you. If its concessions are substantial, withdrawing may be a good option. The 'lead' filer will make the call. Once withdrawn, your resolution will not appear in the proxy.

Vote: If the company takes no action, or loses its SEC challenge, then your resolution will be voted on by all shareholders at the Annual General Meeting (**AGM**).

The Value of a Proxy Memo

Why and When: Affords another opportunity to more fully make case. New resolution, new information, new company.

Audience: Proxy advisory services, other investors/stakeholders, press

Timing: 30-45 days before the AGM and early in season (Jan-Feb) the ESG team will usually write up reports 45 days out. As it gets closer to peak season, March-April, it gets closer to 20 days.

Content:

- Why is company action/disclosure insufficient?
- What are peers doing?
- Why this particular company?
- If regulatory risk, a synopsis of the regulations.

What Happens After I File? The AGM

The AGM: one of the filers, or a representative, must attend the company's AGM to formally 'move' the resolution by reading a prepared statement – ask the Corporate Secretary in advance for how much time you'll have (3 minutes is common). Also ask whether you'll need to bring someone along to 'second' your resolution.

Note: If no one appears at the AGM to present your resolution, it may be thrown out and filers will be barred from resubmitting it for the next 2 years.

What Happens After I File? The AGM

Note: Each company has different requirements for entry into an AGM. Some ask you to have verification of stock ownership and proxy letters in hand. Check with the Corporate Secretary/Legal Counsel well in advance of an AGM for details.

If you are unable to attend at the last moment: call the Corporate Secretary or Legal Counsel. They may move the resolution for you, if you have a good reason for not making the AGM (i.e., your flight is canceled). Alternately, another shareholder may be willing to present the resolution on your behalf.

SAMPLE FILING PACKAGE

This package consists of a 2 sample Filing Letters, a Resolution, and a Sample Letter of Verification, and a Sample Letter for Your Portfolio Custodian.

Sample Filing Letter #1

[Date]

Corporate Secretary
Company
Address
Address

Dear [Insert name]:

[Name of filer] have been shareholders in [Company] for several years. As faith-based investors, we seek social as well as financial returns on our investments. We appreciate the opportunities that we have had to dialogue with representatives of the company on various issues over the past several years. In light of the potential for lower demand for oil and gas we believe it's not only a moral imperative to move to a low-carbon energy future but it is necessary to mitigate risks and consider the health of the planet and its people.

I am hereby authorized to notify you of our intention to submit this enclosed shareholder proposal with the [name of Lead filer's organization]. I submit it for inclusion in the proxy statement for consideration and action by the next stockholders 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 resolution. Please note that [name] is the primary contact. Her contact information is: [insert email + phone].

As verification that we are beneficial owners of common stock in [company], 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,

Name
Title

Enclosures

cc: **Lead filer**
Julie Wokaty, ICCR (Interfaith Center on Corporate Responsibility)

Sample Filing Letter #2

[Date]

[Company's Corporate Secretary]

[Company's address]

Dear [Name of Corporate Secretary],

On behalf [name of your institution], I write to give notice that pursuant to the [insert year in which the Company's AGM will be held] proxy statement of [name of Company] and Rule 14a-8 under the Securities Exchange Act of 1934, the [name of your institution] intends to co-file the attached proposal with the [name of lead filing institution] at the [insert year in which the Company's AGM will be held] annual meeting of shareholders. The [name of your institution] is a beneficial owner of [number of shares you own] shares and has held these shares for over one year. In addition, the [name of your institution] intends to hold the shares through the date on which the Annual Meeting is held. Our investment manager will be sending you confirmation of the shares held by [name of your institution] no later than [Company's filing date].

[Insert background on the issue]

[name of lead filer] will be our representative regarding this resolution and he can be reached at [email address] or [phone] phone or via fax at [fax].

Sincerely,

[Your name]

[Your title]

Sample Shareholder Resolution

RESOLVED: Shareholders request [Company] adopt time-bound, quantitative, company-wide goals for reducing total greenhouse gas (GHG) emissions, taking into account the goals of the Paris Climate Agreement, and issue a report at reasonable cost and omitting proprietary information on its plans to achieve these goals.

Supporting Statement

In December 2015, representatives from 195 countries adopted the Paris Climate Agreement, which specifies a goal to limit the increase in global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit temperature increases to 1.5°C. In order to meet the 2-degree goal, climate scientists estimate it is necessary to reduce global emissions by 55 percent by 2050 (relative to 2010 levels), entailing a US reduction target of 80 percent.

Noting government action and policy shifts ensuing from these commitments, BlackRock, the world's largest asset manager, has stated that "climate change risk has arrived as an investment issue" and that "regulatory risks are becoming key drivers of investment returns."

Over half of S&P 500 companies have set GHG emissions reduction targets, including several of [Company]'s peers:

- Rockwell Collins: reduce greenhouse gas emissions intensity by 30 percent by 2022 compared to a 2008 baseline.
- Honeywell: reduce greenhouse gas emissions intensity by 10 percent from 2013 levels. This is Honeywell's third goal, having already met previous goals to reduce GHG emissions intensity by 15 percent from 2011 levels. Furthermore, the company reduced total GHG emissions by 30 percent and improved energy efficiency by 20 percent between 2004 and 2011.
- ABB: reduce energy intensity by 20 percent by 2020 from a 2013 baseline.

As a critical element of their GHG reduction goals, several peers also seek to improve energy efficiency. For example, Honeywell reports in its 2015 CDP response that it has projects related to energy efficiency underway that will result in annual savings exceeding \$8 million, all with payback periods of 3 years or less.

Research affirms that investments in energy efficiency are usually profitable and low-risk while offering an effective way to reduce GHG emissions and manage volatile energy costs.

In 2013, CDP found that four out of five companies earn a higher return on carbon reduction investments than on their overall corporate capital investments, and that energy efficiency improvements earned an average return on investment of 196%, with an average payback period between two and three years. Money saved from energy efficiency can be reinvested into the business, benefiting shareholders.

While [Company]'s products help its clients reduce energy usage and climate impacts, our company has not publicly set GHG emissions reductions targets for its own operations. By not setting and pursuing GHG reduction goals, [Company] may not achieve the benefits realized by its peers—a competitive disadvantage for the company and shareholders alike.

Last year, 37% of shares (excluding abstentions) voted in favor of this resolution, a substantial level of support that management should not ignore.

Sample Letter of Verification of Stock Ownership

[Date]

Corporate Secretary
Corporation
Address 1
Address 2

RE: The [Name of shareholder]

Letter of Verification of Ownership

Dear [Name of Corporate Secretary]

This letter alone shall serve as proof of beneficial ownership of X shares of [Corporation] common stock for the [Name of shareholder].

Please be advised that as of [Date at top of letter], the [Name of shareholder]:

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

Sincerely,

[Name]

Client Service Manager

Your letter to your portfolio custodian

[Date]

[Company Name and address]

RE: [name of your institution]

Dear [name of your portfolio custodian]:

We are in the process of filing a shareholder resolution with [Company name]. In this connection, under the rules of the Securities Exchange Commission, we ask that you please confirm to the company that we hold stock valued at least \$2,000 and have held such stock for at least one year. This information should be sent to:

[Corporate Secretary]

[Title]

[Corporate name and address]

to arrive by no later than [Company's filing deadline].

We also ask that you maintain this stock in our portfolio at least through the date of the company's next annual meeting. We ask further that you forward the [Company name] proxies to us when they are received.

Thank you for your cooperation in this matter.

Yours truly,

[Your name]

[Your title]