SHAREHOLDER ADVOCACY 101

Founded in 1992, As You Sow is a nonprofit that promotes environmental and social responsibility through the use of shareholder advocacy. So what actually is shareholder advocacy? In a nutshell, anyone who owns shares of a company or a mutual fund in their portfolio or 401(k) has the right to influence the policies of that company. Once a year, at the annual meeting, every shareholder is asked to vote on a range of issues including electing the board, approving CEO pay, governance and policy questions, and an array of environmental and social issues that shareholders have raised. It starts with owning what you own and voting, and can grow from there. We had a chance to discuss this innovative lever for change with As You Sow's CEO Andrew Behar.

Give us a high-level overview of what the process of bringing a resolution before a company looks like.

Andrew Behar: Filing a resolution is an escalation of engagement with the company - it is not an act unto itself. It's all about getting access to information or changing a specific policy at a company. If you are a shareholder that wants some material information that has not been disclosed, or have an issue you feel the company should consider, it is best to write a letter or call the company and set up a meeting to discuss it. If the conversation does not lead to results and you own $2,000 worth of shares and have held them for one year prior to the filing date, you can submit a 500 word resolution to the company. This usually leads to a meeting with representatives of the company in which they ask you to withdraw the resolution. If that does not lead to action, and the company does not ask the SEC to exclude the resolution on technical grounds, then it is printed in the proxy and goes to a vote at the annual meeting.

What is something that you wish everyone knew about shareholder advocacy?

AB: It is everyone's right to ask the companies they own for material information and to work with companies to express their values and make sure that they act responsibly. In essence, it is a shareholder's right and responsibility to help the companies that they own improve their business plans and increase their shareholder value.

What is the biggest lesson that you have learned from the times when you didn't succeed?

AB: How do you define success? These votes are non-binding, so even a majority vote does not mean that the company has to do what has been asked. However, imagine an individual shareholder with five percent or ten percent ownership of a company. That person would be able to call the CEO and talk things through. That person would probably have a board seat. So, when a group of shareholders that represent a five percent, ten percent, or sometimes 40 percent or even a majority vote want to have the same discussion, companies generally respond positively. For example, a 2011 As You Sow resolution at McDonald's asking the company to shift from Styrofoam coffee cups to recycled cardboard got 29.3 percent of the vote. However, in the year after the meeting, the company did not make any changes. The next year we refiled and, before it went to a vote, the company agreed to a 2,000 store pilot, so we withdrew the resolution. The pilot was successful and led to a 14,000 store implementation and positive brand recognition for McDonald's. You may have called our actions in 2011 unsuccessful, but tenacity and public association of the brand with specific action, or lack thereof, can lead to change. Over the years, there are literally hundreds of examples. Ultimately, we see this change as a shift in corporate consciousness, where shareholders, employees, customers, and management are all working together.

AS YOU SOW SUCCESS STORIES

ENERGY

We had a 51 percent vote at IDACORP [an electric utility holding company] that led to the closure of a coal fired boiler and the kilowatts being replaced by wind. Our coal ash resolutions at Duke Energy, Montana-Dakota Utilities Company, and Consumers Energy laid the groundwork for litigation on coal impoundments. Our fracking resolutions over five years led to increased disclosures by the major oil and gas companies that, in turn, have helped citizens and legislators see what was really going on and have influenced major decisions like the recent ban on fracking in New York State.

ENVIRONMENTAL HEALTH

Our recent resolution at Dunkin' Donuts on nanomaterials in its donuts led, interestingly, to its competitor Krispy Kreme adopting a "no nano" policy and is critical to our engagement with 15 other food manufacturers. Our work on GMOs with a coalition of partners in the faith-based and grassroots community since 1999 has made the world aware of GMOs in infant formula and led to last year's reformulation of Cheerios and Whole Foods Market's labeling commitment.

WASTE

A few months ago, Procter & Gamble (P&G), the world's largest consumer packaged goods company, agreed to redesign 90 percent of its packaging to reduce waste. Last year, Colgate agreed not to use non-recyclable packing in three out of its four divisions. Coca-Cola, Pepsi, and Nestlé Waters agreed to recycle 20 billion plastic bottles. HP, Dell, and Apple agreed to recycle 500,000 tons of electronic waste after years of shareholder advocacy on these issues. Starbucks agreed to recycle 3.4 billion cups every year. All of this is reducing landfills and ocean toxins.

HUMAN RIGHTS

140 apparel companies have signed our "no child slave labor in the cotton fields" pledge. We have also organized the electronics industry around conflict minerals.

Can you tell us more about the business case that you make to these companies to make them want to change their behaviors?

AB: Home Depot used to sell old growth forests in its lumber supply and there was a lot of pressure from groups that were doing things like climbing on its stores' roofs and unfurling banners and doing protests in its parking lots. It was getting intense outside pressure. We were on the inside as shareholders and we came to the company with a business plan. We said, "Look, two percent of your sales are from lumber. If you switched from old growth lumber to farmed lumber, nobody would notice and nobody would care, but it would improve the brand. Therefore, you would be increasing revenue with no risk." The management looked at that and thought, "Yes, this makes economic sense and can help us get the people off of the roofs!"

There are certain ways that you can talk to a company that make business sense and it makes it easier for it to agree with your proposals, as opposed to the mentality of, "I am not going to cave to this aggressive shaming of my brand." It's really important that these two types of actions, both external and internal, work in concert. Would Home Depot have accepted our proposal without the outside pressure? Maybe not, but the point is that it responded better when we put it in a business context.

At the end of the day, it's really about, how can you raise the consciousness of a company so it will act in the best interest of its brand and of society and reduce and reduce risk for shareholders? The motivation isn't just to be a good corporate citizen. It has to be economically feasible and it has to improve the company's brand.

From a stockholder perspective, management that has good environmental, social, and governance (ESG) practices tend to be better management teams. They're thinking about the entire system. They're being more efficient. An example of this is at UPS. UPS burns a lot of gasoline because it has a lot of trucks. The company did a study and now - I call this the "Zoolander move" - its drivers aren't "ambi-turners." They do not make left-hand turns. UPS found that sitting and idling to wait to make a left-hand turn burned more gas than just going around the block. The company saved tens of millions of dollars in gasoline because of this, and those cost savings go straight to the bottom line. Does it do good things for the climate? Yes. Does it save UPS millions of dollars? Yes. Somebody thought of that because they were thinking through the entire system from an ESG perspective. This is a company that is thinking. This is a company that has a higher level of consciousness.

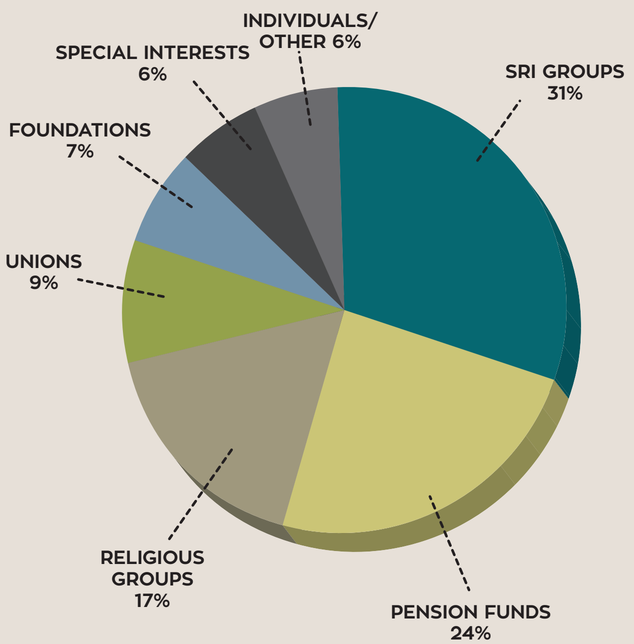
What is giving you hope for the future?

AB: The fact that the shift is actively happening and every day we accelerate it. I see the walls of protective, reflexive responses being seen for what they are and a new openness beginning to flow. We are all living together on a small, precious planet. The people working at large corporations don't want to destroy it. They may have some misguided assumptions, but we are in the business of pressing transformation through steady, tenacious insistence on transparency and truth. I have a deep hopefulness for the future. $

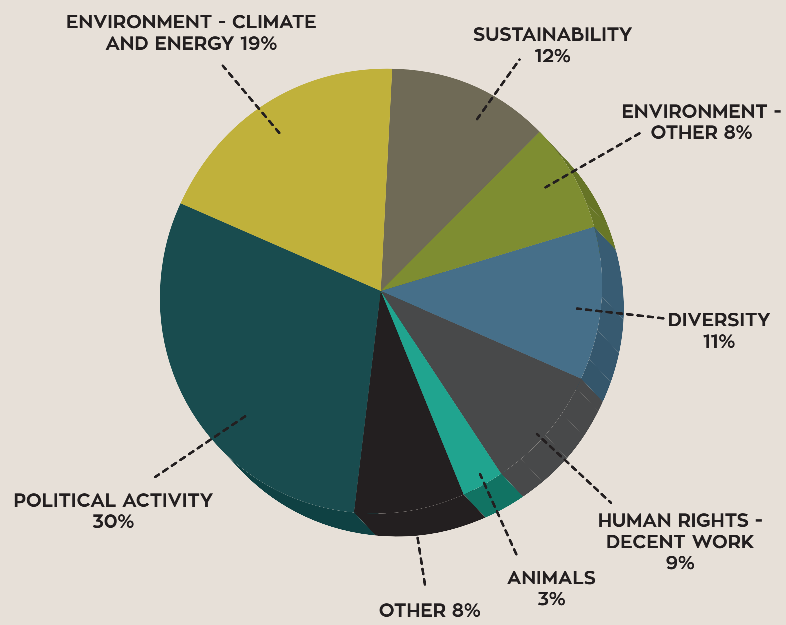
Andrew Behar is the CEO of As You Sow, a nonprofit founded in 1992 dedicated to increasing corporate responsibility and establishing a safe, just, and sustainable world in which environmental health and human rights are central to corporate decision making. Programs create industry-wide change through dialogue, shareholder advocacy, and innovative legal strategies.

SHAREHOLDER ADV

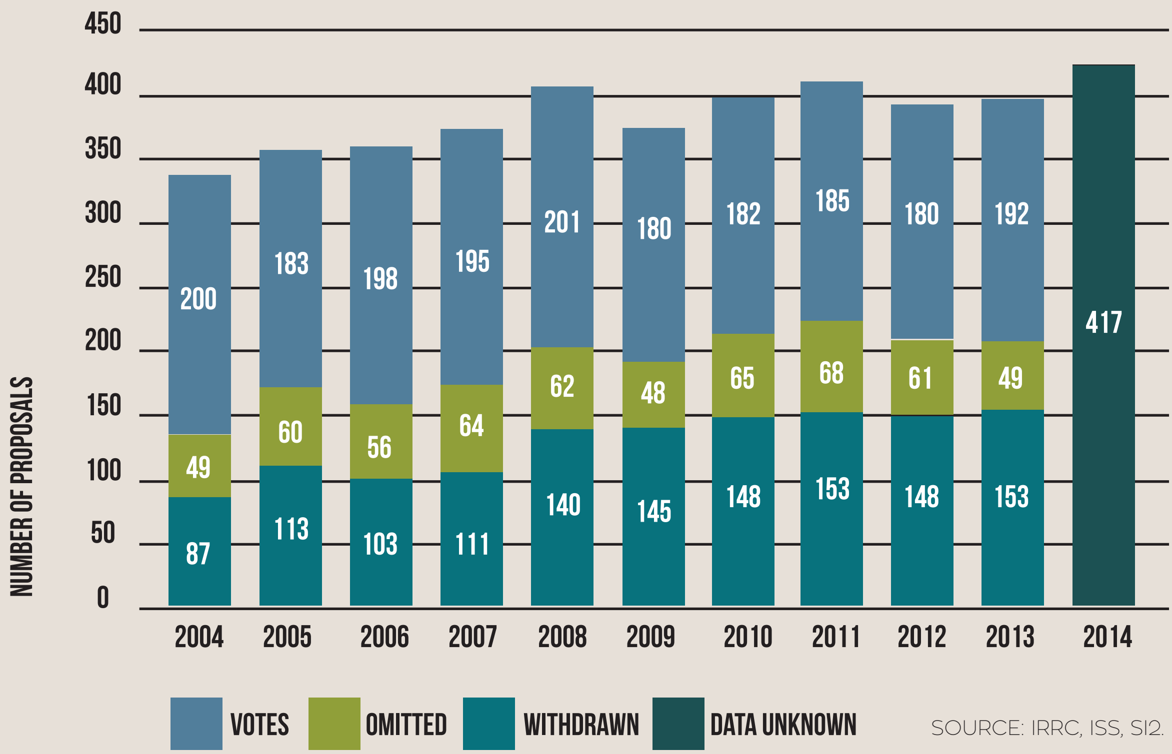
PRIMARY FILERS IN 2014



TYPES OF PROPOSALS FILED: 2014



U.S. SOCIAL AND ENVIRONMENTAL SHAREHOLDER PROPOSALS FILED 2004-2014



SOURCE: IRRC, ISS, SI2. DATA AS 2-14-14

SOURCE: "PROXY PREVIEW 2014," AS YOU SOW FOUNDATION

OCACY AT A GLANCE

2013 RESOLUTIONS OPPOSED BY MANAGEMENT WITH MORE THAN 40% SUPPORT

COMPANY	PROPOSAL	PROPONENT	VOTE*
CF Industries Holdings	Publish sustainability report	Presbyterian Church (USA)	67.0%
CF Industries Holdings	Review/report on political spending	NYSCRF	66.0%
Alliant Techsystems	Report on lobbying	Midwest Capuchins	64.8%
CF Industries Holdings	Adopt board diversity policy	NYC pension funds	50.7%
Universal Forest Products	Adopt sexual orientation/gender ID policy	NYSCRF	49.1%
McKesson	Review/report on political spending	Miami Firefighters	46.8%
Equity Lifestyle Properties	Report on political spending & lobbying	Reinvestment Partners	46.3%
Hess	Review/report on political spending	Trillium Asset Mgmt.	46.0%
Cleco	Publish sustainability report	Calvert Investment Mgmt.	45.6%
Lorillard	Report on lobbying	Midwest Capuchins	44.2%
Leggett & Platt	Adopt sexual orientation/gender ID policy	NYC pension funds	43.9%
Valero Energy	Adopt policy on indirect political spending	Nathan Cummings Fndn.	42.9%
Peabody Energy	Report on lobbying	AFL-CIO	42.7%
Marathon Oil	Report on lobbying	NYSCRF	42.2%
Equity Residential	Publish sustainability report	NYC pension funds	42.0%
Pioneer Natural Resources	Report on hydraulic fracturing/shale gas risks	Calvert Investment Mgmt.	41.7%
BB&T	Report on political spending and lobbying	Mass. Laborers' Pension	41.7%
AGL Resources	Adopt gender identity anti-bias policy	Clean Yield Asset Mgmt.	41.0%
Cardinal Health	Review/report on political spending	Teamsters	40.1%

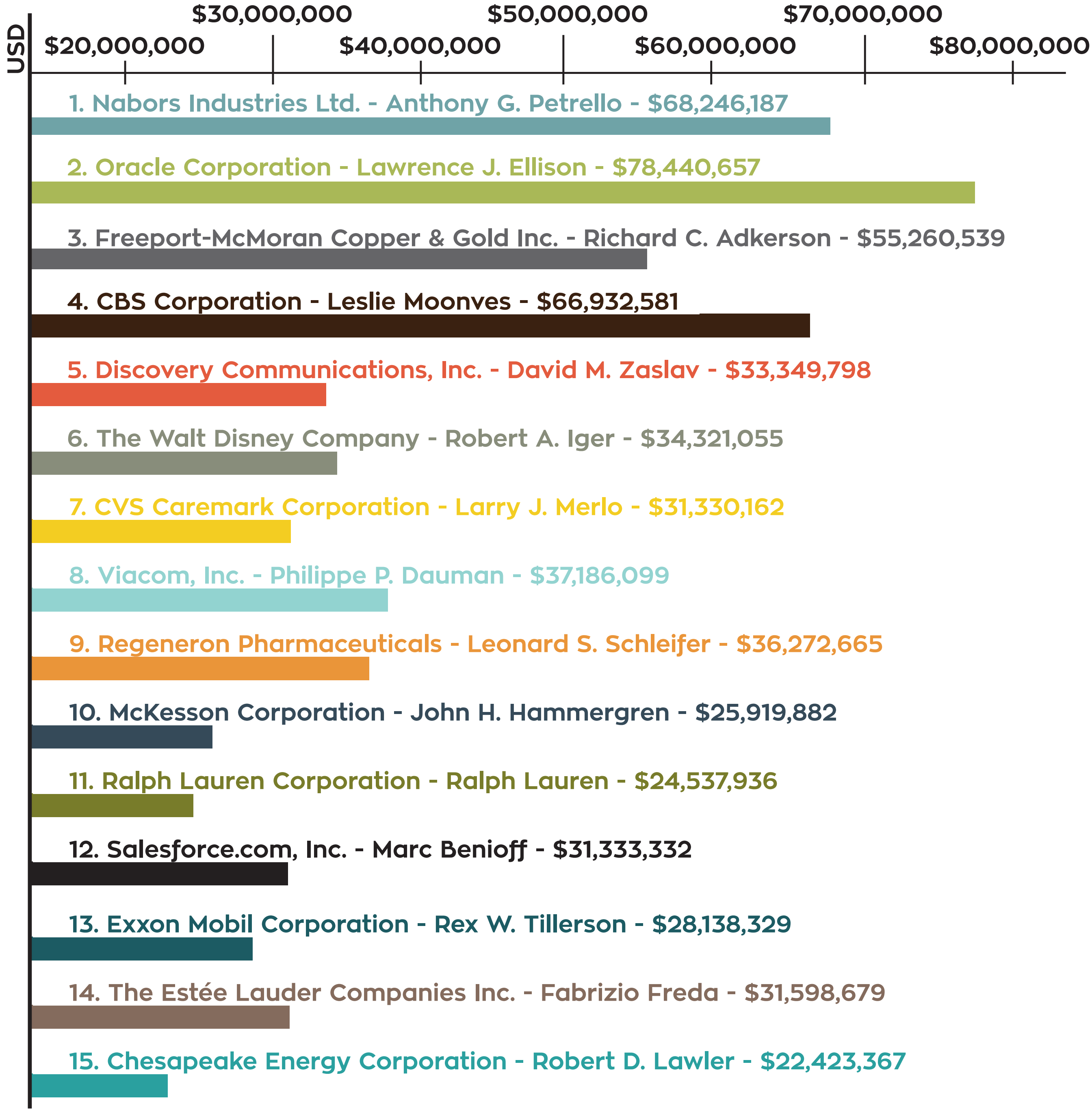
*Percentages presented as shares cast for divided by shares cast for and against. All proposals listed are advisory and majority votes do not legally require management action. Official passage can require other vote calculations including the consideration of shares cast as abstentions or total shares outstanding. Results above exclude one management-supported proposal at Cracker Barrel Old Country Store about pig gestation crates that earned 96.2 percent support.

SOURCE: "PROXY PREVIEW 2014," AS YOU SOW FOUNDATION

TOP 15 MOST OVERPAID CEOS

"CEO pay has grown nearly 1,000% over the past four decades, far exceeding growth in median worker pay or company share prices … Skyrocketing CEO pay packages represent a misallocation of assets that is detrimental to investors, and a driver of wider social inequality.

Using a methodology that combines statistical analysis and an in-depth examination of over 30 'red flag' indicators, the report found widespread consensus on the worst actors, companies with huge pay packages that showed relatively weak shareholder returns … Excessive and poorly structured CEO pay packages don't just take money from shareholders and pose a risk for the destruction of shareholder value, they also prevent corporations from paying decent wages to their employees."



Source: "The 100 Most Overpaid CEOs: Executive Compensation at S&P 500 Companies," As You Sow