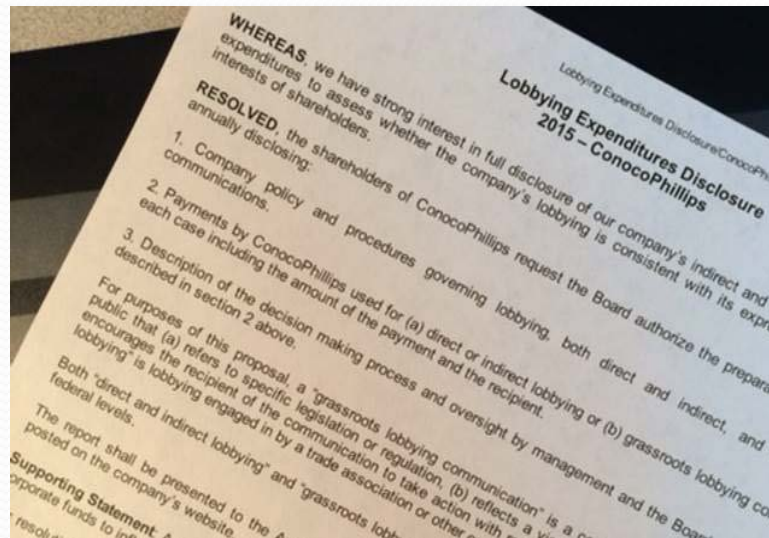




Guide to Filing Shareholder Resolutions



Why File a Shareholder Resolution?

Resolutions are voted on by all shareholders at a company's annual general meeting (AGM), and can therefore be an effective lever for change within a corporation.

- **Escalation:** When dialogue has proven unsuccessful, filing escalates the engagement outside of Investor Relations and directly to the Board.
- **Education:** resolutions are a good way to inform other investors about your issue.
- **Public 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).

A group of filers can 'aggregate' their shares to meet the \$2,000 minimum requirement: If filers are aggregating, they should disclose this in their cover letters.

The right stock: Some companies have non-voting or partial voting stock (i.e., B and C shares).

Proof of ownership: your filing packet must include a letter from your broker/bank attesting to your ownership of shares for **1 continuous year** preceding the date on the top of your filing letter.

Filing Procedures, continued

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 (or be barred from re-submitting that resolution at the company for 2 years).

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 the same shares. (Only asset management companies, which can file using shares owned by different clients, can file multiple resolutions at the same company in the same year.)

Send to the Corporate Secretary: Send to the person listed in the company's proxy materials (usually the Corp. Sec.): a cover letter; resolution; verification of stock ownership (custodian's letter) by before or by the COB on company's filing deadline.

Getting Started: What to Do, and When



Generally speaking, most corporate filing deadlines occur in the **fall or winter**. Companies publish their specific deadlines, which we refer to as ‘filing deadlines’, in their DEF14a SEC filings and proxy statements. These dates vary slightly from year to year.

Note 1: Resolutions must be received at a company *not less than 120 days* before the release date of the previous year's annual meeting proxy statement.

Note 2: We refer to 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.

First 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 and is the company’s main point of contact for any further action. Contact them and request a copy of the resolution.

Alert your custodian in advance that he/she will need to send a letter to the company verifying the number of shares you hold.

File your resolution: Once the ‘lead’ filer files/mailed his/her resolution packet, you can mail your co-filing letter and other materials.

The Filing Packet – What to Send the Company

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

- **A cover letter;**
- **The resolution;** and,
- **Verification of your stock ownership.**

Sending your letter via FedEx, UPS or other sign-upon-receipt delivery methods are preferable to email and faxing since you have a record of delivery/receipt. You should retain this receipt in the rare case a company claims that it didn't receive your letter.



Your Cover Letter: Phrases to Include

- State that you are “**co-filing with** [name of lead institution];” otherwise a company can treat your filing as a separate resolution, and exclude it.
- Likewise, lead institutions should indicate that **they may be joined by co-filers.**
- State 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

- State 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 either send verification of your stock ownership directly to the company, or send it to you so you can enclose it with your filing letter.

If your custodian will be sending verification to the company separately, indicate this in your letter to the company.

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* – the **dates must match**.

If a company requests your verification letter, you have **14 days to send it in**.

Resolution Structure and Content

Legally, shareholders cannot *compel* a Board to take action. They can, however, *request* action.

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

What counts as a “word”? Symbols that can be spelled out as a word, such as & (and) and % (percent), are counted as words.

Begin with a “Resolved” clause: In one clear sentence, frame the **investor ask**. Least-challenged requests are either for **reports** or the development and modification of **policies**. Overly-prescriptive requests are often omitted on the grounds of “ordinary business”.

Follow with “Whereas” or Supporting Statements: Series of compelling rationales for request. Provide as many **research/fact-based support** statements as possible with citations.

Always include a **clear business and investor case**. If making a **moral case**, it should be made within these contexts.

Writing an Effective Resolved Clause

One ask. Asking for more than 1 item in your resolved clause can be grounds for an SEC challenge.

Less effective: “Cease using gestation crates in company- and supplier-owned farms.” (too prescriptive)

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 pending/adopted state regulations on your issue;
- List of customers/buyers that have adopted policies regarding your issue; and,
- List of peers/competitors that have adopted policies on your issue.

Co-Filing and Collaboration

The lead filer and co-filers actively work together **as a team** during the resolution drafting and filing process.

Before filing, the team should decide in advance:

- What are near and long-term objectives of filing this resolution?
- Next steps if challenged?
- Grounds for withdrawal: what constitutes substantive progress on the issue?



What Happens After I File?

You wait for the company to respond. A company might:

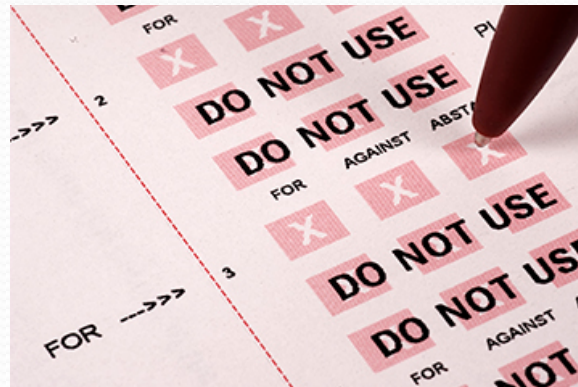
- Not respond;
- Ask you and the other filers to withdraw your resolution; or,
- Challenge the resolution at the SEC. **A company has 14 days** after receiving your resolution to get in touch with you.

You then have approximately 30 days in which to respond to the challenge. Let the SEC know if you plan to do so.

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 is approved:** If the SEC agrees with the lead filer's arguments, the Company must print the resolution in its proxy materials which are distributed to all shareholders and it will be presented for vote at the AGM.



Common Grounds for an SEC Rejection

In addition to procedural errors in your filing, there are 13 “substantive” reasons the SEC may reject your resolution

5 Most Common “Substantive” Reasons for Rejection:

- **False or misleading statements;**
- **Relevance:** the resolution relates to operations that account for less than 5% of the company's total assets;
- **Ordinary business:** resolution deals with a matter relating to the company's ordinary business operations;
- **Duplicative of another resolution:** another filer has already sent the company a similar resolution;
- **Substantially implemented/moot:** the company has already substantially implemented the resolution.

Examples of procedural/technical filing errors: i.e., your letter arrived after the Filing Deadline; you didn't own your shares for a full year; you didn't submit proof of ownership.

Writing Your Resolution to Avoid (or Win) an SEC Challenge

There are 3 themes both the SEC and Proxy Voting Services consider when evaluating resolutions:

1) Is this a real risk to the company, or could it have an impact on long-term shareholder value, in terms of:

- Proposed regulation/legislation;
- Consumer 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 if the Company Doesn't Challenge?

Withdraw: After receiving your resolution, the company may approach the filers and offer to negotiate. The company may agree to issue the requested report or policy change or it may offer to begin a dialogue about the issue. If its concessions are substantial, withdrawing may be a good option. It is important for all filers to agree on withdrawal criteria in advance. If 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).

Preparing for the AGM

Moving the Resolution/AGM Statements: One of the filers, or a representative, must attend the company's AGM to formally 'move' the resolution by reading a prepared statement. These statements are a unique opportunity to address the company's Board directly and advocate for your resolution. **For this reason, we strongly advise you to prepare and vet your statement with other stakeholders well in advance.**

Gaining Entry to the AGM: Each company has different requirements for gaining entry into an AGM. Check with the Corporate Secretary/Legal Counsel well in advance of an AGM to ensure you have the required documentation.

Accepted AGM representatives: State law determines who can represent you at an AGM. Also ask whether you'll need to bring someone along to 'second' your resolution. You may choose to give your proxy (and voice) to another stakeholder better suited to represent on your advocacy issue. If so, you must advise the corporate secretary in advance and provide the required information.

Time Allocation: In general, companies allow shareholders defending a resolution 3 minutes to speak and move the resolution at the AGM. Ask the Corporate Secretary in advance to confirm the time so you can plan your statement accordingly.

Attending The AGM



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.

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. **However, a new filer can sponsor the same resolution the next year.**

You can make arrangements with the Corporate Secretary regarding where you sit (i.e, close to the mic).

At the close of the AGM, the Corporate Secretary may present you with the **preliminary results of voting** on your resolution.

Strategy for Boosting Your Resolution Vote: Writing a Proxy Memo

Why: A proxy memo affords another opportunity to more fully make case to other shareholders. Can be used to solicit votes in favor of your resolution or to rebut Management's statement of opposition.

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

Timing: 30-45 days before the AGM (i.e., usually Jan-Feb), because Proxy Advisory Services will usually write up their reports 45 days out.

Content:

- Resolution summary;
- Rationale for Yes Vote (risks and opportunities, comparison with peers, how shareholder value might be at risk);
- Lead filer's contact info; and,
- 3-5 pages in length.

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]