How to File a Shareholder Resolution

A Guide to the Procedures for Writing, Submitting, Defending, and Presenting Shareholder Resolutions

Assembled by Ceres in 2020;
revised in 2021, 2022, and 2023

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A Note on This Guide

A shareholder resolution (also called a shareholder proposal) is a tool that investors can use to urge a company to address a certain issue. Shareholder resolutions may be filed by individual shareholders, investment firms, other types of organizations that own publicly traded equities, or by a group of co-filers.

Investors often submit shareholder resolutions as part of their corporate engagement and stewardship strategies. Climate-related resolutions cover topics such as: greenhouse gas (GHG) reduction goals, climate transition plans, lobbying disclosure, deforestation, water supply chain risks, carbon asset risks, and the board's oversight of climate and sustainability.

This guide is designed to aid investors with the technical and procedural elements of filing a shareholder resolution. It is not legal advice. While not fully comprehensive, it should provide investors with a general overview of what should be included in a shareholder resolution, some of the simpler technical rules for writing a resolution, how to file a resolution, how to defend a resolution against a corporate challenge at the U.S. Securities and Exchange Commission (SEC), and how to present resolutions at corporate annual general meetings (AGMs).[1]

Obtaining legal advice from attorneys who specialize in shareholder resolutions is recommended prior to investors submitting resolutions.

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[1] For a useful primer on shareholder resolutions, see this CII resource.

Writing a Shareholder Resolution

A shareholder resolution is one way a shareholder can encourage a company to improve, modify, or adopt a practice or policy. Many times, these resolutions address environmental and social issues, such as how a company manages its climate-related material risks or encourages more women or people of color to join its Board of Directors.[2] There are some things that cannot be asked for in a shareholder resolution which will be discussed in upcoming sections.

It is important to note that shareholder resolutions are generally non-binding, as most shareholder resolutions filed are advisory. This means that even if a resolution receives a majority vote, a company does not have a legal requirement to adopt the measure. However, shareholders do have the right to file resolutions on corporate bylaw amendments which address procedural elements of corporate governance. These resolutions need to be worded carefully to avoid the SEC excluding the resolutions from annual proxy statements. If a shareholder is interested in filing a resolution related to bylaws, seeking legal counsel is recommended.

A shareholder resolution is written in a structure that can contain up to three different types of clauses -- the Resolved clause, the Whereas clause, and the Supporting Statement.

A Resolved clause enumerates the specific ask to a company. The Whereas clause details the reasons behind the resolution and lays out the problem, how competitors are performing on the issue, and why the issue is material and should be addressed by the company. The Supporting Statement can be used either as a replacement for the whereas clause or to provide more details about the request made in the Resolved clause.

A shareholder resolution can have varying structures with these clauses. We describe the three most common structures in the following ways:

- Form 1:
    - Whereas clause(s) (long section)
    - Resolved clause (short section)
- Form 2:
    - Resolved clause (short section)
    - Supporting Statement (long section)
- Form 3:
    - Whereas clause(s) (long section)
    - Resolved clause (short section)

[2] There are some things that cannot be asked in a shareholder proposal (see the Defending a Shareholder Resolution section for more detail).

- Supporting Statement (short section; more details about the ask in the Resolved clause)

Regardless of the structure an investor uses to write a resolution, the investor should keep in mind that the ask of the resolution should be clear in the Resolved clause. Also, the investor should make sure to be familiar with the SEC rules for filing a resolution, which are detailed in the next section.

Titles

It is recommended that proponents include a title at the top of their resolution. Without including a title, the company will choose one when they publish the resolution in the proxy statement, and the company's chosen title may not accurately represent the resolution or may even deter shareholders from voting from it. However, it is important to keep in mind that this adds to the word count, so it makes sense to keep the title short and to the point. Additional notes about titles are included under the "technical rules" paragraph in the following section of this guide.

Basic Rules for Shareholder Resolutions

There are some technical rules that investors should be familiar with before submitting a shareholder resolution. These include SEC rules on holdings required for filing shareholder resolutions and resubmission thresholds. Other technical rules that investors need to consider include word limits on shareholder resolutions, avoiding duplicate proposals, submitting one proposal per company per investor, and filing deadlines. Each of these elements are detailed below.

The SEC rules provide 13 bases for companies to exclude shareholder proposals from their proxy ballot.[3] The bases for exclusion are available in Appendix J. The most common requests that Ceres sees for exclusion of a proposal are under rule 14a-8(i)(7) related to 'ordinary business operations' and rule 14a-8(i)(10) related to 'substantial implementation.' When writing a resolution, the investor should keep in mind that the resolution (and particularly the Resolved clause) should aim to avoid these two categories. This is a complicated topic that we do not cover in any depth in this packet. Experienced attorneys can advise on draft proposals for a moderate fee.

Procedural rules

Holdings required for filing shareholder resolutions

An investor may file a shareholder resolution, provided the investor has held sufficient shares for the required period. Through the 2021 proxy season, the SEC rules stated that an investor was required to hold stock continuously for one year prior to the date of filing, with a market value of at least $2,000 for at least one day within 60 days of the filing deadline.

The SEC updated the filing rules[4] applicable for shareholder meetings held on or after January 1, 2022. These rules are reflected below:

Rules from 2022 Proxy Season Onward*

- $25,000, continuously held for 1 year, or
- $15,000, continuously held for 2 years, or
- $2,000, continuously held for 3 years*

  * *Shares held continuously for one year prior to January 4, 2021(i.e., purchased prior to January 4, 2020) are eligible for the prior $2000/ one-year standard*

[3] https://www.sec.gov/interps/legal/cfslb14.htm
[4] https://www.sec.gov/rules/final/2020/34-89964.pdf

Resubmission thresholds

In addition to the new rules on holding requirements, there are new resubmission thresholds. A shareholder resolution may be resubmitted in a subsequent proxy season if the resolution reaches a certain threshold (i.e., receives a certain vote). See the chart below for the revised resubmission thresholds governing proposals filed from the 2022 proxy season onward:

Rules from 2022 Proxy Season Onward

- First Re-Filing: 5% vote or higher
- Second Re-Filing: 15% or higher
- Third Re-Filing+: 25% or higher

Technical rules[5]

Word count

A shareholder resolution must be no more than 500 words. If the resolution exceeds 500 words, it may be omitted under rule 14a-8(d).[6]

Counting the words in a shareholder resolution is not as simple as using the word count function in Microsoft Word. The following technicalities exist:

- **Titles**: The SEC states in Staff Legal Bulletin 14 (2001): "Any statements that are, in effect, arguments in support of the proposal constitute part of the supporting statement. Therefore, any "title" or "heading" that meets this test may be counted toward the 500-word limitation."[7] Note that the lead filer does not have control over the title unless the title that the company selects is misleading. Lead filers may wish to seek legal counsel in this case. However, investors can request the company use the title the investor provides in both the proxy statement and in voting instructions.
- **Hyphenated words**: Each word in a hyphenated word counts against the resolution's total word count. While Microsoft Word would see "time-bound" as one word, the SEC will rule that this hyphenated word counts as two words.
- **Hyperlinks**: Hyperlinks are often used in footnotes in the Whereas or Supporting clauses of shareholder resolutions. Each hyperlink counts as one word toward the resolution's total word count.
- **Acronyms**: Acronyms are counted as if they were spelled-out words the first time they are used if they are not spelled out first. In later uses, they are counted as one word. If the shareholder resolution refers to the "Intergovernmental Panel on Climate

[5] The section on technical rules references some of the bases for exclusion set by the SEC. To review the full list of 13 bases for exclusion of shareholder resolutions, please see Appendix I

[6] https://www.sec.gov/interps/legal/cfslb14.htm

[7] https://www.sec.gov/interps/legal/cfslb14.htm

Change (IPCC)," the acronym counts as one word, as it was defined prior to being used. If the resolution refers to the IPCC without previously defining it, then the word count total for the acronym is five words (Intergovernmental Panel on Climate Change), which is an increase in four words from the Microsoft Word count total.[8]

- **Symbols**: Symbols count as additional words. For example, 20% would be counted as two words (twenty percent), and 1.5°C would be counted as three words (1.5 degrees Celsius).
- Numbers count as one word. For example, "1,850" is one word.

Duplication

A resolution can be omitted by a company if it is viewed by the SEC as a duplicate of a previously filed resolution during the same proxy season. Coordination with groups like the Ceres Shareholder Initiative on Climate and Sustainability (SICS) and the Interfaith Center on Corporate Responsibility (ICCR) help investors to stay coordinated on what resolutions are being filed on certain topics with companies. If an investor is considering filing a shareholder resolution but is not sure whether another investor has already filed on that same topic or is planning to, the investor should reach out to the SICS Team for assistance.

One proposal per company

An investor who meets the filing requirements may file one resolution per company each year. A co-filing is treated by the SEC as equal to a lead filing, so an investor cannot co-file a different proposal at the same company where the investor has submitted a proposal as the lead filer.

Vagueness or misleading proposals

A proposal that has inadequate definition of terms or concepts, or which contains objectively false information, may be omitted.

Substantial implementation

A proposal may be omitted if the company can persuade the SEC that it has gone far enough to implement the "essential purpose" of the proposal. Therefore, it is advisable to review the activities of the company on the subject matter of the proposal prior to filing the proposal and to not request actions that the company has already taken.

Ordinary business

[8] There is no place where the acronym rules are all written. Some are contained at: https://www.sec.gov/interps/legal/cfslb14.htm See also this law review article which has information on word counts: https://digitalcommons.du.edu/dlrforum/vol96/iss1/6/

A proposal may be omitted if it "deals with a matter relating to the company's ordinary business operations," specifically whether the proposal concerns tasks that are "so fundamental to management's ability to run a company on a day-to-day basis that they could not, as a practical matter, be subject to direct shareholder oversight." One such example would be a proposal that relates to the sale of certain products and services. However, Staff Legal Bulletin (14L) also made clear that proposals of this type may be included if they deal with a significant social policy issue.

Micromanagement

As of 2020, the SEC may or may not exclude proposals as micromanagement- another central consideration under ordinary business -if they are written in a way that is determinative of the outcome sought. However, in a major positive development, the SEC issued a new Staff Legal Bulletin (14L) in early November 2021 rescinding several previous Bulletins and providing guidance that is more favorable to investors regarding micromanagement.

Economic relevance

A proposal may be omitted if it "relates to operations which account for less than 5 percent of the company's total assets at the end of its most recent fiscal year, and for less than 5 percent of its net earnings and gross sales for its most recent fiscal year and is not otherwise significantly related to the company's business." However, Staff Legal Bulletin (14L) also clarified that a proposal dealing with an issue that falls below this threshold may be included in the company's proxy statement if it raises an issue of broad societal or ethical concern, such as climate change.

Filing deadlines

Each company has its own filing deadline for submissions of shareholder resolutions for resolutions to be included in the upcoming year's annual proxy statement. Investors must submit resolutions by this specific deadline. If a resolution is not received by the deadline, the SEC will allow the company to omit it. A basic timeline/list of deadlines for the shareholder proposal process is provided in SEC Staff Legal Bulletin 14 (2001).[9]

Investors can find the filing deadline by viewing the company's most recent annual proxy statement, or DEF 14A form. Note, this is *not the DEFA14A* form. The DEF 14A form can be located through the search function on the SEC's EDGAR database[10] or by reviewing a company's SEC filings on their website. While DEF 14A outlines can vary, investors can often find the filing deadline under a section related to submitting shareholder proposals for the

[9] https://www.sec.gov/interps/legal/cfslb14.htm
[10] https://www.sec.gov/edgar/searchedgar/companysearch.html

20XX (following year's) annual meeting. The filing deadline will often include not only a date but also a specific time and time zone for the deadline, as well as acceptable methods for sending the proposal. Note that the proxy statement may include separate dates for an SEC regulated proposal, often referred to as a Rule 14a-8 proposal, and for proposals that will not appear in the proxy but will be presented on the floor of the meeting. For purposes of filing a proposal to appear on the proxy, be sure that you are using the 14a-8 deadline and not the later date for so-called floor proposals.

Details on how to submit a resolution will be explained in the next section of this guide.

Submitting a Shareholder Resolution

There are technical and procedural elements for filing a shareholder resolution that are important to understand and follow. This section of the guide will highlight some of the most important aspects of this process. These include what to submit with a resolution, how to submit a resolution, what to do when there are multiple filers of a resolution, and what investors can expect after a resolution is filed.

What to submit with a resolution

When a shareholder resolution is finalized, the following must be submitted to the company:

- A copy of the resolution
- A cover letter
- Proof of ownership

The cover letter should include contact information for the filer. Note that under the new SEC rules, **the filer must provide availability for dialogue on the resolution with the company** between 10 and 30 days after the date on which the proposal is submitted. The times must fall during the business hours of the company's headquarters.[11] In addition, the proponent should indicate that they would like the company to include the proposal title as part of the proposal and to use the same title in voting instructions issued by the company. This reduces the chance the company will make up their own title.

An example of a cover letter is available in Appendix B.

The proof of ownership confirms that the investor filing the resolution meets the stock holding thresholds mentioned earlier in this guide. It will come from an investor's custodian and should state that the investor has held the required number of shares continuously over the necessary period (review the holding requirements noted earlier in this guide). The proof of ownership does not have to be sent along with the resolution to the company, but if it is sent separately, the resolution should be sent with a note in a cover letter to the company that the proponent or custodian will provide proof of ownership in a separate communication.[12]

The SEC provided suggested language[13] for a proof of ownership letter in SLB 14L:

[11] https://www.sec.gov/rules/final/2020/34-89964.pdf
[12] For additional suggestions of items to consider including in a cover letter or proof of ownership form, as well as filing procedures and AGM preparation suggestions, review this ICCR document.
[13] https://www.sec.gov/corpfin/staff-legal-bulletin-14l-shareholder-proposals

> "As of [date the proposal is submitted], [name of shareholder] held, and has held continuously for at least [one year] [two years] [three years], [number of securities] shares of [company name] [class of securities]."

An example of proof of ownership is available in Appendix F.

How to submit a resolution

Once the necessary information is gathered to file a resolution, there are specific steps to properly submit the resolution. The company's DEF 14A will provide instructions specific to the company, including (hopefully) an e-mail address and the physical address with the addressee, most often the Corporate Secretary. Companies really appreciate it if filers use the e-mail address they provide. If one is not provided in the DEF 14A, the filer should reach out to their contact at the company to ask for the proper email for shareholder proposal submissions. If the company fails to provide one, filers can let the SEC know via shareholderproposals@sec.gov. The SEC is strongly encouraging companies to disclose appropriate email addresses in their DEF 14As to reduce confusion amongst filers about where to send proposals and has emphasized that email is an acceptable submission method.

If the resolution is being submitted by hard copy, it can be sent via FedEx or UPS with delivery confirmation. If the company's address is a P.O. Box, use USPS or double check that your carrier can deliver to P.O. Boxes. Note that companies have been successful in challenging resolutions postmarked prior to the filing deadline but received after the deadline. Therefore, it is strongly recommended that hard-copy mail submissions of shareholder resolutions be received by the company prior to the filing deadline. It can also be sent via fax to the company.[14] If sending the resolution by fax, investors should ensure that they have the correct fax number so that the resolution is received by the filing deadline.

The SEC notes that "A shareholder should submit a proposal by a means that allows him or her to determine when the proposal was received at the company's principal executive offices."[15]

Submitting resolutions via email is acceptable in the SEC's eyes. The SEC notes the following in the November update to SLB 14L:

> "The staff therefore suggests that to prove delivery of an email for purposes of Rule 14a-8, the sender should seek a reply e-mail from the recipient in which the recipient acknowledges receipt of the e-mail. The staff also encourages both companies and

[14] For instructions on how to fax a document from your computer, see this resource.
[15] https://www.sec.gov/interps/legal/cfslb14.htm

shareholder proponents to acknowledge receipt of emails when requested. Email read receipts, if received by the sender, may also help to establish that emails were received."[16]

Investors should take note that there could be potential complications with email submissions, such as the email going to a spam folder and therefore not being received by the company. To cover all bases, investors wishing to submit a resolution by email may want to do so several days ahead of the filing deadline, so that if the company does not acknowledge receipt of the resolution, the method of submitting the resolution by certified mail can still be used.

The company has only 14 days to notify the filer of any deficiencies they perceive in submission documentation. If the company doesn't officially notify the filer, they cannot exclude or challenge the resolution on these technicalities later.

What to do when there are multiple filers on a resolution, and the roles of each

There are often multiple filer situations for a resolution. In some situations, there are co-lead filers, but more frequently there is one lead filer and one or more co-filers. It is recommended that lead filers ask co-filers to delegate decision-making authority (for negotiation and withdrawal of the proposal) to the lead filer.

The role of the primary or "lead" filer is to be the main contact for the shareholder resolution, designated in the cover letter that each filer submits. This entails providing available dates for dialogue in the cover letter (to occur within 30 days after the filing deadline), and leading correspondence with the company. Otherwise, the procedures and requirements for submitting a resolution are the same for the lead filer and for co-filers.

Conventionally, the lead filer has decision-making authority granted to them by the co-filers (in their filing letters), for steps like dialogue and responding if the company challenges the proposal (see *Defending a Shareholder Resolution*, below). Groups of filers decide for themselves how to organize the engagement; the lead filer may lean on co-filers and supporting staff such as Ceres topic experts as desired.

A co-filer will need to follow the same procedural steps as a lead filer to submit the co-filing, including providing proof of ownership. **The co-filed proposal must be identical to what was filed by the lead filer.** The cover letter of the co-filer will differ from the lead filer, as it must note that the resolution is being co-filed and should designate the lead filer as the main contact. Having a single point of contact makes responding to the proposal easier for the company. Note that the filing deadline for the resolution applies to co-filers as well as to lead

[16] https://www.sec.gov/corpfin/staff-legal-bulletin-14l-shareholder-proposals

filers. This means that, while a co-filer does not need to co-file the resolution on the same day as the lead filer, the co-filer must co-file the resolution by the filing deadline.

What to do when you are filing on behalf of shareholders?

Shareholders that use a representative to submit a proposal for inclusion in a company's proxy statement must do the following information in the resolution's cover letter:

- Identify the company to which the proposal is directed;
- Identify the annual or special meeting for which the proposal is submitted;
- Identify the shareholder submitting the proposal and the shareholder's designated representative;
- Include the shareholder's statement authorizing the designated representative to submit the proposal and otherwise act on the shareholder's behalf;
- Identify the specific topic of the proposal to be submitted;
- Include the shareholder's statement supporting the proposal; and
- Sign and date the cover.

See Appendix E for an example of such a cover letter.

Logos

Investors wonder if they, as the lead filer, should include their logo above the text of the shareholder resolution. This can cause a complication for co-filers, as it is not clear to the co-filers if they should co-file a resolution that has the logo of the lead filer, or if they should exclude the logo on their co-filed resolution. To avoid this complication, lead investors can avoid the branding of their resolutions by excluding a logo on the resolution document.

What investors can expect after a resolution is filed

A company is not required to respond to an investor upon receipt of a shareholder resolution. A company may take time to determine how to respond to the resolution, which could include working with the investors through dialogue to request a withdrawal, submitting a no-action request (a challenge to the SEC for permission to omit the resolution from appearing on its proxy statement), or not responding to the resolution at all.

Under the new SEC rules for shareholder proposals which went into effect during the 2022 proxy season, the lead filer of the resolution is now required to provide dates for dialogue on the resolution with the company. A company may respond to the resolution by contacting the lead filer and requesting a dialogue to discuss the resolution and the possibility of withdrawal. See the following section of this guide, *Defending a Shareholder Resolution*, for more information about this process.

A company may, but is not required to, challenge a resolution. If the company does not challenge the resolution (and filer does not withdraw it), the resolution will be included in the proxy statement and shareholders will have an opportunity to vote on the resolution. If the company proceeds with a no-action request, the following section of this guide, *Defending a Shareholder Resolution,* details further information about timelines and what investors can expect from the challenge process with the company and the SEC.

Defending a Shareholder Resolution

When writing a resolution, investors should be familiar with the SEC rules for shareholder resolutions. In particular, investors should understand the different types of rules around exclusion of shareholder resolutions.

When referring to "exclusion," or "omission," this guide is referring to the fact that a company may file a no-action request (a challenge) with the SEC to request that the SEC allow the company to omit the resolution from the company's annual proxy statement. This would mean that the resolution would not appear on the proxy ballot for a vote. (Official votes are published in a form 8-K submitted to the SEC EDGAR database by each company within 3-4 days after their annual general meeting.) When looking for the correct 8-K form, investors will find the information under the 8-K that references item 5.07.

A company has 14 days to notify the investor of a technical problem in the filing, such as an insufficient custodian letter related to an investor's proof of ownership. If an investor receives a notification of a procedural deficiency, the investor has 14 days to resolve the issue. The company then has another 14 days if they need to respond, and the investor has another 14 days to respond a second time.

In the event of clear procedural deficiencies, the proponent should consider withdrawing the proposal by writing to the company and informing the SEC's Division of Corporate Finance via shareholderproposals@sec.gov. Informing the company and SEC of a withdrawal as soon as possible saves valuable SEC staff time since they will not need to assess the no-action request and issue a decision. The SEC email address is monitored by two staff, and they generally respond rapidly.

Companies may challenge a resolution at any point between when the resolution is filed by the investor and up to 80 days before the company files its proxy statement. A proxy statement, also known as SEC Form DEF 14A, is typically published 30-45 days before the Annual General Meeting date and it is the first publicly available notice of the meeting's date, time, format, and location.

Once a challenge has been submitted by the company to the SEC, the investor may file their own letter in response or, as is more frequent, work with legal counsel to defend their resolution. Companies and filers should make use of the SEC's online form, which they plan to publish on November 3, 2023, to submit all formal correspondence related to a no-action request. The current form, which will be retired, is called 'Requests for No-Action, Interpretive, Exemptive, and Waiver Letters.' Although it is not a requirement, investors will commonly write to the SEC Division of Corporate Finance via shareholderporposals@sec.gov soon after receiving a no-action challenge to notify the SEC that the investor will respond to

the challenge (known as a no-action request)[17] proposal and requesting that the Staff not issue a decision on the request until the negotiation process is completed.

When the investor or their legal counsel submits their response to the challenge to the SEC, the company may choose to respond, generating future back-and-forth communications between the company, investor/investor's counsel, and the SEC. All correspondence related to resolution challenges can be found on the SEC's website.[18] A general timeframe for the challenge-response-ruling process to take place is around 50 days.

If the SEC rules in favor of the investor's arguments for proceeding with the resolution, the resolution will be included in the company's proxy statement/ballot and will be voted on by shareholders. The company will publish an opposition statement to the resolution in its proxy statement, which can be one line or multiple pages. The company must provide its opposition statement to the filer (even if it is brief and simply states the company's view that shareholders should vote against the resolution) at least 30 days prior to publishing its definitive proxy statement. If the SEC rules that the resolution may be omitted, the company will not include it in the proxy statement. In addition, investors will be discouraged from using the specific ask in the resolution with the company (or even other companies) again, as the SEC will have set an informal precedent for ruling against it.[19] The setting of precedents is a key reason why battles over challenges of resolutions can have impacts beyond the individual company and is one reason it is valuable to hire counsel to defend challenges to assess whether an adverse ruling may undermine other proposals.

It is possible that the company will both challenge the resolution and at the same time negotiate with the filer(s) to come to an agreement and withdraw the resolution. If the resolution is withdrawn prior to the proxy statement being published, it will not appear on the proxy statement. However, the investor can announce publicly or publish a press release noting the action the company has taken as a result of the engagement. It is recommended to get the company's commitment in writing prior to withdrawing a proposal. This can help avoid confusion in the future and increases accountability. If the proposal is withdrawn, the company and the shareholder will typically write to the SEC's Division of Corporate Finance via shareholderporposals@sec.gov to let them know that it is no longer necessary for the SEC to issue a ruling on the no-action request. The company should be asked to formally withdraw its request.

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[17] The reason that challenges are called "no-action requests" is that, technically, when a company challenges a resolution, it is asking the SEC to issue a letter indicating whether the SEC is likely to act against the company if the resolution is omitted. If the SEC says they are unlikely to act, the company feels safe excluding the proposal. However, investors can still sue the company and request the proposal be included on the ballot, in which case the courts decide. These suits are rare but do occur.

[18] 2022-2023 challenges are available through this link

[19] Precedents impacting filings at other companies are not set when the ruling regards things that are highly specific to the company receiving the proposal such as "substantial implementation."

Finally, to confuse matters, there are rare occasions when companies implement the request in the proposal (after it is filed) and then publish an opposition statement to the proposal stating that they are already taking the action. This is a way for the company to maintain the appearance of leadership on the issue rather than appearing to 'give in' to shareholders.

Withdrawal Agreements

Of the 256 climate-related shareholder resolutions tracked by Ceres in 2023, investors withdrew 81, or nearly one-third, after negotiating agreements with almost 70 companies. Although withdrawal agreements will depend on the type of resolution and ask to the company, there are some general best practices that can guide filers on how to structure withdrawal agreements.

In general, actions or commitments communicated by the company to the filer in constructive dialogue and that satisfy the resolution's related asks will lead to a withdrawal agreement. Such an agreement is typically formalized via a letter/e-mail sent by the filer to the company highlighting either the agreed upon elements with the company in dialogue or the filer's proposed company actions that would form the basis of a withdrawal agreement. The letter should ideally request the company's signature to the letter for the filer to formally request the company withdraw its resolution from inclusion in the proxy statement. Alternatively, the company could also send a letter to the filer with the agreed upon company commitments and request that the filer sign the letter to formalize such a withdrawal agreement. Withdrawal agreement letters sent by the filer to the company can be sent to the Corporate Secretary and other relevant contacts who engaged with the filer during dialogue. These letters are generally sent as attachments via e-mail.

Withdrawal agreement letters will typically include a bulleted list of the agreed-upon items, along with a paragraph stating that the proposal can be considered withdrawn once both parties have signed the agreement. Each bulleted item should be as specific as possible and include the expected dates or deadline that the company committed to act or provide disclosure by. Filers often also include a request for follow-up dialogue to discuss progress toward the agreed-upon items, either after the company has taken the relevant actions or publicly provided the requested disclosure. Ceres has developed additional, detailed withdrawal guidance for investors negotiating a withdrawal of a resolution asking for science-based targets with a Climate Transition Action Plan (CTAP) focused on four core transition plan elements. Similar guidance is also available for shareholders filing climate

lobbying resolutions, which they can utilize during their withdrawal negotiations for such resolutions.

A mock withdrawal agreement is available in Appendix G.

Building the Vote for a Shareholder Resolution

If the shareholder resolution is not withdrawn, not challenged, or survives a challenge with the SEC, it will go to a vote via the ballot included in the company's proxy statement and at the company's AGM. Shareholder resolutions are not likely to receive a majority vote (although they definitely can) unless management supports the resolution (which they most often do not). What constitutes a "good" vote is subjective. For example, a company with a significant number of shares held internally will influence the percentage of overall shares voted in favor, which will drive the vote down significantly. However, proxy advisor Glass Lewis has stated that votes above 20% deserve attention from the board and senior management.[20] Additionally, BlackRock notes that votes between 30 and 50% often lead to action by companies.[21]

In addition, investors can use the refiling thresholds as a guide for the minimum support a resolution would need to be re-filed in a subsequent proxy season. In the 2022 and 2023 proxy season, Ceres tracked an average vote in support of climate-related proposals of 31.6% and 22.1%, respectively.

An investor can bring attention to a resolution with the goal of increasing knowledge about it and support for it, through several methods. These include formal methods such as proxy memos and exempt solicitations, as well as more informal methods such as sharing information on SICS calls, sending alerts to listservs, posting information about resolutions to the Ceres Investor Portal, and participating in "proxy season awareness" webinars or publications.

Proxy memos and exempt solicitations are used to communicate to other investors and proxy advisors that the resolution filed by the investor addresses material business risks and deserves a vote *for* (in support), rather than abstaining or voting *against* (as management usually recommends). Proxy memos typically detail the rationale behind the shareholder resolution, the business case, the risks associated with the climate-related issue, and why a vote for the resolution is warranted. These memos are typically emailed to a long, targeted list of the largest shareholders of the company.

[20] https://bit.ly/48HgzbG, p. 18
[21] https://bit.ly/3nWWCoq, p. 4

The SEC has a detailed legal requirement, Rule 17 CFR § 240.14a-6 (g), requiring certain shareholders who issue a proxy memo to file a document with the SEC called a notice of exempt solicitation or SEC Form PX14A6G. This involves a filing of the proxy memo into the SEC's Edgar database. In addition, some shareholders voluntarily file these exempt solicitations because they are generally more widely viewed given that they are publicly accessible to proxy advisory firms, shareholders, or other interested parties on the SEC's EDGAR database. Exempt solicitations are frequently shorter than memos to proxy advisors, perhaps because there is a small charge per page to file the solicitation. In addition, and although relatively uncommon, the filer of an exempt solicitation does not have to offer any information about themselves or what interests they might have with the issue at hand. Note that exempt solicitations are not regulated by the same team that oversees shareholder proposals; the Office of Mergers and Acquisitions oversees this. Their phone number can be found here.

For an example of a proxy memo, see **Appendix H**. For an example of an exempt solicitation, see **Appendix** For guidance on how to structure and what to highlight in a proxy memo see **Appendix J**.

Although certain investors provide disclosure voluntarily under the exempt solicitation rule, some are required by the rule to file such solicitations. Rule 17 CFR § 240.14a-6 (g) defines the requirements for an exempt solicitation, including for investors holding over $5 million worth of company shares.[22] For detailed information on exempt solicitations, including when certain proxy memos have a requirement for an exempt solicitation, it is recommended that investors seek legal advice.

Build the Vote webinars through groups like Ceres and CCR, as well as distribution of proxy memos and exempt solicitations, are additional methods to increase visibility and support for resolutions. As well as reaching other investors through these methods, build the vote efforts can attract another audience: proxy voting advisory services. Most well-known among these services are Institutional Shareholder Services (ISS) and Glass Lewis. These companies make recommendations to thousands of clients for whether to vote for or against shareholder resolutions. They can also be hired by investors to vote their proxies (but usually with instructions based on the investors' proxy voting guidelines). That means that they have significant influence on the outcome of a resolution. If ISS and Glass Lewis recommend a vote for a resolution, the vote will likely rise by about 15 to 20%.

[22] https://www.law.cornell.edu/cfr/text/17/240.14a-6

Presenting a Shareholder Resolution at an AGM

An annual general meeting (AGM) is usually held in person. Recently, virtual (or hybrid in-person/virtual) AGMs have become more popular. The Covid-19 pandemic brought a transition to almost all virtual AGMs. The main companies that run the platforms for virtual AGMs are Broadridge and Computershare. Leading ESG investors have argued in favor of a dual model for AGMs, including both in-person and virtual options.

Resolutions must be moved at an AGM, which means that an investor, or a representative on behalf of the investor, must speak at the annual general meeting. The statement will be brief, usually at or under 400 words, will be made to management and the Board of Directors and will explain why investors should support the resolution. Some companies have a "clock," limiting presentations to three or four minutes. Representatives on behalf of investors can vary; for example, in the 2020 proxy season, actor Alec Baldwin moved a proposal at the Chevron AGM on behalf of Newground Social Investment.[23] (However, celebrity presentations are rare.) An example of a statement to move a resolution at an AGM is available in Appendix .

While it is most common that a resolution would be moved for a vote at an AGM, there is the potential for an investor to withdraw a resolution from the floor. In most cases where a lead filer and a company negotiate on a shareholder resolution, a decision is made prior to the proxy being printed. However, negotiation can continue beyond this point. This is unusual. A company may not feel an incentive to continue negotiations after the proxy has been printed. Lead filers may feel that a vote is necessary, given the lack of progress in negotiations. However, if a company and a lead filer cannot reach an agreement by the time the proxy is printed, and they believe that an agreement could still be reached, negotiations for withdrawals of a shareholder resolution can occur up to the point of the AGM.

If a lead filer and a company reach an agreement after the proxy is printed, there will be a withdrawal from the floor at the AGM. This means that, at the company AGM, the CEO will announce the resolution in its order on the proxy and will make a statement referencing that an agreement has been reached. The CEO will then offer to turn the floor to the lead filer, who will state why the withdrawal has taken place and what was agreed. Then the lead filer will state that they will not move the item forward for a vote. Note that the vote will still take place as the item is on the proxy, but the vote will not be counted, and it will not be published (i.e., it will not be in an 8-K). Only the company will know the result of the vote. The lead filer can ask the company for the result, but the company is under no obligation to disclose it.

If the lead filer wishes to publish a press release to announce the result of the successful negotiation, the lead filer would likely refer to the result as an agreement not to move the

[23] https://newground.net/insights-blog/alec-baldwin-addresses-chevron-shareholder-meeting

resolution forward for a vote due to a commitment rather than a withdrawal for commitment, which is the language used when a resolution is withdrawn prior to the proxy being printed.

Voting

The proxy statement includes instructions for how investors can vote. Only shareholders of the company can vote on the company's proposals. Note that nearly all votes are cast either online or via the paper ballot provided in the proxy statement. Few votes are cast in-person at the AGM.

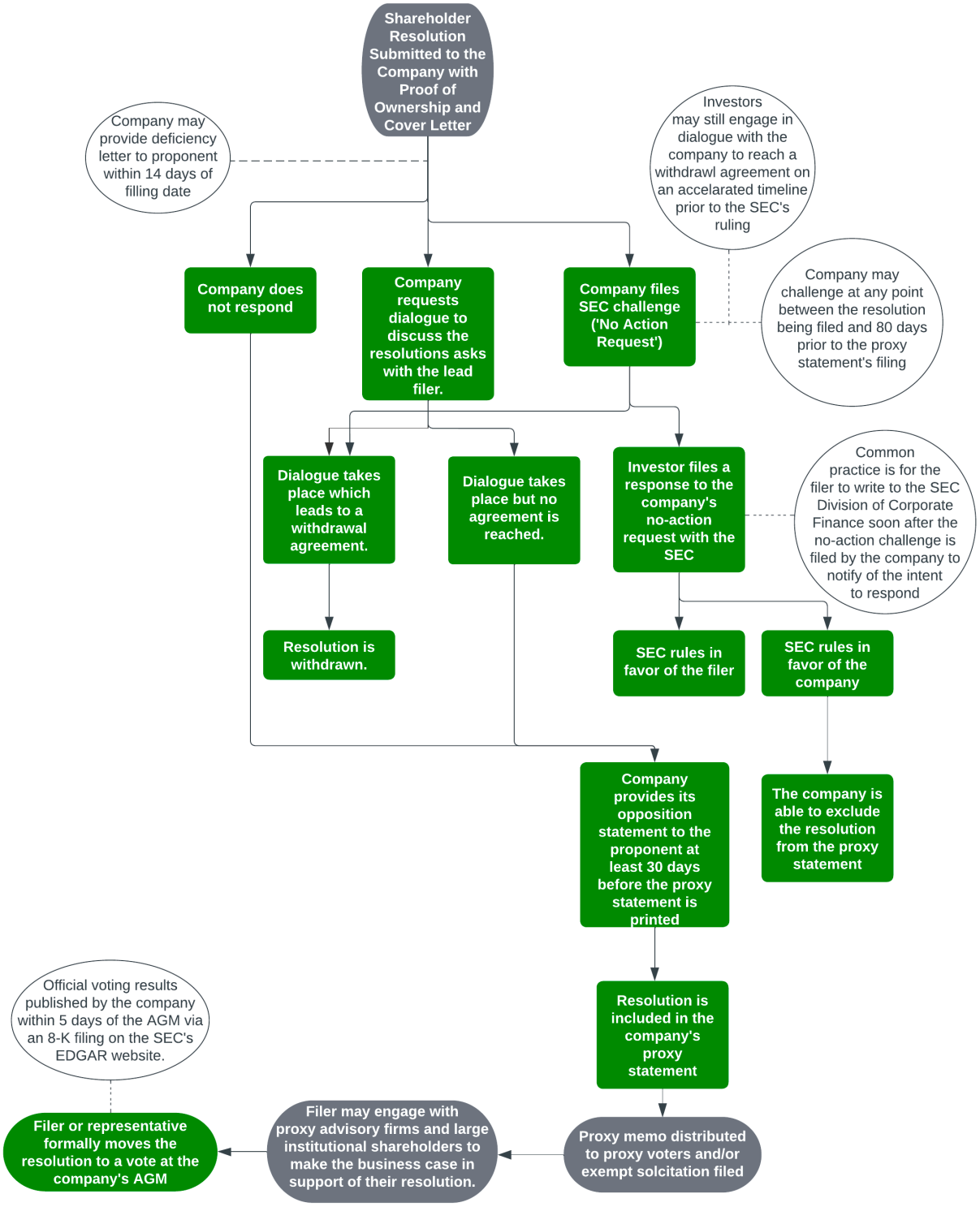
Voting information is received according to two timelines. The official voting result on a proposal is published by the Company within five days of the AGM via an 8-K publication on the SEC's EDGAR website, though preliminary results may be shared by the Company. The second timeline is for the detailed percentage of proposals supported by each asset manager. This is known when company N-PX forms are published. N-PX forms are due on August 31st, and full voting information is then published from data providers such as *Proxy Insight*[24] and *Morningstar*.[25]

Vote percentages for shareholder resolutions are generally calculated with the following formula: (Votes For)/(Votes For + Votes Against). However, a company may calculate differently, using (Votes For)/(Votes For + Abstentions + Votes Against). This does not happen regularly but can explain a different vote total declared by the company versus how Ceres has reported the vote total in the Investor Portal. The SEC only specifies how to count for refiling eligibility, using (Votes For)/(Votes For + Votes Against). There is agreement among groups such as the Council of Institutional Investors, SC2 and ICCR that including abstentions in the denominator is not appropriate. When companies do this, the ESG community simple reports the vote result calculated without abstentions. Broker non-votes should also be excluded from the calculation, and companies never seem to include them.

Depending on the vote percentage that the resolution receives, the filer may make a public statement or publish a press release with the result. Investors may use a high vote percentage as an argument in favor of the company adopting the ask of the resolution when engaging the company in future dialogues. Additionally, a strong vote by shareholders may result in the company announcing that it will adopt a policy to meet the ask of the resolution.

[24] https://www.proxyinsight.com/
[25] https://bit.ly/38f5dgv; https://www.morningstar.com/lp/proxy-voting-esg

Filing Flowchart



Summary of the Shareholder Proposal Process

1. Draft the shareholder resolution
    a. Closely follow the 'Basic Rules for Shareholder Resolutions' on pg. 8-11, including reviewing the text against common SEC exclusions and technical rules such as word count.
    b. Make sure to include a title at the top of the resolution.
2. Submit the resolution, electronically or by hard copy (or both), with a filing cover letter and proof of ownership.
    a. If your custodian is able to provide you the proof of ownership letter on the same day you submit the resolution, you may include it with the resolution and cover letter. If your custodian needs some additional time, you may submit the proof of ownership letter separately. You'll have between 14 and 28 calendar days to do so, depending on when the focus company provides you with a deficiency notice.
    b. Proof of ownership letter should state that you have held the required amount of stock continuously over the necessary period, ending with the calendar date on which you submit (send via mail or email) the resolution. For example, if you file on August 16, 2023, with holdings worth over $25,000, the proof of ownership letter must confirm your continuous ownership from August 16, 2022, through August 16, 2023.
    c. The cover letter must include your contact information and availability to meet with the company for dialogue during business hours of the company's headquarters between 10 and 30 days after the resolution is submitted.
    d. Review the company's most recent proxy statement (DEF 14A) for specific filing instructions.
        i. If submitting a hard copy, mail your materials with tracking for arrival on or prior to the filing deadline. If the company's address is a P.O. box, use USPS or double check that your carrier can deliver to P.O. boxes. Do not request a signature. Keep a copy of the delivery confirmation in the event that the company claims not to have received the proposal.
        ii. If submitting electronically, send the email with a request for a read receipt from the recipient in which the recipient acknowledges receipt of the e-mail. Copying as many company email contacts on the electronic submission as you have is recommended.

3. [If applicable] Respond to the deficiency notice
    a. If there is a deficiency with the filing (inadequate proof of ownership letter, word count issues, etc.), the company must notify the filer within 14 days. The filer then has 14 days following receipt of the deficiency notice to resolve the issue. Companies typically send this letter by both email and postal mail.
4. [If applicable] Respond to the SEC no-action request
    a. If the company challenges the resolution by filing a no-action request with the SEC, the company must file the no-action request no later than 80 days before the proxy statement is filed. Companies typically send no-action requests to the filer by both email and postal mail. The filer should consult with legal counsel to determine how to respond.
    b. If the filer decides to defend the no-action request, a response should be filed with the SEC within two to four weeks of receiving the no-action. The no-action response process will generally take around 50 days.
    c. If the filer has a low chance of winning the no-action or risks setting a bad precedent for other filers, they may consider withdrawing the resolution prior to a decision from the SEC.
    d. If the filer fails to respond to a no-action in any manner (and the SEC 'allows' the company to omit the proposal from the proxy statement), this could set a harmful precedent that prevents other investors from filing similar proposals in the future.
5. Engage in dialogue with the company and attempt to negotiate a withdrawal agreement
    a. If the company reaches out to the filer to engage in dialogue, the filer may or may not agree to a dialogue in search of an agreement to withdraw the resolution.
    b. If an agreement is reached through dialogue, the filer and the company should develop a withdrawal agreement letter that outlines what the company will commit to doing and by when in exchange for the filer withdrawing the proposal. The final version of this letter should be signed by both the filer and the company.
6. If no withdrawal agreement is reached, prepare for the resolution to go to a vote
    a. If the shareholder resolution is not challenged/ survives a challenge with the SEC and is not subsequently withdrawn for an agreement, it will be included in the company's proxy statement. The company should send the filer a copy of their written response to the proposal (typically an opposition statement) at least 30 days before the proxy statement is printed.

b. Investors can draft a proxy memo and/or an exempt solicitation in support of the resolution prior to the company's AGM to provide proxy voters with further details on the rationale, materiality, and business case of the resolution's request to the company.
c. Investors can hold briefings with proxy advisors and large shareholders to discuss the business case for the proposal.

7. Present the resolution at the company's AGM
    a. The filer should prepare a brief AGM statement to move the shareholder resolution at the company's annual shareholder meeting.
    b. Prior to the AGM, verify the available in-person or virtual options to attend and the rules for presenting such as the time limit. If relying on a representative to speak at the AGM, notify the company in writing with the representative's name and contact information and provide your representative with the brief statement and confirm attendance details.
    c. The company will post vote results on the SEC EDGAR database within 5 days of the AGM.

Next Steps

Shareholder resolutions are powerful tools to generate corporate commitments. As noted in the sections above, a company may seek to negotiate with the filers of the resolution for a withdrawal, which would result in an agreement between the filers and the company for a commitment related to the ask of the resolution. Additionally, a company may announce a commitment if there is a strong vote in favor of a resolution. Ceres tracked a 46% commitment rate (based on corporate commitments made in return for withdrawals of shareholder proposals) over the 2022 proxy season. The commitment rate fell to roughly 1/3 for the 2023 season, which is still an impressive success rate.

It is important for investors to keep track of the commitments made by companies related to their resolutions. Commitments should include dates for completion. If a company meets the commitment within the timeframe agreed upon with the investor, another resolution on the same ask would be omitted due to the ask being substantially implemented by the company. However, if a company does not implement the commitment, the investor may consider following up with the company, and refiling the proposal, if necessary, in order to send a strong signal to the company that prompt action is needed. Tracking implementation of corporate commitments is also important for demonstrating the impact of shareholder engagement.

APPENDICES

Appendix A: Examples of Shareholder Resolutions

Example 1[26]

Whereas:

In 2018, the Intergovernmental Panel on Climate Change advised that net carbon emissions must fall 45 percent by 2030 and reach net zero by 2050 to limit warming below 1.5°C thereby preventing the worst consequences of climate change.

The Fourth National Climate Assessment (2018) reports that with continued growth in emissions, "annual losses in some U.S. economic sectors are projected to reach hundreds of billions of dollars by 2100."

Climate change impacts present systemic portfolio risks to investors. A warming climate is associated with supply chain dislocations, reduced resource availability, lost productivity, commodity price volatility, infrastructure damage, and an increase in severe weather systems that disrupt operations, among others.

The U.S. Energy Information Administration identifies the transportation sector as the largest producer of greenhouse gas emissions and its emissions are steadily increasing.

While J.B. Hunt has adopted various ad-hoc initiatives to reduce fuel consumption, the Company states these initiatives are not part of an overarching strategy, it does not have a low-carbon transition plan, and it does not use climate-related scenario analysis to inform its business strategy.

Ramping up the scale, pace, and rigor of its climate-related initiatives may help unlock important opportunities for growth as major business customers are increasingly demanding environmental accountability from suppliers. It may also help prepare the Company for future carbon-related regulations.

J.B. Hunt peers Republic Services, Waste Management, and CSX Corporation are among the over 690 Companies intending to reduce their emissions in line with the aims of the 2015 Paris Climate Agreement – the landmark global agreement to limit global temperature increases to well below 2°C above pre-industrial levels, ideally striving for 1.5°C. Amazon.com, Inc. plans to purchase 100,000 electric delivery vehicles by 2030 as part of its ambition to achieve the Paris goals ten years early.

[26] Report on 2-degree analysis and strategy filed at JB Hunt by Trillium Asset Management.

Given the impact of climate change on the economy, the environment, and human systems, and the short amount of time in which to address it, proponents believe J.B. Hunt has a clear responsibility to its investors and other stakeholders to account for whether, and how, it plans to reduce its ongoing climate contributions.

Resolved:

Shareholders request J.B. Hunt Transport Services issue a report, at reasonable cost and omitting proprietary information, describing if, and how, it plans to reduce its total contribution to climate change and align its operations with the Paris Agreement's goal of maintaining global temperature increases well below 2 degrees Celsius.

Supporting Statement:

In the report shareholders seek information, among other issues at board and management discretion, on the relative benefits and drawbacks of integrating the following actions:

- Developing a low-carbon transition plan;
- Adopting short- and long-term greenhouse gas emissions reduction targets for the Company's full carbon footprint aligned with the Paris Agreement;
- Increasing the scale, pace, and rigor of existing initiatives aimed at reducing the carbon intensity of J.B. Hunt's services and operations;
- Investing in renewable energy resources.

Example 2[27]

Whereas:

Interactions of agriculture, water scarcity and climate change are significant policy issues;

40% of the cereals produced in the world are used for animal feed.[1] In the United States, chicken feed predominantly comprises corn (60%).[2] 20% of U.S. corn is irrigated.[3] 87% of irrigated corn production is sourced from areas of high or extremely high base-line water stress;[4]

Climate change and increasing water scarcity can affect the production of animal feed, impacting availability and pricing that reduces profitability. 42% of our Company's production costs comprise feed ingredients;[5]

Our Company recently experienced the effects of water scarcity on feed prices. A 2018 drought in Argentina caused corn and soybean prices to spike,[6] leading feed costs per pound to increase 5.8% over the prior year;[7]

Additional impact on, and risks from, water scarcity derive from the poultry production process, from providing drinking water, to treating wastes, to washing during processing. Thus, water management is also important for our Company's 6000[8] contracted chicken houses as well as its processing facilities. Our Company reports that it in FY2017 it used 1.093 gallons of water/saleable lb of chicken, and produced 4.3 billion pounds;[9]

Our Company's poultry processing plant, hatchery, and feed mill in Hazlehurst and Gallman, Mississippi, is located in area of high baseline water stress. The majority of facilities in Texas and Mississippi are located in areas of medium drought risk.[10] Climate change and increasing water scarcity can limit future access to water, affecting the ability to operate processing facilities, and negatively affecting revenues, credit profile and cost of capital. Total water withdrawn in water stressed regions indicates exposure to potential future cost increases and risk to operations that require a steady supply of water. Yet, our Company provides no disclosure to its investors regarding its exposure to these risks. In the absence of material and decision-useful metrics, investors cannot compare the relative risks between competing investments, nor period-to-period progress in managing these risks;

The Sustainability Accounting Standards Board (SASB) has established industry-specific standards that assist companies in disclosing financially material, decision-useful

[27] Report on water use risks filed at Sanderson Farms by As You Sow.

sustainability metrics to investors. SASB's Meat, Poultry and Dairy Industry Standards include water management disclosure, such as:

- Total water withdrawn, and percentage in regions with High or Extremely High Baseline Water Stress;
- Percentage of contracts with producers located in regions with High or Extremely High Baseline Water Stress;
- Percentage of animal feed sourced from regions with High or Extremely High Baseline Water Stress.

Resolved:
Shareholders request that the Board of Directors issue a report to shareholders in consideration of the SASB Meat, Poultry and Dairy standard by 180 days after the 2019 Annual Meeting, at reasonable expense and excluding confidential information, disclosing metrics concerning the company's material risks to the availability of adequate water resources.

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[1] http://faostat.fao.org/
[2] Id. Figure 5.
[3] https://bit.ly/3aCiLtJ
[4] Id.
[5] Corporate Responsibility Report 2017, At 33.
[6] https://reut.rs/3axNp2E
[7] https://bit.ly/3duRJlc
[8] Supra Note 7, At 28.
[9] Id.
[10] World Resources Institute Water Risk Atlas.
https://www.wri.org/resources/maps/aqueduct-water-risk-atlas

Example 3[28]

Resolved:
Shareholders of Dominion Energy, Inc. ("Dominion") ask the Board of Directors to adopt a policy, and amend the bylaws as necessary, to require the Chair of the Board to be an independent director. The policy should provide that (i) if the Board determines that a Chair who was independent when selected is no longer independent, the Board shall select a new Chair who satisfies the policy within 60 days of that determination; and (ii) compliance with this policy is waived if no independent director is available and willing to serve as Chair. This policy shall apply prospectively so as not to violate any contractual obligation.

Supporting Statement:
In our view, shareholder value is enhanced by an independent Board Chair who can provide a balance of power between the chief executive officer ("CEO") and the Board and support strong Board oversight of management. According to proxy advisor Glass Lewis "shareholders are better served when the board is led by an independent chairman who we believe is better able to oversee the executives of the Company and set a pro-shareholder agenda without the management conflicts that exist when a CEO or other executive also serves as chairman."

While separating the roles of Chair and CEO is the norm in Europe, 53% of S&P 500 boards have also implemented this leading practice. Directors on boards with a joint CEO-Chair report being more likely to have difficulty voicing a dissenting view (57% versus 41%) and to believe that one or more of their fellow directors should be replaced (61% versus 47%) according to a 2019 survey by PwC.

Except for a brief transition period, Dominion's Board has been chaired by current or former Dominion CEOs since 1992. Dominion's lack of independent board leadership may be aggravated by the fact that John Harris, Dominion's lead director and Chair of the Board's Compensation, Governance and Nominating Committee, has served on the Board for over twenty years. According to ISS Governance QualityScore, "an excessive tenure is considered to potentially compromise a director's independence." CalPERS' Governance and Sustainability Principles state that independence "can be compromised at 12 years of service."

We believe independent Board leadership would be particularly useful to oversee the strategic transformation necessary for Dominion to capitalize on the opportunities available in the transition to a low carbon economy. Unlike its peers Xcel Energy, Duke Energy, DTE and NRG, Dominion has failed to set a target of achieving net zero emissions by 2050. We

[28] Independent chair proposal filed at Dominion Energy by the New York City Office of the Comptroller.

believe that a board chair independent of management would be better able to lead the process of setting a strategy to position Dominion to take advantage of increased demand for decarbonized electricity and more effectively evaluate and mitigate the risks that excessive investment in natural gas infrastructure could become a stranded asset.[1]

We urge shareholders to vote for this proposal.

_____

[1] Mark Dyson et al, Prospects for Gas Pipelines in the Era of Clean Energy, Rocky Mountain Institute, 2019.

Appendix B: Lead Filing Cover Letters

Example: Lead Filing Cover Letter

Boston Trust Walden Company, a Massachusetts Bank and Trust Company
One Beacon Street Boston, Massachusetts 02108 (617) 726-7250 www.bostontrustwalden.com

October 14, 2021

Norman Brothers
Corporate Secretary
UPS
55 Glenlake Parkway, NE
Atlanta, GA 30328

Dear Mr. Brothers,

Boston Trust Walden Company is a private, employee-owned investment management firm with approximately $13.5 billion in assets under management. As part of our investment decision-making process to identify high quality companies with sustainable business models, we evaluate environmental, social, and governance (ESG) factors. We also strive to strengthen ESG policies, practices, and accountability through shareholder engagement and proxy voting.

Our clients are long term holders of UPS stock. Boston Trust Walden is filing the enclosed shareholder resolution on lobbying disclosure, as we have in past years.

We are filing the shareholder proposal for inclusion in the 2022 proxy statement in accordance with Rule 14a-8 of the General Rules and Regulations of the Securities Exchange Act of 1934. We have held greater than $2,000 in UPS stock continuously for more than three years and will continue to do so through the next annual meeting. We are the beneficial owner, as defined in Rule 13d-3 of the Securities Exchange Act of 1934, of these shares. We will serve as the primary filer of this resolution and will be joined by co-filers.

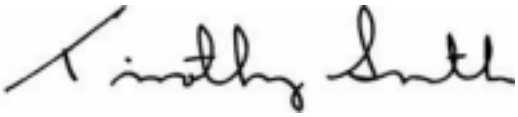
Verification of Boston Trust Walden Company's ownership position will be provided by a DTC participant. A representative of the filers will attend the stockholders' meeting to move the resolution as required by SEC rules.

As outlined in the new SEC Rules governing shareholder resolutions, as primary filer

we are pleased to set up a call or meeting on the subject of this resolution at an agreeable time. At present, October 27 is a good day for a call. We appreciate our past dialogues and look forward to continuing the discussion. Co-filers may join any call or meeting subject to their availability.

If you have questions, please feel free to have your team contact me.

Sincerely,



Timothy Smith, Senior ESG Advisor, Boston Trust Walden

Copy: Ryan Swift, UPS

Example: Template Cover Letter for Lead Filing a Resolution

Date
Via [method(s) of delivery here]

[company name]
[company address from proxy statement]
Attn: [corporate secretary]

Re: Shareholder proposal for 2022 Annual Shareholder Meeting

Dear [corporate secretary],

[proponent name] is submitting the attached proposal (the "Proposal") pursuant to the Securities and Exchange Commission's Rule 14a-8 to be included in the proxy statement of [company name] (the "Company") for its 2022 annual meeting of shareholders. [If there will be co-filers:] [Proponent name] is the lead filer for the Proposal and [may OR will, depending on degree of certainty] be joined by other shareholders as co-filers.

[proponent name] has continuously beneficially owned, for at least [number of years] as of the date hereof, at least $_____ worth of the Company's common stock. Verification of this ownership [is attached OR will be sent under separate cover]. [proponent name] intends to continue to hold such shares through the date of the Company's 2022 annual meeting of shareholders.

[proponent name] is available to meet with the Company in person or via teleconference on [insert dates and times between 10 and 30 days after the date on which you will submit the proposal; (i) if the Company's most recent proxy statement specifies times that are within the Company's regular business hours, the times must be within that window; or (ii) if the Company's proxy statement does not so specify, the times must be between 9:30 a.m. and 5 p.m. in the time zone of the Company's principal executive offices]. Any co-filers will either (a) be available on those dates and times or (b) in their submission letters, authorize us to engage with the Company on their behalf, within the meaning of Rule 14a-8(b)(iii)(B).]

[can be contacted on (___) ___-____ or by email at [email address] to schedule a meeting. Please feel free to contact me with any questions. [Alternative language: Please send future correspondence and communications regarding this proposal to my representative [name] who can be contacted at [phone and email].

Sincerely,

Appendix C: Co-Filing Cover Letters

Template for cover letter for co-filing as an individual without representative - updated for 2022

[date]

Via [method(s) of delivery here]

[company name]
[company address from proxy statement]
Attn: [corporate secretary]

Re: Shareholder proposal for 2022 Annual Shareholder Meeting

Dear [corporate secretary],

[proponent name] is submitting the attached proposal (the "Proposal") pursuant to the Securities and Exchange Commission's Rule 14a-8 to be included in the proxy statement of [company name] (the "Company") for its 2022 annual meeting of shareholders. [proponent name] is co-filing the Proposal with lead filer [lead filer's name].] In its submission letter, [lead filer] will provide dates and times of ability to meet. We designate the lead filer to meet initially with the Company but may join the meeting subject to our availability.

[proponent name] has continuously beneficially owned, for at least [number of years] as of the date hereof, at least $_____ worth of the Company's common stock. [IF THE PROPONENT IS RELYING ON THE NEW RULE'S "GRANDFATHERING" OF SHARES HELD FOR A YEAR PRIOR TO THE NEW RULE'S EFFECTIVE DATE, replace the previous sentence with "As of January 4, 2021, [proponent name] had continuously held shares of the Company's common stock with a value of at least $2,000 for at least one year, and [proponent name] has continuously maintained a minimum investment of at least $2,000 of such securities from January 4, 2021 through the date hereof, which confers eligibility to a submit a proposal under Rule 14a-8(b)(3)."] Verification of this ownership [is attached OR will be sent under separate cover]. [proponent name] intends to continue to hold such shares through the date of the Company's 2022 annual meeting of shareholders.

If you have any questions or need additional information, I can be contacted on (___) ___-____ or by email at [email address].

Sincerely,

Example Cover Letter for Co-Filing a Resolution - from 2021 Season

[NOTE: This example was constructed under previous guidance so may not be fully up to date. It's provided here purely as an example; carefully consider the language in the preceding template.]

December 7, 2020

R. Andrew Dickson, III
Corporate Secretary
BlackRock, Inc.
40 East 52nd St.
New York, NY 10022

Dear Mr. Dickson:

Boston Trust Walden Company is a private, employee-owned investment management firm with approximately $10 billion in assets under management. As part of our investment decision-making process to identify high quality companies with sustainable business models, we evaluate environmental, social, and governance (ESG) factors. We also strive to strengthen ESG policies, practices, and accountability through shareholder engagement and proxy voting.

On behalf of our clients who hold shares of BlackRock, Inc. (BlackRock) stock, Boston Trust Walden is once again co-filing the enclosed shareholder resolution which seeks expanded review and disclosure of BlackRock's proxy voting in relation to climate change. As in the past we look forward to continued dialogue on this topic.

We are co-filing the shareholder proposal for inclusion in the 2021 proxy statement in accordance with Rule 14a-8 of the General Rules and Regulations of the Securities Exchange Act of 1934. We have held greater than $2,000 in BlackRock stock for more than one year and will continue to do so through the next annual meeting. We are the beneficial owner, as defined in Rule 13d-3 of the Securities Exchange Act of 1934, of these shares of BlackRock.

Verification of Boston Trust Walden Company's ownership position will be provided by a DTC participant. A representative of the filers will attend the stockholders' meeting to move the resolution as required by SEC rules.

We look forward to a meaningful dialogue with management on this matter. The primary filer of this resolution is Mercy Investment Services who has the authority to withdraw the resolution on behalf of Boston Trust Walden.

If you have questions, please contact me at tsmith@bostontrustwalden.com.

Sincerely,
Timothy Smith
Director of ESG Shareowner Engagement

Copy: Kate McCloskey, Mercy Investment Services

Appendix D: Example Cover Letter for Co-Lead Filing a Resolution

December 21, 2020

DELIVERED VIA CERTIFIED MAIL WITH RETURN RECEIPT

Christine S. Wheatley
Corporate Secretary
The Kroger Company
1014 Vine Street
Cincinnati, Ohio
45202-1100

Dear Ms. Wheatley:

On behalf of Friends Fiduciary Corporation, I write to give notice that pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, Friends Fiduciary Corporation hereby jointly files the attached proposal for inclusion in The Kroger Company's 2021 proxy statement, as co-lead filer with the Pennsylvania Treasury.

Friends Fiduciary Corporation serves more than 400 Quaker meetings, churches, and organizations through its socially responsible investment services. We have over $500 million in assets under management. Our investment philosophy is grounded in the beliefs of the Religious Society of Friends (Quakers), among them the testimonies of peace, simplicity, integrity, and justice. We are long term investors and take our responsibility as shareholders seriously. When we engage companies we own through shareholder resolutions we seek to witness to the values and beliefs of Quakers as well as to protect and enhance the long-term value of our investments. As investors, we believe that proactively addressing hydrofluorocarbon emissions would help Kroger mitigate potential regulatory and reputational risk.

Friends Fiduciary currently owns more than 4,100 shares of stock of The Kroger Company. We have held the required number of shares for over one year as of the filing date. As verification, we have enclosed a letter from US Bank, our portfolio custodian and holder of record, attesting to this fact. We intend to hold at least the minimum required number of shares through the date of the Annual Meeting.

A representative of the filers will attend the shareholder meeting to move the resolution. We look forward to meaningful dialogue with your company on the issues raised in this proposal. If you have any questions, please contact Kate Monahan, Shareholder Engagement Manager

at kmonahan@friendsfiduciary.org and Uriah King, Director of Public Policy, Pennsylvania Treasury, at uking@treasury.gov.

Sincerely,

Jeffery W. Perkins
Executive Director

Enclosures

cc: Uriah King, Director of Public Policy, Pennsylvania Treasury

Appendix E: Cover Letters for Filing on Behalf of a Shareholder

Template Cover Letter for Representative filing on behalf of a Proponent

Via [method(s) of delivery here]

[company name]
[company address from proxy statement]
Attn: [corporate secretary]

Re: Shareholder proposal for 2022 Annual Shareholder Meeting

Dear [corporate secretary],

[Representative name] is filing a shareholder proposal on behalf of [Proponent name] ("Proponent"), a shareholder of [Company name], for action at the next annual meeting of [Company name]. The Proponent submits the enclosed shareholder proposal for inclusion in [Company name] [Year of AGM] proxy statement, for consideration by shareholders, in accordance with Rule 14a-8 of the General Rules and Regulations of the Securities Exchange Act of 1934.

[proponent name] has continuously beneficially owned, for at least [number of years] as of the date hereof, at least $_____ worth of the Company's common stock. [IF THE PROPONENT IS RELYING ON THE NEW RULE'S "GRANDFATHERING" OF SHARES HELD FOR A YEAR PRIOR TO THE NEW RULE'S EFFECTIVE DATE, replace the previous sentence with "As of January 4, 2021, [proponent name] had continuously held shares of the Company's common stock with a value of at least $2,000 for at least one year, and [proponent name] has continuously maintained a minimum investment of at least $2,000 of such securities from January 4, 2021 through the date hereof, which confers eligibility to a submit a proposal under Rule 14a-8(b)(3)."] Verification of this ownership [is attached OR will be sent under separate cover]. [proponent name] intends to continue to hold such shares through the date of the Company's 2022 annual meeting of shareholders.

A letter from the Proponent authorizing [representative] to act on its behalf is enclosed. A representative of the Proponent will attend the stockholders' meeting to move the resolution as required.

[Name of individual share owner] [Optional: and name of Representative] is/are available to meet with the Company [in person or via teleconference at the proponent's choice] on [insert dates and times between 10 and 30 days after the date on which you will submit the proposal; (i) if the Company's most recent proxy statement specifies times that are within the Company's regular business hours, the times must be within that window; or (ii) if the Company's proxy statement does not so specify, the times must be between 9:30 a.m. and 5 p.m. in the time zone of the Company's principal executive offices]. Any co-filers will either (a) be available on those dates and times or (b) in their submission letters, authorize us to engage with the Company on their behalf, within the meaning of Rule 14a-8(b)(iii)(B).]

We are available to discuss this issue and appreciate the opportunity to engage and seek to resolve the Proponent's concerns. can be contacted on (___) ___-____ or by email at [email address] to schedule a meeting and to address any questions. Please address any future correspondence regarding the proposal to me at this address.

Sincerely,

Encl: Authorization letter

Sole or Lead Filer or Co-filer filing on own behalf (but designating a representative to manage the proposal process)

[The following language can be substituted for contact information in a letter in which the proponent or co-filer are filing on their own behalf but wish to have a representative manage future interactions with the company. Note that the amended rule requires the individual proponent, rather than their representative, to state their availability to participate in an initial engagement meeting, but does not otherwise regulate the conduct of engagement, negotiation, etc. Including this language as shown below - bolded and in a pull out box - may be helpful to ensure that the company has seen this notice.]

Representation – Important Notice

Please be advised that we will hereafter be using a representative regarding the management of this proposal. Please send any correspondence regarding this proposal including deficiency notices, no action requests or engagement scheduling to [representative name, email, phone, and mailing address.] I authorize the representative to speak on my behalf, negotiate withdrawal of the proposal and engage with the company and its representatives.

Template authorization letter which must accompany Representation letter

[Date]
[addressee can be company or representative]

□hereby authorize [name of representative or representative organization] to file a shareholder resolution on my behalf for the [target company name] [year of meeting] annual shareholder meeting. Specifically, the specific topic of the proposal is requesting that the company [specific topic and short version of the ask - see memo regarding specificity].

□support this proposal [possible discussion of reason why you support it here] and specifically give [representative] full authority to engage with the company on my behalf regarding the proposal and the underlying issues, and to negotiate a withdrawal of the proposal to the extent the representative views of the company's actions as responsive.

□understand that □may be identified on the corporation's proxy statement as the filer of the aforementioned resolution.

Sincerely,
[signature of individual share owner (or representative of share owning entity such as a foundation) on whose behalf the representative is filing the proposal]

[proponent name]

Appendix F: Proof of Ownership Letters

Template Proof of Ownership letter

[date]

[name of corporate secretary]
[address]

Re: Shareholder proposal submitted by [proponent name]

Dear [corporate secretary],

I write concerning a shareholder proposal (the "Proposal") submitted to [company name] (the "Company") by [proponent name].

IF PROPONENT IS USING THE "GRANDFATHERED" SHARES OPTION IN THE NEW RULE TO ESTABLISH ELIGIBILITY: "As of January 4, 2021, [proponent name] had continuously held shares of the Company's common stock with a value of at least $2,000 for at least one year, and [proponent name] has continuously maintained a minimum investment of at least $2,000 of such securities (the "Shares") from January 4, 2021 through [date on which proposal was submitted]."

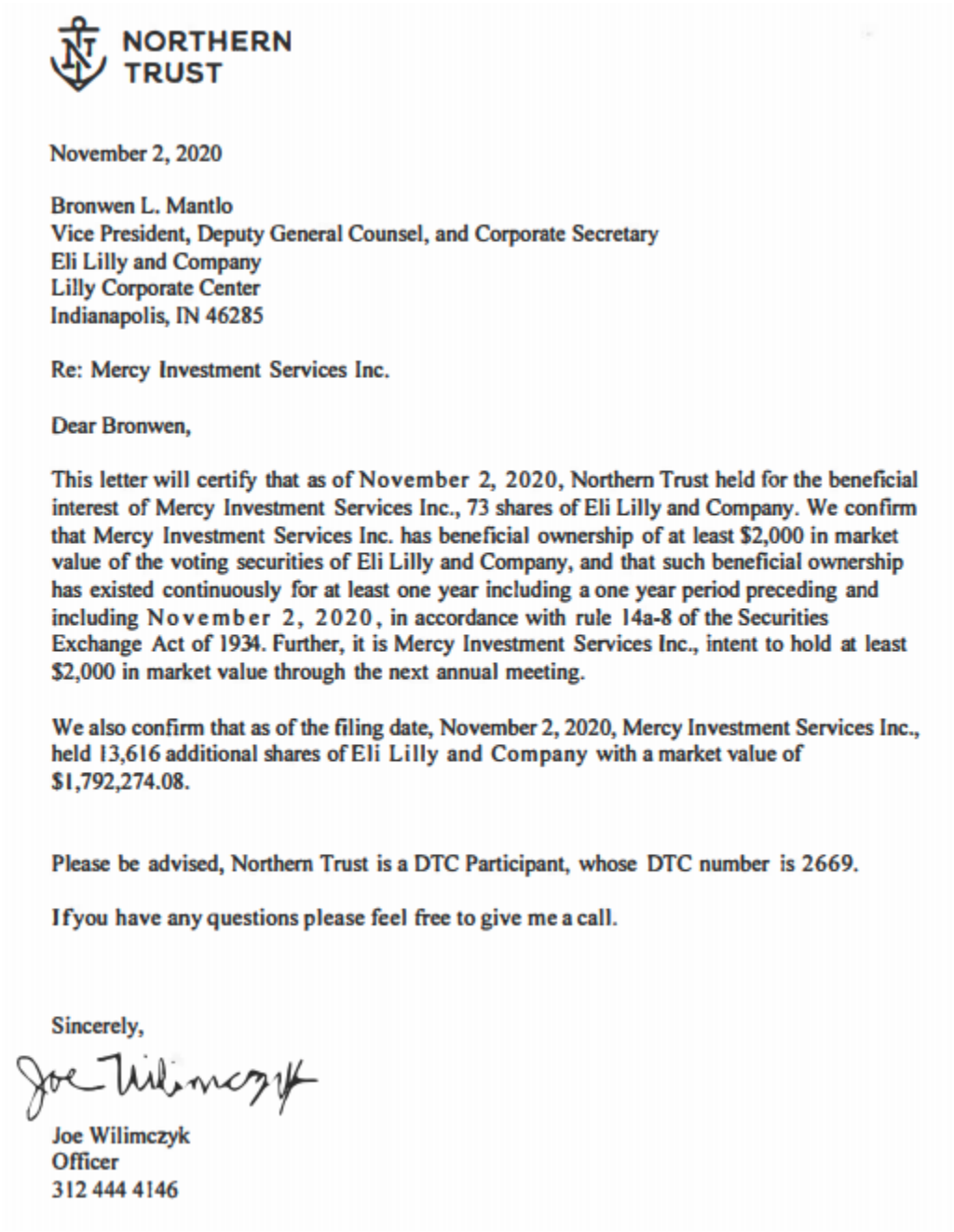
IF PROPONENT IS NOT USING THAT OPTION: "As of [date on which proposal was submitted], [proponent name] beneficially owned, and had beneficially owned continuously for at least [one/two/three] year[s], shares of the Company's common stock worth at least [$25,000/$15,000/2,000] (the "Shares")."

[NOTE: The date a proposal is submitted is the date the proponent puts it into whatever delivery method he or she is using; for example, if a proponent is using a courier like UPS, the submission date is the date on which the proponent relinquishes the proposal to the courier. The date on the submission cover letter <u>does not</u> establish the proposal's submission date. Thus, the proponent must supply this date to the record holder providing this proof of ownership.]

[Custodian/bank/brokerage name] has acted as record holder of the Shares and is a DTC participant. If you require any additional information, please do not hesitate to contact me at [phone number and email address].

Very truly yours,
[name]
[title]

Example Proof of Ownership Letter from the Filer's Custodian[29]



NORTHERN TRUST

November 2, 2020

Bronwen L. Mantlo
Vice President, Deputy General Counsel, and Corporate Secretary
Eli Lilly and Company
Lilly Corporate Center
Indianapolis, IN 46285

Re: Mercy Investment Services Inc.

Dear Bronwen,

This letter will certify that as of November 2, 2020, Northern Trust held for the beneficial interest of Mercy Investment Services Inc., 73 shares of Eli Lilly and Company. We confirm that Mercy Investment Services Inc. has beneficial ownership of at least $2,000 in market value of the voting securities of Eli Lilly and Company, and that such beneficial ownership has existed continuously for at least one year including a one year period preceding and including November 2, 2020, in accordance with rule 14a-8 of the Securities Exchange Act of 1934. Further, it is Mercy Investment Services Inc., intent to hold at least $2,000 in market value through the next annual meeting.

We also confirm that as of the filing date, November 2, 2020, Mercy Investment Services Inc., held 13,616 additional shares of Eli Lilly and Company with a market value of $1,792,274.08.

Please be advised, Northern Trust is a DTC Participant, whose DTC number is 2669.

If you have any questions please feel free to give me a call.

Sincerely,

Joe Wilimczyk

Joe Wilimczyk
Officer
312 444 4146

[29] This resource was submitted as part of a shareholder resolution lead filed by Mercy Investment Services with Eli Lily, on how the company's "receipt of public financial support for development and manufacture of products for COVID-19 is being, or will be, taken into account when making decisions that affect access to such products, such as setting prices." The proof of ownership letter, included in the company's no-action request, is available here.

Appendix G: Mock Withdrawal Agreement Letter

May 12, 2021
Jane Doe
Corporate Secretary & Deputy General Counsel XYZ Company
150 Redcircle Dr.
Boston, MA 02112
Via e-mail: Jane.Doe@XYZCompany.com

Dear Ms. Doe:

CITY OF ABC OFFICE OF THE COMPTROLLER Robert Johnson
1120 West Beach Rd., 5TH FLOOR CITY OF ABC, ABC. 2001 TEL: (112) 334-1178 FAX: (112) 334-1178 RJohnson@ABCcity.org

Thank you for your March 12, 2021, and subsequent clarifying emails confirming that XYZ Company will provide enhanced disclosure of its lobbying activities. Specifically, we understand that:

1. Prior to January 12, 2022, XYZ Company will enhance its lobbying disclosure available on its website to: (1) include a list of its primary trade association memberships (lobbying expenses in excess of $25K); (2) outline its "Top Five" policy priorities; and (3) provide increased insight into Board and management roles and responsibilities related to lobbying and political activities.

2. Prior to June 12, 2022, XYZ Company will issue a report (the "Paris-Aligned Lobbying Report") on XYZ Company's lobbying activities, detailing how it is aligned with the Paris Climate Agreement's goal of limiting average global warming to [well] below 2° Celsius. (We note that the Paris Climate Agreement's goal is to limit average global warming to "well below" 2° Celsius, preferably 1.5° Celsius, consistent with the Business Ambition for 1.5° C Commitment to which XYZ Company is a laudably signatory.)

We further understand that XYZ Company will (a) issue a Paris-Aligned Lobbying Report on an annual basis for at least three years, and (b) disclose its commitment regarding a Paris-Aligned Lobbying Report in its 2022 proxy statement.

These are welcome steps that are responsive to shareholder proposals submitted by the City of ABC's Retirement System at XYZ Company's 2020 and 2021 annual meetings,

Therefore, in light of the Board's action, hereby withdraw the City of ABC's shareholder proposal submitted to XYZ Company's 2021 annual meeting. This letter formalizes the commitment that provided to you in an April 12, 2021, email.

Thank you again for your efforts, and the company's engagement and responsiveness.
Sincerely,

Appendix H: Example Proxy Memo[30]

Chevron Corporation (CVX)

Proposal: Climate Lobbying Report

Proponent: BNP Paribas Asset Management
Adam Kanzer, Head of Stewardship - Americas, adam.kanzer@bnpparibas.com

Resolution:

Resolved: Shareholders request that the Board of Directors conduct an evaluation and issue a report within the next year (at reasonable cost, omitting proprietary information) describing if, and how, Chevron's lobbying activities (direct and through trade associations) align with the goal of limiting average global warming to well below 2 degrees Celsius (the Paris Climate Agreement's goal).

The report should also address the risks presented by any misaligned lobbying and the company's plans, if any, to mitigate these risks.

Summary:

- Corporate lobbying activities that are inconsistent with meeting the goals of the Paris Agreement present regulatory, reputational, and legal risks to investors.

- Delays in implementation of the Paris Agreement increase the physical risks of climate change, pose a systemic risk to economic stability, and introduce uncertainty and volatility into our portfolios.

[30] Link to the *2020 Ceres Proxy Voting Guidebook* with this memo and others.

- We believe that Paris-aligned climate lobbying helps to mitigate these risks and contributes positively to the long-term value of our investment portfolios.

- Of particular concern are the trade associations and other politically active organizations that speak for business but, unfortunately, too often present forceful obstacles to progress in addressing the climate crisis.

- Insufficient information is presently available to help investors understand how Chevron works to ensure that its lobbying activities, directly, in the company's name, and indirectly, through trade associations, align with the Paris Agreement's goals, and what Chevron does to address any misalignments it has found.

- Two hundred institutional investors managing $6.5 trillion wrote to Chevron in September 2019 seeking information on how the company is managing this critical governance issue. The company's response provided no information on how Chevron assesses policy alignment with the Paris Agreement.

Background:

As investors, we view fulfillment of the Paris Agreement's goal—to hold the increase in the global average temperature to "well-below" 2°C above preindustrial levels, and to pursue efforts to limit the temperature increase to 1.5°C— as an imperative. We are convinced that unabated climate change will have a devastating impact on our clients, plan beneficiaries, and the value of their portfolios. We see future "business as usual" scenarios of 3-4°C or greater as both unacceptable and uninvestable.

According to the most recent annual "Emissions Gap Report" issued by the United Nations Environment Programme (November 26, 2019), critical gaps remain between the commitments national governments have made and the actions required to prevent the worst effects of climate change. Companies have an important and constructive role to play in enabling policymakers to close these gaps.

A set of Investor Expectations on Corporate Climate Lobbying, launched in Europe in 2018[31] and submitted to all U.S. members of Climate Action 100+ in 2019,[32] asks companies to lobby in favor of the Paris Agreement's goals, assess how direct and indirect lobbying activities align with the Paris Agreement, act on any misalignments found, and publicly report on this analysis.

[31] https://bit.ly/392WT1H
[32] https://bit.ly/2QxzHCw

Investors have reached agreement on the Investor Expectations with 16 major European corporations, including peer companies BP, Equinor, Repsol, Shell, and Total.

Insufficient information is presently available to help investors understand how Chevron works to ensure that its lobbying activities, directly, in the company's name, and indirectly, through trade associations, align with the Paris Agreement's goals, and what Chevron does to address any misalignments it has found.

Chevron's trade association memberships present potential Paris Agreement misalignments. For example, Chevron is a member of the American Fuel and Petrochemical Manufacturers (AFPM) and the Western States Petroleum Association. BP recently announced[33] it would be leaving both organizations due to misalignments on climate policy and Total[34] and Shell[35] both announced they will leave AFPM. All three companies have published reports discussing their analysis. The Proposal does not dictate what actions Chevron should take, and Chevron's board may ultimately disagree with BP, Shell, and Total's analyses, but these peer reports suggest that a review of trade associations is warranted.

[33] https://on.bp.com/2wgkzCH
[34] https://bit.ly/2J0IzK
[35] https://go.shell.com/2J4oPYM

Appendix – Example Exempt Solicitation[36]

Ford Motor Company
Proposal #5
Lobbying Expenditures Disclosure

April 29, 2020

Dear Ford Motor Company Shareholders:

The Comptroller of the City of New York on behalf of the New York City Retirement Systems, and the Unitarian Universalist Common Endowment Fund LLC urge you to vote FOR Item 5 at the Ford Motor Company ("Ford") shareholder meeting on May 14, 2020.

Our proposal—submitted in connection with our participation in the Climate Action 100+—asks Ford to prepare an annual report on the governance, management oversight, policies and expenditures related to federal and state lobbying. Specifically, the proposal calls on Ford to disclose:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient.
3. Description of management's decision-making process and the Board's oversight for making payments described above. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.

The proposal defines a "grassroots lobbying communication" as a communication directed to the general public that (a) refers to specific legislation or regulation, (b) reflects a view on the legislation or regulation and (c) encourages the recipient of the communication to take action with respect to the legislation or regulation. "Indirect lobbying" is lobbying engaged in by a trade association or other organization of which Ford is a member. Both "direct and indirect lobbying" and "grassroots lobbying communications" include efforts at the local, state, and federal levels. The proposal also asks that the report be presented to the Governance and Corporate Responsibility Committee and posted on Ford's website.

[36] Link to this example, an exempt solicitation filed by the co-lead investors of the CA100+ engagement with Ford on a lobbying proposal:
https://www.sec.gov/Archives/edgar/data/37996/000121465920003893/p430201px14a6g.htm

This proposal aligns with one of three central pillars of the Climate Action 100+ agenda, to "Implement a strong governance framework which clearly articulates the board's accountability and oversight of climate change." Through the Climate Action 100+ initiative, more than 450 investors with over $40 trillion in assets are asking high GHG emitting companies to curb emissions, improve governance and strengthen climate-related financial disclosures, including aligning their lobbying with the goals of the Paris Agreement. Specifically, investors are asking all focus companies: "Has the board developed monitoring systems to ensure consistency between its policy positioning (including those of trade associations to which it belongs) and implementation of the objectives of the Paris Agreement at global, regional, national and sub-national levels?"

Distinction between lobbying and election spending

This proposal specifically addresses the Company's lobbying activities, not its involvement in elections and campaigns for political office. Yet in the Company's opposition statement, it points to its dramatically improved rating from the Center for Political Accountability (CPA) as reason to vote against this proposal. Indeed, Ford's score on the Zicklin Index improved from 21 to 80 between 2018 and 2019, which is commendable. But the opposition statement conflates electoral and lobbying spending and implies that the CPA recognition is for lobbying disclosure as well as election spending. It is not.

Ford spends significant funds on lobbying

Ford spent $51.4 million from 2010 - 2019 on federal lobbying.[37] This figure does not include lobbying expenditures to influence legislation in states, where Ford also lobbies but disclosure is uneven or absent. For example, Ford spent $3.6 million on lobbying in California from 2010 - 2019.

Ford's lobbying disclosure is lacking

Ford's report on political contributions has significant deficiencies, including on its lobbying activities:

- Its Report of 2019 U.S. Political Activity[38] lists only 13 trade associations. Because Ford provides no criteria or inclusion, there is no way to whether the list is comprehensive.
- The report does not list the dollar amounts paid to these organizations, nor the non-deductible amounts.
- The report lists 527 organizations (nonprofits organized to influence elections) and 501c4 social welfare groups with amounts paid to them. But as with the trade associations, the criteria for inclusion are not stated, so there is no way to know if the list is comprehensive.
- Ford's policy on political contributions is referenced in the report and quoted in part, but the full policy is not available on the company website.

[37] https://www.opensecrets.org/orgs/summary?id=D000000182
[38] https://tinyurl.com/ulrqtts

- There is very little information provided about oversight of its lobbying activity. Does the board have any role? Is there a committee responsible for oversight? There's also very little about management oversight.
- The amounts spent on lobbying are not reported. Instead, there is a link to the House of Representatives site where one can search the database. A search for Ford's 2019 expenditures yields 540 entries. This is far from being transparent. Ford should have a report that summarizes amounts spent at the federal and state levels.
- The report does not compare company public policy positions to those promoted by its trade associations nor explain what Ford is doing about significant discrepancies. Shell and other companies are now doing this.
- The Company's disclosure of state lobbying expenditures is incomplete and inconsistent in the information provided for each state.

Information sought by investors

We urge Ford to add to its website, under the Political Contributions and Expenditures Policy section, additional details on lobbying activities and expenditures. The present policy provides a helpful and full description of election-related spending and oversight. However, it does not provide similar reporting on lobbying disclosure and public policy advocacy. Here is what investors seek to understand about Ford's lobbying:

1. Consistency between the Company's lobbying on one hand and its corporate strategy and business interests on the other.
2. Clear, high-level presentation of federal, state, and local lobbying expenditures. Strict adherence to federal and state regulations is assumed, but a link to federal and state filings is not sufficient.
3. Transparency on "dark money"; that is, contributions to trade associations and grassroots lobbying campaigns where donors are not identified. Companies should disclose amounts contributed to such organizations and the amount that is not deductible (i.e., spent on lobbying activities).
4. Clarity on public policy positions and the lobbying priorities of the company.
5. Transparency on inconsistencies between trade association positions and company positions and values.
    a. How the company addresses such inconsistencies; and
    b. Rationale for membership in trade associations that take positions at odds with the Company's own.
6. Management's policies and procedures to insure strategic consistency.
7. The board's role in oversight of lobbying expenditures and priorities. Also, how the board fulfills this duty.

Investor support for lobbying transparency

Because of the reputational risk and potential damage to shareholder value, there is growing investor support worldwide for lobbying transparency from their portfolio companies.

- Through the Climate Action 100+ initiative, over 300 investors managing $40 trillion are asking companies to align their lobbying with the goals of the Paris Agreement.
- In the fall of 2019, 200 institutional investors with a combined $6.5 trillion in assets under management issued a report entitled "Investor Expectations on Climate Lobbying" that called on companies to align their climate lobbying with the goals of the Paris Agreement. Specifically, the statement calls for companies to disclose their "direct and indirect lobbying on climate change policies" and "The company's membership in, or support for, third party organizations that engage on climate change issues."[39]

Corporate reputation is an important component of shareholder value

The failure of Ford to provide robust and complete disclosure of its lobbying activities and expenditures exposes it to potential reputational damage. In this age of social media, reputation is increasingly difficult to protect. A recent report from Deloitte says, "The Internet, consumer generated feedback and social media have created an environment in which seemingly modest transgressions can have widespread consequences, and where a single serious incident can cause long-term or perhaps terminal damage to a firm."[40]

Since trade associations represent that they speak for their membership, there can be misalignment between trade association positions and company policy positions that creates reputational risk. Ford, along with several other auto manufacturers, has made an agreement with California to extend aggressive emissions standards. This bold stand, supported by many investors, could be undermined by trade associations of which Ford is a member that are pursuing conflicting policy goals.

The well-documented reputational risks of Ford's lobbying and its inadequate lobbying disclosure policies highlight the critical need for Ford to improve its lobbying disclosures and increase transparency around its lobbying policies, procedures, and spending details.

For all of the above reasons, we believe that Ford's current lobbying disclosures are inadequate to protect shareholder interests. We urge you to vote FOR Item 5, the shareholder proposal requesting board oversight and disclosure of Ford's lobbying expenditures.

Sincerely,

Scott M. Stringer
New York City Comptroller

Timothy Brennan
Unitarian Universalist Association

[39] https://bit.ly/3qD9zGa
[40] https://bit.ly/2NjUYkw

This is not a solicitation of authority to vote your proxy. Please DO NOT send us your proxy card; the proponents are not able to vote your proxies, nor does this communication contemplate such an event. The proponents urge shareholders to vote for Item 5 following the instructions provided on management's proxy mailing.

Appendix J: Proxy Memo Guidance

Template Proxy Memo

Company (ticker)
Proposal # and title (Use the proposal heading as it appears in the proxy statement. If the proxy statement has not been issued, you can say "Proposal # TBD" and use the title you gave the proposal originally.)
Proponent: filing firm or individual
Contact (name, email, phone if available)
[Prepared by (representative) on behalf of (proponent), if applicable]

[If filing as an exempt solicitation, consult your legal or compliance team for guidance on any additional disclosures that your organization may require. See disclosures in 2022 exempt solicitations linked below for reference.]

Resolution (resolved clause and supporting statement, if applicable)

Summary of the rationale (bullet point format encouraged)

Background

- Describe the topic and why it's important
- Whether and how the Company is currently addressing the topic vs. best practice

Rationale (Be sure to cite your sources using footnotes, though formal citation formatting is not required. If filing the memo as an exempt solicitation, hyperlinks will not show up in your filing – adding full URLs to the footnotes is needed so that investors can access your sources.)

Things to highlight might include:

- Business case/material risks posed by insufficiently addressing the topic
  - Applicable risks may include regulatory, reputational, transition, competitive, market, physical, operational, supply chain, and legal risks
  - Reference relevant risk factors from the company's 10-K and/or SASB industry topics that align with the proposal
- Responses/rebuttals to the company's opposition statement
  - The opposition statement is due to the filer 30 days prior to the proxy statement issuance, so there should be sufficient time to address it. If the company misses this deadline, filers should reach out to the company to

determine next steps (can either ask that the company not publish an opposition statement at all or, if the company insists on publishing one, that the AGM date be moved back to allow for the full 30-day requirement). If the company does not respond to this outreach, the filer should contact the SEC to explain the situation.

- Peer comparison: how the company is currently lagging peers or is in danger of doing so
- Feasibility of addressing the proposal
- Engagement history, including past votes on the proposal, and, if applicable, how the company's engagement with the proponent is inadequate
- Whether the proposal has been flagged by Climate Action 100+, if applicable
- Evidence of broad investor support for addressing the topic (sign-on letters, investor-led initiatives, etc.)
- Successful vote or withdrawal commitment outcomes on similar proposals at other companies
- Negative media or NGO campaign attention on the company or on a peer in response to insufficient action on the same topic

Conclusion

Additional tips crowdsourced from SICS investors:

- File your memo as an exempt solicitation to maximize the number of investors it reaches. Here are instructions for filing an exempt solicitation for the first time.
- Publish memos as soon as possible after the proxy statement is published.
    - Be sure to cross-check the proposal # and name referenced in the memo with what's in the proxy statement and ensure the company didn't change any parts of the opposition statement that you quoted or referenced.
- Keep your memo concise. Don't repeat information already included in the body of the proposal and be as specific to the company as possible.
- Mirror language from large asset manager position statements, voting bulletins, or proxy voting guidelines in support of addressing the topic wherever possible.

Appendix K: Example AGM Statement Text

AGM Statement on Deforestation Resolution by Green Century Capital Management with Procter & Gamble, 2020 AGM, 67.7% Vote

Fellow shareholders, members of the Board,

On behalf of Green Century Funds and its investors, I am here today to advance item Number 5 on Procter and Gamble's proxy statement, which urges the company to assess how it can increase its efforts to eliminate deforestation and forest degradation in its supply chains.

Protecting forests is vital for *combating* climate change, the degradation of ecosystems, and biodiversity loss, all of which pose systemic and material risks to our portfolios. Additionally, the strong correlation between environmental degradation and the increased occurrence of zoonotic diseases like Covid-19 has reinforced investors' interest in addressing forest-related risks.

While P&G has taken some steps, we are concerned that the Company's approach fails to adequately address the company's impact on forests and to mitigate operational, competitive, and reputational risks.

By way of a few examples:

- Despite setting a goal in 2014, only 8% of P&G palm oil is sustainably sourced; a significant portion continues to come from suppliers that deforest illegally and that employ forced labor.
- P&G has pursued a commitment to the use of "environmentally preferred fibers" by relying on Brazilian eucalyptus, a water intensive crop. By comparison, competitors like Kimberly Clark, Target, and other companies, produce products made from bamboo or 100% recycled material or other sustainable alternatives, to which P&G risks losing further market share.
- For two years, Procter & Gamble has been the target of an escalating public pressure campaign for sourcing from regions, like the boreal, that are critical for mitigating climate change and protecting threatened species. P&G's "It's Our Home" commitment was met with criticism for failing to address such upstream impacts.
- For failing to meet its own commitments and shifting societal expectations, P&G has received negative coverage in a slate of high-profile papers in the last year, including the Financial Times, Forbes, Bloomberg, and Reuters.

Ambition 2030, which seeks to address the tension between finite resources & growing consumption, is a laudable goal. But we know that it's possible to set robust policies that *comprehensively* address operational, reputational, and systemic risks. For example, Kimberly Clark has committed to reduce reliance on natural forests by 50%, to source 90% of its tissue

from recycled, alternative, and FSC-certified fibers by 2025, and to reduce Scope 3 emissions by 20%.

As shareholders, we are concerned about the Board's response to our proposal. As consumer preferences, social license, and the state of our environment change, it is imperative that sustainability be at the heart of a company's plans. P&G's approach to date has not lived up to those challenges. We urge the Board to consider more comprehensive measures, including committing to reducing P&G's reliance on wood-based virgin fibers, not sourcing from ecosystems critical for fighting the climate crisis, and adopting supplier non-compliance protocols.

To other shareholders – we urge you to vote FOR this proposal. Thank you.

Appendix L: 13 Bases for Exclusion of Shareholder Resolutions

Note that the table below is copied directly from the SEC's website:
https://www.sec.gov/interps/legal/cfslb14.htm

Substantive Basis	**Description**
Rule 14a-8(i)(1)	The proposal is not a proper subject for action by shareholders under the laws of the jurisdiction of the company's organization.
Rule 14a-8(i)(2)	The proposal would, if implemented, cause the company to violate any state, federal or foreign law to which it is subject.
Rule 14a-8(i)(3)	The proposal or supporting statement is contrary to any of the Commission's proxy rules, including rule 14a-9, which prohibits materially false or misleading statements in proxy soliciting materials.
Rule 14a-8(i)(4)	The proposal relates to the redress of a personal claim or grievance against the company or any other person or is designed to result in a benefit to the shareholder, or to further a personal interest, which is not shared by the other shareholders at large.
Rule 14a-8(i)(5)	The proposal relates to operations that account for less than 5% of the company's total assets at the end of its most recent fiscal year, and for less than 5% of its net earnings and gross sales for its most recent fiscal year and is not otherwise significantly related to the company's business.
Rule 14a-8(i)(6)	The company would lack the power or authority to implement the proposal.

Rule 14a-8(i)(7)	The proposal deals with a matter relating to the company's ordinary business operations.
Rule 14a-8(i)(8)	The proposal relates to an election for membership on the company's board of directors or analogous governing body.
Rule 14a-8(i)(9)	The proposal directly conflicts with one of the company's own proposals to be submitted to shareholders at the same meeting.
Rule 14a-8(i)(10)	The company has already substantially implemented the proposal.
Rule 14a-8(i)(11)	The proposal substantially duplicates another proposal previously submitted to the company by another shareholder that will be included in the company's proxy materials for the same meeting.
Rule 14a-8(i)(12)	The proposal deals with substantially the same subject matter as another proposal or proposals that previously has or have been included in the company's proxy materials within a specified time frame and did not receive a specified percentage of the vote. Please refer to questions and answers F.2, F.3 and F.4 for more complete descriptions of this basis.
Rule 14a-8(i)(13)	The proposal relates to specific amounts of cash or stock dividends.