Ceres

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Proxy Ballot

Proxy Voting Guidebook 2019

The Business Case for Select Climate-Related Proposals

About this guidebook

This guidebook is a compilation of memos that explore the business case and rationale for various climate- and ESG-related shareholder proposals filed mainly with U.S.-based companies. The proposals will appear on company proxy ballots during 2019.

About Ceres

Ceres is a sustainability nonprofit organization working with the most influential investors and companies to build leadership and drive solutions throughout the economy. Through our powerful networks and advocacy, we tackle the world's biggest sustainability challenges, including climate change, water scarcity and pollution, and human rights abuses.

The Ceres Investor Network on Climate Risk and Sustainability is comprised of more than 160 institutional investors, collectively managing more than $25 trillion in assets, advancing leading investment practices, corporate engagement strategies and policy solutions to build an equitable, sustainable global economy and planet. For more information, visit www.ceres.org.

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Introduction

This guidebook showcases memos supporting shareholder proposals filed by institutional investors concerned about the risks and opportunities of climate change to companies in their portfolios. Each memo presents the business case for a shareholder proposal that will go to vote during the 2019 proxy season. The resolutions discussed are a sampling of more than 130 climate-related shareholder proposals filed during the 2019 proxy season.[1]

The memos cover climate change-related topics including carbon asset risk, greenhouse gas (GHG) reduction goals, high-carbon financing, deforestation, lobbying disclosure, sustainability reporting and water impacts.

Investor action to address climate change is growing rapidly

Climate Action 100+ (CA 100+) is a global investor initiative launched in December 2017 to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. More than 320 investors with more than $33 trillion in assets collectively under management are engaging companies on improving governance, curbing emissions and strengthening climate-related financial disclosures. The companies include 100 "systemically important emitters," accounting for two-thirds of annual global industrial emissions, alongside more than 60 others with significant opportunity to drive the clean energy transition.

In July 2018, Climate Action 100+ released an update showing that 18 percent of focus companies have signed the official statement of support or committed to implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). (For more details on TCFD, which is now supported by over 580 investors and companies, see the Continental Resources memo.) In addition, 22 percent of CA 100+ focus companies have set or committed to set a science-based target or equivalent long-term target beyond 2030.[2] Memos in this guidebook filed as part of CA100+ are marked with the initiative logo.

Along with the rapid growth of investors backing CA 100+ and the TCFD, support for climate-related resolutions by large asset managers is growing as well. During the 2018 proxy season, 46 percent of the largest asset managers operating in the U.S. voted for over half of climate-related shareholder proposals tracked by Ceres, up from approximately 33 percent in 2017.[3]

Carbon asset risk

Scenario analyses have become a key way for oil, gas and electric utility companies to address carbon asset risk and the transition to a low-carbon energy future. The average vote on the three shareholder proposals requesting two-degree warming scenario (2DS) analyses filed with oil and gas companies during the 2018 proxy season was 52.8 percent (with majority votes at Kinder Morgan and Anadarko). In addition, the 2018 season featured a dozen 2DS proposals that were

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[1] https://www.ceres.org/resources/tools/climate-and-sustainability-shareholder-resolutions-database
[2] https://climateaction100.files.wordpress.com/2018/07/climateaction100_plus-list-one-pager-62718.pdf
[3] https://bit.ly/2Oin2kC

withdrawn in return for commitments by companies.[4] Carbon Tracker estimates that $1.6 trillion of future capital expenditures are at risk of being wasted, with private sector fossil fuel companies bearing most of the burden.[5]

GHG goals and clean energy sourcing

Quantitative, company-wide greenhouse gas (GHG) reduction goals are necessary for both corporate managers and investors to determine the overall expected impact of various initiatives to reduce emissions. The Science Based Target Initiative reveals that hundreds of large companies have already committed to setting GHG reduction goals and provides resources to assist companies.[6]

Investments in projects which boost energy efficiency and projects which source renewable energy are two of the leading ways companies can achieve emissions reductions goals and capture the associated benefits. Improving energy efficiency typically generates a very high return on investment with little risk.[7] In fact, CDP reports that carbon reduction actions tend to be more profitable than a company's core business.[8] Similarly, switching to renewable energy sources can provide companies important reputational benefits and reduce costs since wind and solar prices are now competitive with those of coal and natural gas in many regions, including large portions of the U.S.

Deforestation

Global supply chains for commodities such as cattle, palm oil and soy beans put companies at risk of supporting deforestation, which is associated with a multitude of human, legal and environmental abuses. In fact, deforestation produces more GHG emissions than the global transportation sector.[9] Companies which use commodities produced in regions where deforestation occurs need robust policies and management systems to protect their reputations, ensure uninterrupted supplies and reduce regulatory and legal risks.

Lobbying disclosure

Corporate lobbying disclosure and its relationship to climate change-related laws and regulations is an increasingly important issue for fiduciaries. Investors who are part of the Climate Action 100+ initiative have raised the issue of climate-related lobbying with over 160 companies with high greenhouse gas emissions. This has resulted in positive movement by companies. For example, Royal Dutch Shell has agreed to align its own lobbying with the goals

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[4] https://bit.ly/2XWIXlI
[5] https://www.carbontracker.org/reports/mind-the-gap/
[6] http://sciencebasedtargets.org/
[7] https://bit.ly/2UBTrF0, See page 8. The authors note: "On a simple basis, a five year payback translates to approximately a 15 percent IRR over a ten year period..." And the table shows many project types with paybacks periods of five or fewer years. For comparison, Berkshire Hathaway's average annual return is approximately 19% and the S&P 500's average annual return is 10%(1926-2018) according to Investopedia.
[8] https://bit.ly/2TyAWVo
[9] https://www.climatecouncil.org.au/deforestation

of the Paris Accord and to evaluate trade associations they support using the same standard. Investors working on the issue expect other companies will soon follow suit.

Sustainability reporting

The sustainability reporting process, in all its forms — stand-alone reports, web pages and ESG elements integrated within financial reports — underpins both corporate ESG programs and investing. It is impossible to manage or understand what is not measured. Indeed, in 2018, 85 percent of S&P 500 companies engaged in some form of sustainability reporting.[10] Lack of ESG disclosure now contributes to poor ESG scores for companies on leading mainstream investment platforms offered by Bloomberg, Google Finance, Morningstar, Moody's, MSCI, Sustainalytics, Dow Jones and Yahoo Finance.

Furthermore, numerous studies (included those listed below) link strong ESG performance with strong financial performance. Partly as a result, more than one in four dollars invested in U.S. markets are linked with some type of ESG investing.[11] Larry Fink, CEO of BlackRock, wrote in his 2018 letter to CEOs: "To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees, customers and the communities in which they operate."[12] It is critical that companies report on sustainability strategies, policies, goals and metrics to demonstrate how they impact these stakeholders.

Examples of studies supporting the financial importance of ESG issues

- Friede, Busch and Bassen's landmark meta study reviewed the results of 2,200+ studies from 1970 through 2014. "The results show that the business case for ESG investing is empirically very well founded," the authors write. "Roughly 90 percent of studies find a nonnegative ESG–CFP (corporate financial performance) relation. More importantly, the large majority of studies report positive findings."[13]
- Morningstar's research from 2015 shows that large-cap U.S. funds with high Morningstar Sustainability Ratings have lower risk.[14]
- A 2014 study showed that 88 percent of reviewed sources find that companies with robust sustainability practices demonstrate better operational performance, which ultimately translates into cash flows. 80 percent of the reviewed studies demonstrate that prudent sustainability practices have a positive influence on investment performance.[15]
- A 2012 review by Deutsche Bank Group found that 89 percent of studies on ESG demonstrate that companies with high ESG ratings show market-based outperformance,

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[10] G&A Institute
[11] https://www.ussif.org/sribasics
[12] https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter
[13] https://www.tandfonline.com/doi/full/10.1080/20430795.2015.1118917
[14] Higher Sustainability Ratings Can Mean Lower Risk Jon Hale, Morningstar, October 13, 2015
[15] https://arabesque.com/research/From_the_stockholder_to_the_stakeholder_web.pdf

while 85 percent of the studies show accounting-based outperformance.[16]

- A study of the Thomson Reuters ESG dataset by Bank of America Merrill Lynch found that ESG integration can protect investors from bankruptcies, volatility, price declines and earnings risk. “Based on our analysis of companies with ESG scores that declared bankruptcy, an investor who only held stocks with above average-ranks on both Environmental and Social scores would have avoided 15 of 17 bankruptcies we have seen since 2008.”[17]
- An increasing number of investors are interested in ESG measures - more than executives think, according to research from MIT and BCG - and over half of investors will divest from a company with low sustainability ratings. The most popular reason cited in the study is that sustainability performance increases a company’s potential for long-term value creation.[18]

Conclusion

The following memos elucidate the themes above as well as related ESG issues. Each memo describes an opportunity for shareholders to encourage sensible risk disclosure and mitigation by voting “for” the featured shareholder proposal. Support for ESG disclosure and active ownership (such as conscientious voting on ESG proposals) is backed by more than 2,000 institutional investor signatories of the Principles of Responsible Investing (PRI), who collectively manage more than $80 trillion.[19] To see details of these and other climate- and ESG-related shareholder proposals, please visit: https://engagements.ceres.org.

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[16] https://www.db.com/cr/en/docs/Sustainable_Investing_2012.pdf
[17] https://www.iccr.org/sites/default/files/page_attachments/equitystrategyfocuspoint_esg.pdf
[18] https://bit.ly/2UCLHm2
[19] https://www.unpri.org/pri/about-the-pri

BP p.l.c. (BP)

Proposal: Strategy consistent with the goals of the Paris Agreement

Resolution

That in order to promote the long term success of the Company, given the recognized risks and opportunities associated with climate change, we as shareholders direct the Company to include in its Strategic Report and/or other corporate reports, as appropriate, for the year ending 2019 and onwards, a description of its strategy which the Board considers, in good faith, to be consistent with the goals of Articles 2.1(a)[20] and 4.1[21] of the Paris Agreement[22] (the 'Paris Goals'), as well as:

(1) Capital Expenditure: how the Company evaluates the consistency of each new material CapEx investment, including in the exploration, acquisition, or development of oil and gas resources and reserves and other energy sources and technologies, with (a) the Paris Goals and separately (b) a range of other outcomes relevant to its strategy;
(2) Metrics and Targets: the Company's principal metrics and relevant targets or goals over the short, medium, and/or long-term, consistent with the Paris Goals, together with disclosure of:
    a. the anticipated levels of investment in (i) oil and gas resources and reserves; and (ii) other energy sources and technologies;
    b. the Company's targets to promote reductions in its operational greenhouse gas emissions, to be reviewed in line with changing protocols and other relevant factors;
    c. the estimated carbon intensity of the Company's energy products and progress on carbon intensity over time; and
    d. any linkage between the above targets and executive remuneration;
(3) Progress reporting: an annual review of progress against (1) and (2) above.

Such disclosure and reporting to include the criteria and summaries of the methodology and core assumptions used, and to omit commercially confidential or competitively sensitive information and be prepared at reasonable cost; and provided that nothing in this resolution shall limit the Company's powers to set and vary its strategy, or associated targets or metrics, or to take any action which it believes in good faith, would best promote the long-term success of the Company.

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[20] Article 2.1(a) of The Paris Agreement states the goal of "Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change."

[21] Article 4.1 of The Paris Agreement: In order to achieve the long-term temperature goal set out in Article 2, Parties aim to reach global peaking of greenhouse gas emissions as soon as possible, recognizing that peaking will take longer for developing country Parties, and to undertake rapid reductions thereafter in accordance with best available science, so as to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century, on the basis of equity, and in the context of sustainable development and efforts to eradicate poverty.

[22] U.N. Framework Convention on Climate Change Conference of Parties, Twenty-First Session, Adoption of the Paris Agreement, U.N. Doc. FCCC/CP/2015/L.9/Rev.1 (Dec. 12, 2015).

Summary

- To contain temperature increases to well-below 2°C requires a considerable decrease in demand for, and investment in, fossil fuels. This threatens the long-term future of oil and gas companies such as BP p.l.c ("BP" or "the Company").

- The resolution directs the company to disclose its strategy which the Board considers, in good faith, to be consistent with the goals of the Paris Agreement, together with relevant metrics and targets associated with this strategy.

- The resolution puts in place a process for the company providing evidence that each new material investment is consistent with the goals of the Paris Agreement, demonstrating how the company evaluates the consistency of each new material CapEx investment with the Paris Goals.

- The resolution has been supported in the co-filing process by 68 shareholders holding 9.49 percent of BP shares. The company has publicly indicated its support for the resolution.

Investors expect summaries of the strategy, the evaluation of each material CapEx investment, and performance against key targets and metrics to be contained in the Strategic Report. To the extent appropriate, this disclosure should be supported by other relevant reporting.

Rationale Details

The current business model of BP is vulnerable to the transition to the low-carbon economy, wherein fossil fuels will play a greatly diminished role in the supply of energy.

BP is one of the largest integrated oil and gas companies in the world. The transition to a low-carbon economy presents a threat to the long-term viability of oil and gas companies, with demand for these products having to significantly decline if temperature increases are to be contained to well-below 2°C. Investors are paying close attention to the actions taken by these companies to not engage in projects which may be at risk from a decline in demand, and which may not turn out to be profitable in the long-term. Many of the companies within the sector, including BP, have already responded to pressure from investors to undertake scenario analyses to assess this viability under various temperature outcomes. As the urgency to limit the climate change increases, companies must go beyond undertaking scenario analysis, to clarifying how their strategy is aligned to the goals of the Paris Agreement.

The scenario analysis that BP undertakes in its annual Energy Outlook has aspects which demonstrate a strong understanding of the key drivers of the energy transition. Whilst investors may not agree with all of the assumptions, there is a significant amount of value in analyzing these scenarios to better understand the Company's view on how they expect certain technologies and policies to evolve. Despite this, it is not yet clear what the long-term strategy of

the company is, and whether it is aligned with the goals of the Paris Agreement. Many of BP's peers have taken steps to articulate their long-term strategy with respect to the changing conditions of the sector, leaving BP behind in terms of clarifying their future position.

Oil and gas continues to be a significant share of BP's activity. In 2018, BP's total capital expenditure was $15.1bn, with upstream and downstream oil and gas activities accounting for $14.8bn of this. Due to the natural decline rates of oil and gas fields, there is a need for such continued investment in oil and gas production. In addition, as the world transitions from coal to gas to support the decarbonization of other sectors, it is highly probable that there will be an increase in demand for natural gas, at least in the medium-term. BP have already taken steps to adjust its portfolio to gain greater exposure to natural gas relative to oil. This is exemplified by its purchase of BHP Billiton's unconventional U.S. assets last year. In addition, six of the nine projects due to begin in 2019 are natural gas or liquefied natural gas projects.

There is a significant risk that investment in some high-cost fossil fuel reserves or resources could prove a poor investment decision in low demand scenarios. Based on current company disclosures, investors are unable to properly appraise these risks. It also presents a potential inconsistency between the Company's actions and its stated corporate purpose "to produce energy which can power economic growth and lift people out of poverty" given climate vulnerabilities in many developing countries. This resolution seeks clarity on this critical question of how the Company's strategy could be compatible with the goals of the Paris Agreement, including detail in the following areas.

BP must demonstrate how its capital expenditure is consistent with the goals of the Paris Agreement

As demonstrated in BP's Energy and Technology Outlook publications, future levels of oil and gas demand are uncertain. Containing temperature increases to well-below 2°C requires a considerable decrease in demand for, and investment in, fossil fuels.

Based on current disclosures, it is not possible to evaluate the extent to which the Company's investments in fossil fuel reserves or resources are consistent with the goals of the Paris Agreement. This limits investors' ability to appraise the attractiveness of the Company as an investment proposition. Therefore, the resolution seeks disclosure of how the Company evaluates the consistency of new material CapEx investments with the goals of the Paris Agreement, as well as annual reporting on that evaluation.

The Company should determine the methodology for this evaluation and evolve this over time. However, investors expect this to include: consideration of the full life-cycle economics of individual projects; evaluation of the potential return on investment; and consideration of the projects' competitive positioning in this context. Research by Carbon Tracker provides an example methodology for this type of analysis and indicative results of the extent to which the Company and others may already be consistent with it.

In order to give a full picture of the short-, medium-, and long-term strategy, the company must disclose the associated metrics and targets for executing this strategy.

In order for investors to evaluate progress against its strategy, it is vital they understand the Company's key targets and other associated metrics. These should be set over as long a time frame as reasonably possible and reviewed regularly for continued consistency with the goals of the Paris Agreement as well as alignment with developments in the Company's portfolio, available measurement protocols and other relevant factors such as evolving science, technology and regulation.

To better appraise the long-term investment proposition, investors need to understand the consequences of the Company's strategy for its future business model. This should include the profile of anticipated levels of investment in different types of energy, including oil and gas and other lower carbon energy technologies and their strategic fit. Investors also want to understand the implications for both the carbon emissions associated with the Company's operations and the carbon intensity of its energy products over time. The Company should determine the methodology for estimating product carbon intensity. However, investors expect this to include the carbon content of energy products and the emissions associated with the value chain of their production. Finally, investors request to understand how the Company's targets and metrics link to executive remuneration.

Investors expect summaries of the strategy, the evaluation of each material CapEx investment, and performance against key targets and metrics to be contained in the Strategic Report, to the extent appropriate, supported by other reporting.

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Capri Holdings Limited (CPRI)[23]

Proposal: Assess feasibility of increasing use of clean energy

Prepared by Ceres

Resolution

To reduce pollution caused by fossil-fuel-based energy, which contributes to climate change and causes other harms to society, shareholders request that senior management of Capri Holdings Limited, with oversight from the Board of Directors, issue a report assessing the feasibility of adopting time-bound, quantitative, company-wide goals for increasing energy efficiency and use of renewable energy. The report should be issued within one year of the next annual general meeting at reasonable cost, and omitting proprietary information.

Summary

- This proposal was filed by the Office of the New York State Comptroller on behalf of the New York State Common Retirement Fund.
- A very similar proposal filed by New York State with Michael Kors Inc. last year received a vote of 46.2 percent.[24]
- Clean energy management means using energy more efficiently and shifting from fossil-based to renewable energy.
- By assessing goals to increase energy efficiency and the use of renewable energy, our company could:
    - reduce energy costs, minimize the risk of energy price shocks, and boost profitability;
    - reduce emissions of greenhouse gases (GHGs) and other pollutants harmful to human health and the environment.

Rationale

According to the International Energy Agency (IEA), improved energy efficiency could provide 49 percent and renewables 17 percent of the energy-related GHG emissions reductions needed to stabilize global temperatures at safe levels.[25] By replacing 25 percent of conventional energy consumption with renewables and energy efficiency, the U.S. retail sector could reduce GHG

[23] Formerly Michael Kors
[24] https://engagements.ceres.org/ceres_engagementdetailpage?recID=a0l1H00000C5GQ4QAN
[25] IEA, World Energy Outlook Special Report , 2015

emissions equivalent to removing nearly 9 million cars from the road.[26]

Energy efficiency and renewable energy make business sense in addition to providing climate and health benefits.

- Renewable energy costs in some markets are already below the average 2018 retail price of electricity of 10.58 cents per kWh reported by the U.S. Energy Information Agency.[27]
- Renewable energy prices are falling fast: by 2020, the average cost of wind power could decline to about 5 cents per kWh and solar will be 6 cents per kWh according to the International Renewable Energy Agency.[28]
- CDP reports that the efficiency investments of hundreds of global companies paid for themselves through reduced energy bills in just 4.2 years on average.[29]
- A 2018 report from Lawrence Berkeley National Laboratory found that the "cost of saved energy," a measure of the price of efficiency improvements, was just 2.8 centers per kWh. This is about one quarter the average cost of buying electricity from the grid.[30]

To capture the business, environmental, and social, and benefits, leading retailers have begun setting aggressive clean energy targets:

- Bestseller, Burberry, H&M, Nike, Target, VF Corporation, Walmart, and Yoox Net-a-Porter have all committed to 100 percent renewable energy.[31]
- In 2017, H&M pledged to double its energy efficiency by 2030.[32]
- H&M also committed to enrolling 100 percent of its suppliers in an energy efficiency program.[33]
- In its latest sustainability report, Ralph Lauren disclosed that it had procured wind power representing 10 percent of its U.S. electricity use and implemented energy efficiency measures in stores, offices and distribution centers that included upgrades of lighting, heating, and cooling systems.[34]
- 26 fashion brands — including such competitors as Ann Taylor, Benetton, Esprit, Global Brands, Guess and others — have joined the Sustainable Apparel Coalition to measure and manage social and environmental impacts in the apparel value chain.[35]

By contrast with many of its competitors, Capri discloses no information on its website on plans to procure renewable energy or improve the company's energy efficiency. That could be a mistake if the company wishes to remain competitive with millennial shoppers. According to the

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[26] Ceres estimate based on publicly available data, March 2019.
[27] https://bit.ly/2TgpNUo
[28] https://www.irena.org/publications/2018/Jan/Renewable-power-generation-costs-in-2017
[29] http://energyupdate.wglenergy.com/wges/textonly/2015-12-21/2.htm
[30] Lawrence Berkeley National Laboratory, The Cost of Saving Electricity Through Energy Efficiency Programs Funded by Utility Customers: 2009–2015, 2018
[31] http://there100.org/companies
[32] See https://www.theclimategroup.org/ep100-members
[33] https://www.theclimategroup.org/ep100-members
[34] https://careers.ralphlauren.com/portal/4/docs/Fiscal2017_CorporateResponsibilityReport.pdf, p.22
[35] https://apparelcoalition.org/brands-retailers/

fashion website Refinery29, “when brands incorporate sustainability and corporate social responsibility into their DNA, millennial shoppers are more likely to spend their hard earned money on those products.”[36]

Conclusion

Climate change represents a serious risk for companies, portfolios, the global economy, and society as a whole. Energy efficiency and use of renewable energy are practical and cost-effective methods for reducing a company’s carbon footprint. Capri should take advantage of this opportunity to reduce costs, improve reputation, and mitigate climate risks. We urge shareholders to vote “For” this proposal.

[36] https://www.refinery29.com/en-us/2018/01/186852/millennials-shopping-trends-2018

Charter Communications Inc. (CHTR)

Proposal: Sustainability reporting with greenhouse gas (GHG) emissions reduction targets

Co-lead filed by: Illinois State Treasurer's Office, Office of the New York State Comptroller and Walden Asset Management

Resolution

Shareholders request that Charter Communications (Charter) issue an annual sustainability report describing the company's policies, performance, and improvement targets related to material environmental, social, and governance (ESG) risks and opportunities including greenhouse gas (GHG) reduction targets and goals. The report should be available to shareholders within a reasonable timeframe, prepared at reasonable cost, omitting proprietary information.

Summary

1) Charter Communications fails to provide sufficient Environmental, Social, and Governance (ESG) and sustainability reporting despite investor needs for such information.

2) Although Charter Communications faces increasing business risks and opportunities related to climate change, the company does not disclose its greenhouse gas (GHG) emissions and has no GHG reduction targets.

3) Charter Communications lags behind its peers on sustainability disclosure and adopting GHG reduction targets.

Rationale

Charter Communications fails to provide ESG and sustainability reporting despite repeated requests by investors

- Presently, Charter does not disclose any ESG information other than philanthropy on its website or through other publications.
- Company performance on material ESG issues can influence long-term shareholder value.[37] Strong management of material ESG risks can have a positive effect on long-term

[37] https://corpgov.law.harvard.edu/2017/07/26/the-esg-integration-paradox/

shareholder value and value creation. Failure to adequately manage and disclose performance on material ESG factors can pose significant regulatory, legal, reputational, and financial risk to the company and its shareholders.

- The Sustainable Accounting Standards Board, which provides a framework for identifying material ESG issues, identifies energy consumed by infrastructure; data privacy; data security; product end-of-life management; managing systemic risks from technology disruptions; and competitive behavior and open internet as material ESG considerations for Charter.
- This request for sustainability reporting echoes the appeal of Principles of Responsible Investing (PRI) signatories, representing over 1900 institutional investors with more than $80 trillion in assets under management.
- Likewise, CDP, representing 827 institutional investors globally with approximately $100 trillion in assets, calls for company disclosure on GHG emissions and climate change management programs.

Although Charter Communications faces increasing business risks and opportunities related to climate change, the company does not disclose its GHG emissions and has no GHG reduction targets.

- In 2015, the Paris Climate Agreement was adopted and subsequently signed by 195 countries. It specifies a goal to limit the increase in global average temperature to well below 2°C above pre-industrial levels. In order to meet the 2° C goal, climate scientists estimate that a 55 percent reduction in GHG emissions globally is needed by 2050 relative to 2010 levels, entailing a US target reduction of 80 percent. A combination of scholarly reports such as the UN IPCC 1.5 degree report and growing evidence of physical impacts from climate change make increased policy action more likely.
- Charter is exposed to a variety of risks and presented with opportunities related to climate change, including the following:
    - The fourth National Climate Assessment volume II, released in 2018 by leading climate scientists and thirteen federal agencies, warned that in the absence of more significant global mitigation efforts, climate change is projected to impose substantial damage on the U.S. economy.[38] At the state level, governors of the U.S. representing 40 percent of the nation's population have established or committed to achieving ambitious emissions reduction targets.[39] Not only Charter's operations but also Charter's customers, vendors, and key suppliers may be affected by the progressively stringent emissions reduction demands called for by the Paris Climate Agreement.
    - With the decreased cost of renewable energy sources, Charter can reduce operational costs and energy uncertainty. Lazard's latest annual Levelized Cost of Energy Analysis (LCOE 12.0) shows a continued decline in the cost of generating

[38] https://nca2018.globalchange.gov/
[39] https://www.usclimatealliance.org/publications/oneyearanniversary

electricity from alternative energy technologies, particularly as levelized costs of renewable energy sources without subsidies have dropped to at or below the cost of coal and natural gas.[40]
    - There is a clear link between improved financial performance and energy efficiency measures. For example, in 2013, CDP and World Wildlife Fund found that four out of five companies in the S&P 500 earned a higher return on investments aimed at reducing carbon emissions than other capital investments. This study also found energy efficiency improvements earned an average return on investment of 196%, with an average payback period of two to three years.[41]
    - CDP research in 2014 shows that companies that lead on climate change management — including setting GHG goals — generate superior profitability, have lower volatility of earnings, grow dividends to shareholders, and exhibit valuable attributes to investors.[42]
- Many of the world's largest investors and corporations recognize the value in disclosing and reducing GHG emissions. For example, the Recommendations of the Task Force on Climate Related Financial Disclosures (TCFD), which was commissioned by the Financial Stability Board in response to a request by the G20, advise companies to disclose metrics and targets related to managing climate-related risks and opportunities. This includes: "disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas emissions, and the related risks;" and "describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets."[43] These recommendations have been supported by over 500 organizations, including over 280 financial institutions that are responsible for assets of nearly $100 trillion.[44]
- GHG management may have a material impact on Charter's business operations, costs, and profitability. The absence of information regarding GHG data and GHG reduction targets challenges investors' ability to comprehensively evaluate the company's management of climate risks and opportunities.

Charter Communications lags behind its peers and most large companies on sustainability disclosure and GHG reduction targets.

- Charter has never responded to CDP, whereas peers such as AT&T, Comcast, Liberty Global, Sky PLC, and Verizon do respond to the annual CDP climate change survey. These peers also provide more extensive ESG information on their websites and have set greenhouse gas emission reduction goals such as:
    - AT&T: Reduce Scope 1 emissions by 20% by 2020 using a 2008 base line, and by 2025 enable carbon savings of 10x the footprint of the company's operations by enhancing the efficiency of the company's network and delivering sustainable

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[40] https://www.lazard.com/media/450784/lazards-levelized-cost-of-energy-version-120-vfinal.pdf
[41] WWF-US and CDP. "The 3% Solution." https://www.worldwildlife.org/projects/the-3-solution 2013
[42] CDP S&P 500 Climate Change Report 2014, Climate action and profitability
[43] https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-TCFD-Report-062817.pdf
[44] https://www.fsb-tcfd.org/tcfd-supporters/

solutions to customers.[45]
  - Comcast: Commitment to zero emissions, zero waste, and 100% renewable energy (target year undefined).[46]
  - Liberty Global: Commitment to achieving a 15% energy efficiency improvement every year through 2020. Also committed to setting a science-based GHG reduction target in line with the UN Paris Agreement in its 2017 Sustainability Report.[47]
  - Sky PLC: Achieve net zero carbon across Sky Group by 2050 and 100% renewable energy in operations by 2020[48] (already achieved a 55% reduction in carbon intensity against 2008/09 baseline by 2018 — two years ahead of their 2020 target).[49]
  - Verizon: Reduce carbon intensity by 50% by 2025 from 2016 baseline.[50]
- In 2017, KPMG found that 75% of 4,900 global public companies had ESG reports.[51]
- In 2017, 70% of the S&P 500 disclosed their Climate Change policies, practices and performance to CDP.[52]

Conclusion

Material ESG issues, such as climate change, create risks to and opportunities for Charter Communications' business operations and profitability. Charter Communications currently does not provide sufficient ESG disclosure, including GHG emissions targets, needed by investors to inform decision-making. Accordingly, investors are encouraged to vote "FOR" this important request for enhanced disclosure.

For questions, please contact:

Walden Asset Management, Carly Greenberg, CFA, cgreenberg@bostontrust.com

[45] https://about.att.com/csr/home/issue-brief-builder/environment/greenhouse-gas-emissions.html
[46] https://corporate.comcast.com/values/csr/2018/sustainable-excellence
[47] Liberty Global plc, Climate Change 2018, CDP.
[48] http://there100.org/sky
[49] https://www.skygroup.sky/corporate/bigger-picture/responsible-business/environment
[50] https://www.verizon.com/about/sites/default/files/corporate-responsibility-report/2017/environment/carbon.html
[51] https://home.kpmg/xx/en/home/insights/2017/10/the-kpmg-survey-of-corporate-responsibility-reporting-2017.html
[52] CDP. CDP US Report 2017.

Chevron Corporation (CVX)

Proposal: Paris compliant business plan

Filer: As You Sow

Resolution

Shareholders request that Chevron issue a report (at reasonable cost, omitting proprietary information) on how it can reduce its carbon footprint in alignment with greenhouse gas reductions necessary to achieve the Paris Agreement's goal of maintaining global warming 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 transitioning its operations and investments through the following actions:

- Investing in low carbon energy sources
- Reducing capital investments in oil and/ or gas resource development that is inconsistent with a below 2 degree pathway
- Otherwise diversifying its operations to reduce the company's carbon footprint (from exploration, extraction, operations, and product sales).

Background

There is growing awareness that climate change presents major economic risks to global markets. As climate- related harm accelerates, economy-wide losses will increase and negatively impact shareholder portfolios. Shareholder assets can be harmed directly by a variety of factors including supply chain dislocations, lost production, severe storms, infrastructure damage, and energy disruptions among others; portfolios can also experience indirect harm from weaker economic growth and lower asset returns.[53]

The IPCC's recent special report confirmed that "rapid, far-reaching" changes must be made to address climate change and that net emissions of carbon dioxide must fall 45 percent by 2030, reaching "net zero" by 2050, to avoid disastrous levels of global warming.[54] It is estimated that $30 trillion in global damages can be avoided by maintaining warming under 1.5° C degrees Celsius rather than 2° C degrees Celsius.[55] The U.S. 2019 National Climate Assessment projects damages to the U.S. economy alone in the hundreds of billions of dollars by the end of the century.[56] Carbon Tracker, a financial think-tank, warns that there is potentially $1.6 trillion at risk of being invested in fossil fuel energy projects above levels compatible with avoiding

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[53] The Economist, "The Cost of Inaction: Recognizing the value at risk from climate change," Executive Summary.
[54] https://bit.ly/2A5BEhi
[55] https://bit.ly/2s3b44f
[56] https://nca2018.globalchange.gov/

catastrophic climate change.[57]

Shareholders' growing awareness of the growing risks of climate change, and the outsized impact of the oil and gas sector in generating greenhouse gas emissions, has prompted shareholders to request reasonable actions and disclosures from Chevron about the climate risk it is creating and its actions to remedy those emissions within timelines congruent with global climate needs. To date, Chevron has not adopted or disclosed plans to align its emissions with Paris goals, exposing its shareholders to increased climate portfolio risks.

In fact, Chevron appears to be headed in the wrong direction. The Company announced a boost in spending on capital and exploratory projects to $20 billion in 2019 from $18 billion in 2018.[58,59] This projected growth in capital expenditure is likely to result in growing greenhouse gas emissions from the company rather than charting the necessary downward course in emissions as peers Shell and BP have announced they will do. As Chevron continues to spend billions annually to develop and sell high-carbon emitting products, it is locking in emissions for decades and jeopardizing society's ability to comply with the Paris Agreement's critical goals.

Given the impact of climate change on the economy, the environment, and human systems, as well as the short amount of time in which to address it, Chevron has a clear responsibility to its investors to account for whether and how it plans to reduce its ongoing climate contributions in line with the Paris Climate Agreement.

Rationale

1) Chevron's failure to shift to a Paris Compliant business plan increases global climate risk. Over the past 30 years, Chevron has been the fourth-highest carbon-emitting, publicly-owned fossil fuel company in the world.[60] Since 1988, the giant oil and gas company has contributed 1.3 percent of all global emissions and has current plans to dramatically expand output.[61] Its plans include increasing oil and gas capital expenditure from $18 billion in 2018 up to $20 billion in 2019.[62,63] In the Permian Basin alone, Chevron has announced intent to ramp up production significantly over the next few years.[64] Chevron's investment choices matter, and while it could be prioritizing the allocation of spending on clean technologies,[65] it is not. Chevron's current business plan will ensure continued, and likely growing, levels of carbon pollution.

The increased capital investments Chevron is now planning will lock in higher carbon emissions for decades to come, making it more difficult for the world to achieve its climate goals. Given

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[57] https://www.carbontracker.org/1-6-trillion-of-investments-at-risk-if-fossil-fuel-firms-fail-to-heed-climate-targets/
[58] https://reut.rs/2ubK4A5
[59] https://www.chevron.com/stories/chevron-announces-18-3-billion-capital-and-exploratory-budget-for-2018
[60] https://bit.ly/2t4jSo2
[61] https://www.chevron.com/stories/chevron-announces-20-billion-capital-and-exploratory-budget-for-2019
[62] https://www.chevron.com/stories/chevron-announces-20-billion-capital-and-exploratory-budget-for-2019
[63] https://www.chevron.com/stories/chevron-announces-18-3-billion-capital-and-exploratory-budget-for-2018
[64] https://bit.ly/2O3oLKb
[65] https://bloom.bg/2TIOVHF

growing awareness that climate change presents major risks to global markets, Chevron's failure to align its business plan with Paris goals exposes both the Company and shareholders' portfolios to avoidable risk.

2) Chevron does not provide shareholders with sufficient analysis and disclosure on managing its outsized climate footprint. Chevron states that it "shares the concerns... about climate change" and "recognize[s] the findings of the Intergovernmental Panel on Climate Change that the use of fossil fuels... contribute to increases in global temperatures."[66] Yet, nowhere does the Company disclose any attempt to reduce its climate impact in line with Paris goals. Chevron's climate change resilience report and recent update report show that the company is not taking steps beyond limited actions to reduce operational emissions and has no intention to take steps to fully align with Paris goals.[67] Operational emissions in the oil and gas sector, however, account for, on average, less than 25 percent of company emissions and they may be substantially less for Chevron.[68] For example, while the Company has set a 20-25 percent methane intensity reduction target, Chevron acknowledges that, "Methane accounts for about five percent of Chevron's total GHG emissions." Even if the Company were to reduce these emissions to zero, the vast majority of its climate footprint would remain.

Chevron affirmatively fails to address or take responsibility for product emissions, which account for most of the company's overall emissions.[69] Instead the Company announced plans for ambitious and aggressive growth of product output in the next few years[70] that will only hasten destructive climate change. Chevron's continued expenditure in high-carbon fossil fuel demonstrates a clear inconsistency between the Company's claims to support action on climate change and its actual climate policies.

Finally, the Company discloses that it is investing in renewable energy and low- carbon technologies, but fails to demonstrate that these investments are anywhere near the scale and rate necessary to reduce Chevron's climate footprint in line with Paris goals. Chevron has never claimed that such research and development is intended to do so.

3) Chevron compares poorly to peers that have announced plans to reduce emissions in alignment with Paris Agreement goals. While Chevron holds the title of being one of the top four largest and most carbon- polluting investor-owned oil and gas companies globally, peers in this sector have been engaging proactively with shareholders and adopting policies to meaningfully reduce their operational and product emissions to align with the Paris Climate Agreement. For example, Royal Dutch Shell, the world's second largest private oil and gas company, recently announced greenhouse gas intensity reduction goals for its products.[71] BP has recently agreed to work with investors to align its business strategy with

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[66] https://www.chevron.com/-/media/shared-media/documents/climate-change-resilience.pdf
[67] https://www.chevron.com/-/media/shared-media/documents/update-to-climate-change-resilience.pdf
[68] https://www.wri.org/resources/data-visualizations/upstream-emissions-percentage-overall-lifecycle-emissions
[69] https://www.chevron.com/-/media/shared-media/documents/update-to-climate-change-resilience.pdf
[70] https://reut.rs/2ubK4A5
[71] https://www.axios.com/shell-clean-energy-climate-change-c42a3910-057e-4443-aac8-2c613bf2eeaf.html

the Paris goals, set targets for emissions reductions, and tie executive remuneration to its emissions reductions targets.[72] Total has invested in solar energy and is reducing the carbon intensity of its energy products.[73] Equinor (formerly Statoil) is investing in wind energy development.[74] Orsted, previously a Danish oil and gas company, sold its oil and gas portfolio and is positioning itself to become the first global "green supermajor."[75] By stating ambitions to align with globally- recognized climate goals, peer companies are providing better assurance than Chevron that they will be well-positioned to thrive in a low-carbon energy future.

4) The risk that climate change poses to investors is increasingly recognized by financial and regulatory institutions. The business community, investment analysts, the accounting community, and others have begun to acknowledge the need to move large carbon emitters to take responsibility for reducing their full carbon footprints. Addressing the oil and gas industry's outsize impact on climate change is a clear priority.

The financial impact on investors associated with inaction on climate change was addressed in a 2015 Economist report. It notes that the asset management industry – and thus the wider community of investors – is facing the prospect of significant losses from the effects of climate change. It states:

To highlight the relevance of climate change to the asset management industry and beyond, this research estimates the value at risk . . . to 2100 as a result of climate change to the total global stock of manageable assets . . . The resulting expected losses to these assets identified in our findings, in discounted, present value terms, are valued at U.S. $4.2trn—roughly on a par with the total value of all the world's listed oil and gas companies or Japan's entire GDP. This is the average (mean) expected loss, but the value-at-risk calculation includes a wide range of probabilities, and the tail risks are far more serious.[76]

Mark Carney, Governor of the central Bank of England, has publicly stated that investors face "huge" losses stemming from climate change.[77] In October of 2018, 18 central banks and supervisors who are members of the Network for Greening the Financial System signed a declaration on climate -risk falling within their mandate.[78] The European Central Bank recently told banks that it is counting climate risk as a key threat.[79] Significantly, the World Bank has committed to end upstream oil and gas financing starting in 2019 in response to the need to respond to the existential challenge of climate change.[80] Investor engagement around climate change is also ramping up—a major example of this is the Climate Action 100+ initiative, backed

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[72] https://cleantechnica.com/2019/02/05/bp-to-support-investor-call-for-alignment-with-paris-agreement/
[73] https://www.total.com/sites/default/files/atoms/files/total_climat_2018_en.pdf, p. 35, p. 6
[74] https://www.equinor.com/en/how-and-why/climate-change.html
[75] https://www.ft.com/content/57482c0b-db29-3147-9b7e-c522aea02271
[76] The Economist, "The Cost of Inaction: Recognizing the value at risk from climate change," Executive Summary.
[77] https://www.ft.com/content/622de3da-66e6-11e5-97d0-1456a776a4f5
[78] https://www.ft.com/content/6af35cee-d3a7-11e8-9a3c-5d5eac8f1ab4
[79] https://www.ft.com/content/6af35cee-d3a7-11e8-9a3c-5d5eac8f1ab4
[80] https://bit.ly/2T82AU1

by more than 320 investors with more than $33 trillion in assets under management, including 87 North American investors, urging companies to contribute to the achievement of Paris Agreement goals, thereby avoiding severe climate-induced market disruptions.[81]

A significant portion of the investing marketplace is directing its focus toward both disclosure and action in alignment with the Paris Climate Agreement goals. Investors are seeking engagement with portfolio companies both to increase disclosure of climate risk, and also to align their companies with the transition to a low-carbon economy as the only way to "future proof" their companies and protect their portfolios by helping to ensure sustainable economic growth. Tools are being developed to help investors identify and strategize the reduction of carbon risk in portfolios. The International Standards Organization is developing a climate finance standard, ISO 14097, which will track the impact of investment decisions on greenhouse gas emissions, measure the alignment of investment and financing decisions with low-carbon transition pathways and the Paris Agreement, and identify the impact of international climate targets or national climate policies on financial value for asset owners. The Paris Agreement Capital Transition Assessment (PACTA) tool aims to measure the current and future alignment of investment portfolios with a 2°C degree Celsius scenario analysis, allowing investors to measure climate performance and address the challenge of shifting capital towards clean energy investments. Also, the Science Based Targets initiative (SBTi) is currently creating methods and implementation guidance for companies to set targets aligned with Paris.[82]

Vote "Yes" on this Shareholder Proposal regarding aligning business plans with the Paris Climate Change Agreement.

Chevron, one of the world's largest carbon emitters, is not only failing to align its business plan with Paris imperatives, but is also moving in the wrong direction as it expands business-as-usual capital expenditures into new fossil fuel projects. Shareholders must seek meaningful and direct action from Chevron -- and every company with significant greenhouse gas emissions -- at the scale and pace necessary to avoid pushing past physical climate limits.

Shareholders urge strong support for this proposal, which will bring increased transparency and action on one of the largest risks facing the company and shareholders – the potential for catastrophic climate change.

For questions, please contact:

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[81] https://climateaction100.wordpress.com/about-us/
[82] Companies can seek assistance from the SBTi in setting goals.

Continental Resources Inc. (CLR)

Proposal: Two degree scenario analysis

Prepared by Ceres

Resolution

Shareholders request that Continental Resources, with board oversight, publish an assessment of the long-term impacts on the Company of public policies and technological advances that are consistent with limiting global temperature rise to no more than two degrees Celsius over preindustrial levels. The report should be done at reasonable cost and omit proprietary information.

Summary

1. This proposal was filed by the Office of the New York State Comptroller on behalf of the New York Common Retirement Fund.

2. Continental Resources' current business plan relies on forecasts of demand growth that may not account for technology advances, carbon regulations and shifts in market demand.

3. The Company disclosures to date do not adequately inform investors about how the company is assessing the financial risks associated with the energy transition.

4. Conducting a climate scenario analysis will provide Continental Resources' management, directors and investors with the critical tools already being deployed by competitors to manage risk and adapt business strategies and capital expenditures to be resilient under a variety of scenarios.

Background

The Task Force on Climate-related Financial Disclosures (TCFD) was convened by the Financial Stability Board (FSB) in 2015 at the request of the G20 to consider the risks to global financial markets that might emerge from climate-related events. The TCFD's Final Report concluded that disclosure was the most effective way to avoid abrupt repricing of risk that could result from climate-related impacts.[83] The TCFD recommendations have been endorsed by financial institutions representing nearly $100 trillion in assets[84] and climate-related disclosure is swiftly

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[83] https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-2017-TCFD-Report-11052018.pdf
[84] https://www.fsb-tcfd.org/wp-content/uploads/2018/08/FINAL-2018-TCFD-Status-Report-092518.pdf

becoming an industry best-practice.

In November 2016 the Paris Agreement took effect, setting a goal of keeping global temperature rise well-below two degrees Celsius[85] and shaping policy decisions around the globe. This has resulted in national, state, and local regulations and actions which seek to achieve this goal. Additionally, technological innovation, energy efficiency improvements, and consumer preferences are leading toward a low-carbon energy market that will meaningfully reduce demand for carbon-based fuels.

Rationale

Numerous energy companies have disclosed their strategies for thriving in a low-carbon economy and aligning with the goals of the Paris Agreement. For instance, ConocoPhillips, Occidental Petroleum and Pioneer Natural Resources have described how their business strategies could be impacted by major policy, market and technological shifts due to the energy transition.

The CEO of Equinor stated[86] that the industry is facing a "crisis of confidence" and needs to gain investors' trust for acting on climate change. Royal Dutch Shell[87] has announced it will shift its business model to be the world's largest electric power company, noting that the electric power business will be radically different in the coming decades. The increasing likelihood of additional public policy action and the speed of technological advancements make it vital that Continental Resources provide investors with more detailed analyses of potential climate change risks and associated business impacts.

Companies that do not report on climate-related strategies deny investors the insights needed to determine if investments are at risk of abrupt repricing due to climate-related shifts. Failing to adopt this common-sense measure puts Continental Resources at a disadvantage and increases the chance that the company will not adequately adapt to dynamic market changes. A recent analysis by Carbon Tracker found that a significant amount of Continental's potential capital expenditure is threatened by a low-carbon transition.[88]

Continental faces a variety of risks due to climate change and the transition to a low-carbon economy. Continental acknowledges in its financial filings that action on climate change "could result in increased operating costs, limitations in our ability to develop and produce reserves, and reduced demand for the crude oil, natural gas and natural gas liquids we produce." Additionally the company recognizes that "negative public perception regarding us and and/or our industry could have an adverse effect on our business, financial condition, results of operations and cash flows."[89] Negative public perception could be mitigated through more

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[85] https://unfccc.int/resource/bigpicture/#content-the-paris-agreemen
[86] https://www.chron.com/business/energy/article/Equinor-CEO-Energy-sector-facing-a-crisis-of-13679755.ph
[87] https://bit.ly/2SAiqI6
[88] https://www.carbontracker.org/reports/2-degrees-of-separation-update/
[89] https://www.sec.gov/Archives/edgar/data/732834/000073283419000002/clr201810-k.htm

transparent reporting about planned responses to these threats.

Continental's investors in particular need to know what the Company plans to do to mitigate these risks. Peers like Pioneer Natural Resources and Occidental have begun the process of providing shareholders with improved disclosure on carbon asset risk. The TCFD has endorsed such an analysis. Over 580 organizations have publicly declared support for the TCFD recommendations including global pension funds and U.S. asset managers BlackRock, Vanguard, Fidelity and State Street.[90] In the credit market, Moody's Global Ratings includes low-demand scenarios in its ratings analysis of companies in high-risk sectors such as the energy industry.

Studying potential risks to its business posed by climate change will allow Continental to design a strategy that is resilient in a world of increasing uncertainty. The requested report will help Continental identify both vulnerabilities and opportunities for its business and reassure investors that the Company is poised to manage and take advantage of future regulatory, technological and market changes.

Conclusion

A board-approved analysis by Continental Resources on the resiliency of the Company's portfolio in a range of climate scenarios, including a well-below two degree scenario, would help ensure better governance on climate risk, align Continental with standard climate disclosure practices, and assist shareholders in determining if Continental is preparing to maximize shareholder value under a range of long-term scenarios.

Investors are encouraged to vote "FOR" this shareholder proposal and to affirm investor support for high quality climate-related disclosure consistent with recommendations of the TCFD.

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[90] https://www.fsb-tcfd.org/tcfd-supporters

Duke Energy Corporation (DUK)

Proposal: Report on lobbying expenses

Mercy Investment Services is the lead filer of this proposal, which has been co-filed by the Sisters of St. Francis of Philadelphia.

Resolution

The shareholders of Duke Energy request the preparation of a report, updated annually, disclosing:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments by Duke Energy used for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient.
3. Duke Energy's membership in and payments to any tax-exempt organization that writes and endorses model legislation.
4. Description of management's and the Board's decision-making process and oversight for making payments described in sections 2 and 3 above.

For purposes of this proposal, a "grassroots lobbying communication" is 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 Duke Energy is a member.

Both "direct and indirect lobbying" and "grassroots lobbying communications" include efforts at the local, state and federal levels.

The report shall be presented to the Corporate Governance Committee and posted on Duke Energy's website.

Summary

Shareholders encourage transparency and accountability in Duke Energy's use of corporate funds for lobbying activities and expenditures through the preparation of a report, updated annually as described in the shareholder proposal. Whether Duke Energy's lobbying aligns with its values and goals is an essential part of its corporate responsibility. Many corporations positively portray their climate policies and sustainability goals, while their lobbying through trade associations tells another story. In the case of Duke Energy:

- The Company does not fully disclose its involvement in trade associations, so investors do not have an accurate picture of the company's total lobbying expenditures nor an understanding of how those expenditures align with company's strategies and principles;

- The board oversight policy in place reviews expenditures after they are made and does not ensure alignment between company's stated positions on climate change and the lobbying activities funded by company funds; and
- The company's lack of transparency around its lobbying poses reputational risks.

Rationale details

As shareholders, we encourage transparency and accountability in the use of corporate funds to influence legislation and regulation. Our aim is not to keep the Company from spending for lobbying, but to ensure adequate information is provided for shareholders to evaluate these significant costs, as well as to ensure sufficient internal accountability to safeguard the alignment of spending with company mission, values, strategies and ethics. Duke Energy reportedly spent $51,113,595 million from 2010-2017 on federal lobbying.

Duke Energy's Political Expenditure Policy,[91] which includes a section on payments to trade associations for lobbying purposes and its semiannual disclosures, provides that on a semi-annual basis, "the Vice President, Federal Government Affairs, shall report to the Corporate Governance Committee of the Duke Energy Corporation Board of Directors on the Political Expenditure Committee's (as defined below) annual strategy, and the company's political expenditures. This includes the company's payments to trade associations and other tax-exempt organizations that may be using the funds for lobbying and political activities." Based upon this policy, participation is approved by the Vice President of Federal Government Affairs, reporting to the Board Corporate Governance Committee. Oversight of expenditures, including dollar amounts and alignment with annual strategy, occur after expenditures are made.

In addition, the policy provides only for the disclosure of payments that are aggregated; it does not identify the group or association receiving the funds. As of March 1, 2019, the Company had only reported for the first half of 2018. For 2017, the most recent full year that disclosure reports are publicly available, the Company reported an aggregated total of $1,090,526 for the federal lobbying portion of trade association dues exceeding $50,000. However, the publicly available report from Open Secrets states that for 2017, Duke Energy spent more than $6,630,000 on federal lobbying of Congress and federal agencies.[92]

Duke's approach to disclosure under its Political Expenditures Policy does not provide any meaningful way to judge that its lobbying expenditures do in fact align with its stated climate position, found on the Company's website: "We're committed to a lower-carbon future."[93] In fact, external reports on Duke Energy's lobbying-related expenditures indicate that they do not align with the company's stated commitment to a low carbon transition. A recent article first published in POLITICO, and now broadly available on media sites, names Duke Energy as the largest funder of lobbying efforts coordinated by the Utility Air Regulatory Group to roll back climate- and

[91] https://bit.ly/2O3GOjD
[92] https://www.opensecrets.org/lobby/clientsum.php?id=D000000477&year=2017
[93] https://www.duke-energy.com/our-company/environment/global-climate-change

energy- related regulations, and further asserts that Duke Energy is lobbying the Environmental Protection Agency to loosen regulations addressing climate change, including those adopted under the Clean Air Act.[94]

Duke Energy is a member of several trade associations whose positions on climate change and climate policy do not align with Duke Energy's stated commitment to a low carbon future, including the Business Roundtable and the Edison Electric Institute (EEI), which together spent over $60 million on lobbying in 2016 and 2017. Duke Energy is also a member of the U.S. Chamber of Commerce, which has lobbied consistently against effective climate change regulations. Duke Energy does not disclose membership in or contributions to tax-exempt organizations that write and endorse model legislation, such as its membership in the American Legislative Exchange Council (ALEC), whose model legislation often works against climate regulation and the clean energy transition.

Duke's lack of trade association and ALEC disclosures presents reputational risks. Duke Energy's EEI and ALEC memberships have attracted press scrutiny (e.g., "New Report: How Electric Utility Customers Are Forced to Fund the Edison Electric Institute and Other Political Organizations," Republic Report, May 9, 2017). In addition, over 100 companies have publicly left ALEC, including Ameren, Apple, AT & T, Entergy, Exxon Mobil, Shell and Xcel Energy.[95]

Conclusion

Duke Energy's significant lobbying expenditures, lack of effective governance oversight and exposure to reputational risks demonstrate that improved disclosure of corporate funds used for lobbying should be implemented as asked for in the resolution.

In case of questions, please contact:

Mercy Investment Services, Inc.
Susan Makos, Vice President of Social Responsibility
smakos@mercyinvestments.org

[94] https://www.politico.com/story/2019/02/20/epa-air-pollution-regulations-wehrum-1191258
[95] https://www.sourcewatch.org/index.php/Corporations_that_Have_Cut_Ties_to_ALEC

Exxon Mobil Corporation (XOM)

Proposal: Greenhouse gas reduction targets aligned with the goals of the Paris Agreement

Resolution

Shareholders request that the Board of Directors, in annual reporting from 2020, include disclosure of short-, medium- and long-term greenhouse gas targets aligned with the greenhouse gas reduction goals established by the Paris Climate Agreement to keep the increase in global average temperature to well below 2°C and to pursue efforts to limit the increase to 1.5°C. This reporting should cover both the corporation's operations and products, omit proprietary information, and be prepared at reasonable cost.

Summary

The resolution has been filed by Climate Action 100+ leads and co-leads for Exxon Mobil ("Exxon" or "the Company") – New York State Common Retirement Fund, the Church Commissioners for England, CalPERS and SHARE – backed by more than 30 institutional co-filers.

- It addresses the Climate Action 100+ ask that companies disclose greenhouse gas (GHG) emissions reduction goals across their value chain, consistent with the Paris Agreement's goal of limiting the global average temperature increase to well below 2°C.

- Exxon has no business-wide operational GHG emissions reduction targets, does not disclose the emissions associated with the use of its products, and lags its super major peers on GHG emissions targets, business alignment with the goals of the Paris Agreement and engagement with Climate Action 100+.

- Exxon's poor positioning relative to its peers on GHG targets, and on engagement with shareholders on this issue, evinces a lack of action to mitigate climate-related risk, which could be more readily measured via disclosure of GHG emissions targets aligned with the goals of the Paris Agreement.

Rationale details

This resolution has been filed by New York State Common Retirement Fund and the Church Commissioners for England as Exxon Mobil leads for the Climate Action 100+ initiative. It has been co-filed by the co-leads for the initiative, CalPERS and SHARE (on behalf of Fonds de Solidarité des Travailleurs du Québec). There are over 30 institutional investor co-filers with $1.9 trillion under management including HSBC Global Asset Management, MN and Ruffer.

Climate Action 100+ is an initiative of 324 investors who collectively manage more than $33.4 trillion in assets. This resolution addresses the ask of the initiative that companies "take action to reduce greenhouse gas emissions across their value chain, consistent with the Paris Agreement's goal of limiting global average temperature increase to well below 2-degrees Celsius above pre-industrial levels".

The resolution has been filed because Exxon at present has no business-wide GHG emissions reduction targets. Its few emissions reduction targets are extremely short-term, cover operational emissions only, and are only for certain parts of its business. Exxon's stated targets are to reduce methane emissions from its operations by 15%, and flaring by 25%, by 2020, as well as reducing the GHG intensity at its operated Canadian oil sands facilities by 10% by 2023 (all compared to 2016). These are not linked to employee remuneration.

Exxon is alone among its super major peers in declining to disclose the aggregate emissions associated with the use of its products (its Scope 3 emissions).

Exxon lags its super major peers on GHG targets, business alignment with the goals of the Paris Agreement and engagement with Climate Action 100+:

- BP has agreed to recommend that its shareholders support a shareholder resolution from the BP Climate Action 100+ engagement group. This resolution requires BP to (a) set targets consistent with the Paris Goals for reductions in its own operational GHG emissions (b) disclose how the Company evaluates the consistency of each new material CapEx investment with the Paris Goals and (c) measure the estimated carbon intensity of the Company's energy products and progress on carbon intensity over time.
- Chevron has set operational emissions intensity reductions targets following dialogue with the Chevron Climate Action 100+ engagement group (these are 25-30% for flaring and 20-25% for methane emissions, covering 2016–2023, with the targets forming part of Chevron's variable pay program for approximately 45,000 employees).
- Royal Dutch Shell agreed to a joint statement with the Shell Climate Action 100+ engagement group in December 2018. Shell had already declared an ambition to halve the net carbon footprint of the energy products it sells (i.e. combined operational and product emissions) by 2050, aiming for a reduction of 20% by 2035 as an interim step. In the joint statement it committed to operationalize this ambition through rolling shorter-term targets (covering three to five years) linked to executive remuneration.

- Total has set an ambition to reduce the carbon intensity of the energy products it sells (i.e. combined operational and product emissions) by 15% between 2015 and 2030, and a longer-term ambition to reach a reduction of 25-35% by 2040.

Exxon is the only super-major not to respond positively to its Climate Action 100+ engagement group's request to meet with an independent director and, rather than seeking ongoing dialogue with the Exxon Climate Action 100+ engagement group about this shareholder resolution, Exxon has initiated the legal process for omitting it from its proxy materials.

Conclusion

Exxon's poor positioning relative to its peers on GHG targets, and on engagement with shareholders on this issue, evinces a lack of action to mitigate climate-related risk, which could be more readily measured via disclosure of GHG emissions targets aligned with the goals of the Paris Agreement.

Shareholders recommend a vote "FOR" this resolution to be voted on at Exxon Mobil's Annual Meeting.

Exxon Mobil Corporation (XOM)

Proposal: Paris compliant business plan

Filer: As you Sow

Resolution

Shareholders request that Exxon issue a report (at reasonable cost, omitting proprietary information) on how it can reduce its carbon footprint in alignment with greenhouse gas reductions necessary to achieve the Paris Agreement's goal of maintaining global warming 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 transitioning its operations and investments through the following actions:

- Investing in low carbon energy resources
- Reducing capital investments in oil and/ or gas resource development that is inconsistent with a below-2 degree pathway
- Otherwise diversifying its operations to reduce the company's carbon footprint (from exploration, extraction, operations, and product sales)

Background

There is growing awareness that climate change presents major economic risks to global markets. As climate-related harm accelerates, economy-wide losses will increase and negatively impact shareholder portfolios. Shareholder assets can be harmed directly by a variety of factors including supply chain dislocations, lost production, severe storms, infrastructure damage and energy disruptions among others; portfolios can also experience indirect harm from weaker economic growth and lower asset returns.[96]

The IPCC's recent special report confirmed that "rapid, far-reaching" changes must be made to address climate change and that net emissions of carbon dioxide must fall 45 percent by 2030, reaching "net zero" by 2050, to avoid disastrous levels of global warming.[97] It is estimated that $30 trillion in global damages can be avoided by maintaining warming under 1.5 degrees Celsius rather than 2 degrees Celsius.[98] The U.S. 2019 National Climate Assessment projects damages to the U.S. economy alone in the hundreds of billions of dollars by the end of the century.[99] Carbon Tracker, a financial think-tank, warns that there is potentially $1.6 trillion at risk of being invested in fossil fuel energy projects above levels compatible with avoiding catastrophic climate

[96] The Economist, "The Cost of Inaction: Recognizing the value at risk from climate change," Executive Summary.
[97] https://bit.ly/2A5BEhi
[98] The Guardian: https://bit.ly/2s3b44f
[99] https://nca2018.globalchange.gov/

change.[100]

Shareholders' growing awareness of the risks of climate change, and the outsized impact of the oil and gas sector in generating greenhouse gas emissions, has prompted shareholders to request reasonable action and disclosures from Exxon Mobil ("Exxon" or "the Company") about the climate risk it is creating and its actions to remedy those emissions within timelines congruent with global climate needs. To date, Exxon has not adopted or disclosed plans to align its emissions with Paris goals, exposing its shareholders to increased climate portfolio risks.

In fact, Exxon appears to be headed in the wrong direction. It has announced plans to roughly double its capital and exploration spending from $17 billion in 2017 to $30 billion this year and up to $33-35 billion next year.[101,102] This projected growth in capital expenditure is likely to result in growing greenhouse gas emissions from the company rather than charting the necessary downward course in emissions as peers Shell and BP have announced they will do. As Exxon continues to spend billions annually to develop and sell high-carbon emitting products, it is locking in emissions for decades and jeopardizing society's ability to comply with the Paris Agreement's critical goals.

Given the impact of climate change on the economy, the environment, and human systems, as well as the short amount of time in which to address it, Exxon has a clear responsibility to its investors to account for whether and how it plans to reduce its ongoing climate contributions in line with the Paris Climate Agreement.

Rationale

1) Exxon's failure to shift to a Paris-Compliant business plan increases global climate risk. Over the past 30 years, Exxon has been the highest-carbon-emitting publicly-owned fossil fuel company in the world.[103] Since 1988, it has contributed more carbon emissions than any other investor-owned company in the industry.[104] The giant oil and gas company accounts for two percent of all global emissions in the same period and has current plans to dramatically expand output through 2025.[105] Exxon's investment choices matter. Exxon's short-term business goals will ensure continued and likely growing levels of carbon pollution at the expense of disastrous and costly climate change to the global and U.S. economy. The increased capital investments Exxon is now planning will lock in higher carbon emissions for decades to come, making it more difficult for the world to achieve its climate goals. Given growing awareness that climate change presents major risks to global markets, Exxon's failure to align its business plan with Paris goals exposes both the

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[100] https://www.carbontracker.org/1-6-trillion-of-investments-at-risk-if-fossil-fuel-firms-fail-to-heed-climate-targets/
[101] https://www.ft.com/content/313f5d6a-4015-11e9-b896-fe36ec32aece
[102] https://bit.ly/2T5QTNC
[103] The Guardian: https://bit.ly/2t4jSo2
[104] The Guardian: https://bit.ly/2t4jSo2
[105] Reuters: https://reut.rs/2FayHPd

Company and shareholders' portfolios to avoidable risk.

2) Exxon does not provide shareholders with sufficient analysis and disclosure on managing its outsized climate footprint. Exxon has voiced support publicly for the Paris Agreement[106] and maintains that it manages climate risk, but nowhere does the Company disclose any attempt to reduce its climate impact in line with Paris goals. Exxon's recent Energy & Carbon Summary reports released in response to shareholder demands note that the Company is taking action to reduce operational emissions and increase efficiency.[107] Operational and energy -related emissions, however, account for, on average, less than 25 percent of Exxon's emissions and may be substantially less.[108] Even if the Company were to reduce these emissions to zero, the vast majority of its climate footprint would remain.

Exxon affirmatively fails to address or take responsibility for product emissions, which account for most of the company's overall emissions.[109] Instead, the Company has announced plans for ambitious and aggressive growth of product output in the next few years—projecting a 25 percent increase in oil and gas production by 2025 from 2017 levels—that will only hasten destructive climate change.[110] Exxon's continued expenditure in high-carbon fossil fuel demonstrates a clear inconsistency between the Company's claims to support action on climate change and its actual climate policies.

Finally, the Company discloses that it is investing in renewable energy and low-carbon technologies, but fails to demonstrate that these investments are anywhere near the scale and rate necessary to reduce Exxon's climate footprint in line with Paris goals. Exxon has never claimed that such research and development is intended to do so.

3) Exxon compares poorly to peers that have announced plans to reduce emissions in alignment with Paris Agreement goals. While Exxon holds the title of being the largest and most carbon-polluting investor-owned oil and gas company globally, peers in this sector have been engaging proactively with shareholders and adopting policies to meaningfully reduce their operational and product emissions to align with the Paris Climate Agreement. For example, Royal Dutch Shell, the world's second largest private oil and gas company, recently announced greenhouse gas intensity reduction goals for its products.[111] BP has recently agreed to work with investors to align its business strategy with Paris goals, set targets for emissions reductions, and tie executive remuneration to its emissions reductions targets.[112] Total has invested in solar energy and is reducing the carbon intensity of its energy products.[113] Equinor (formerly Statoil) is investing in wind

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[106] https://exxonmobil.co/2O62v2r
[107] https://exxonmobil.co/2E08lPk
[108] https://www.wri.org/resources/data-visualizations/upstream-emissions-percentage-overall-lifecycle-emissions
[109] https://exxonmobil.co/2E08lPk
[110] https://www.economist.com/briefing/2019/02/09/exxonmobil-gambles-on-growth
[111] https://www.axios.com/shell-clean-energy-climate-change-c42a3910-057e-4443-aac8-2c613bf2eeaf.html
[112] https://cleantechnica.com/2019/02/05/bp-to-support-investor-call-for-alignment-with-paris-agreement/
[113] https://www.total.com/sites/default/files/atoms/files/total_climat_2018_en.pdf, p. 35, p. 6

energy development.[114] Orsted, previously a Danish oil and gas company, sold its oil and gas portfolio and is positioning itself to become the first global 'green supermajor.'[115] By stating ambitions to align with globally recognized climate goals, peer companies are providing better assurance than Exxon that they will be well-positioned to thrive in a low-carbon energy future.

4) The risk that climate change poses to investors is increasingly recognized by financial & regulatory institutions. The business community, investment analysts, the accounting community, and others have begun to acknowledge the need to move large carbon emitters to take responsibility for reducing their full carbon footprints. Addressing the oil and gas industry's outsize impact on climate change is a clear priority.

The financial impact on investors associated with inaction on climate change was addressed in a 2015 Economist report. It notes that the asset management industry – and thus the wider community of investors – is facing the prospect of significant losses from the effects of climate change. It states:

To highlight the relevance of climate change to the asset management industry and beyond, this research estimates the value at risk . . . to 2100 as a result of climate change to the total global stock of manageable assets . . . The resulting expected losses to these assets identified in our findings, in discounted, present value terms, are valued at US $4.2trn—roughly on a par with the total value of all the world's listed oil and gas companies or Japan's entire GDP. This is the average (mean) expected loss, but the value-at-risk calculation includes a wide range of probabilities, and the tail risks are far more serious.[116]

Mark Carney, Governor of the central Bank of England, has publicly stated that investors face "huge" losses stemming from climate change.[117] In October of 2018, 18 central banks and supervisors who are members of the Network for Greening the Financial System signed a declaration on climate risk falling within their mandate.[118] The European Central Bank recently told banks that it is counting climate risk as a key threat.[119] Significantly, the World Bank has committed to end upstream oil and gas financing starting in 2019 in response to the need to respond to the existential challenge of climate change.[120] Investor engagement around climate change is also ramping up—a major example of this is the Climate Action 100+ initiative, backed by more than 320 investors with more than $33 trillion in assets under management, including 87 North American investors, urging companies to contribute to the achievement of Paris Agreement goals, thereby avoiding severe climate-induced market disruptions.[121]

A significant portion of the investing marketplace is directing its focus toward both disclosure

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[114] https://www.equinor.com/en/how-and-why/climate-change.html
[115] https://www.ft.com/content/57482c0b-db29-3147-9b7e-c522aea02271
[116] The Economist, "The Cost of Inaction: Recognizing the value at risk from climate change," Executive Summary.
[117] https://www.ft.com/content/622de3da-66e6-11e5-97d0-1456a776a4f53
[118] https://www.ft.com/content/6af35cee-d3a7-11e8-9a3c-5d5eac8f1ab4
[119] https://www.ft.com/content/6af35cee-d3a7-11e8-9a3c-5d5eac8f1ab4
[120] https://bit.ly/2T82AU1
[121] https://climateaction100.wordpress.com/about-us/

and action in alignment with the Paris Climate Agreement goals. Investors are seeking engagement with portfolio companies both to increase disclosure of climate risk and also to align their companies with the transition to a low-carbon economy as the only way to "future proof" their companies and protect their portfolios by helping to ensure sustainable economic growth. Tools are being developed to help investors identify carbon risk and adopt strategies to reduce related risks in portfolios. The International Standards Organization is developing a climate finance standard, ISO 14097, which will track the impact of investment decisions on greenhouse gas emissions, measure the alignment of investment and financing decisions with low-carbon transition pathways and the Paris Agreement, and identify the impact of international climate targets or national climate policies on financial value for asset owners. The Paris Agreement Capital Transition Assessment (PACTA) tool aims to measure the current and future alignment of investment portfolios with a 2 degree scenario analysis, allowing investors to measure climate performance and address the challenge of shifting capital towards clean energy investments. Also, the Science Based Targets initiative (SBTi) is currently creating methods and implementation guidance for companies to set targets aligned with Paris.[122]

Vote "Yes" on this Shareholder Proposal regarding aligning business plans with the Paris Climate Change Agreement.

Exxon, one of the largest carbon emitters, is not only failing to align its business plan with Paris imperatives, but is also moving in the wrong direction as it expands business-as-usual capital expenditures into new fossil fuel projects. Shareholders must seek meaningful and direct action from Exxon -- and every company with significant greenhouse gas emissions -- at the scale and pace necessary to avoid pushing past science-based climate limits.

Shareholders urge strong support for this proposal, which will bring increased transparency and action on one of the largest risks facing the company and shareholders – the potential for catastrophic climate change.

In case of questions, please contact:

Danielle Fugere, President, As You Sow, dfugere@asyousow.org

THE FOREGOING INFORMATION MAY BE DISSEMINATED TO SHAREHOLDERS VIA TELEPHONE, U.S. MAIL, E-MAIL, CERTAIN WEBSITES AND CERTAIN SOCIAL MEDIA VENUES, AND SHOULD NOT BE CONSTRUED AS INVESTMENT ADVICE OR AS A SOLICITATION OF AUTHORITY TO VOTE YOUR PROXY. THE COST OF DISSEMINATING THE FOREGOING INFORMATION TO SHAREHOLDERS IS BEING BORNE ENTIRELY BY ONE OR MORE OF THE CO-FILERS. PROXY CARDS WILL NOT BE ACCEPTED BY ANY CO-FILER. PLEASE DO NOT SEND YOUR PROXY TO ANY CO-FILER. TO VOTE YOUR PROXY, PLEASE FOLLOW THE INSTRUCTIONS ON YOUR PROXY CARD.

[122] Companies can seek assistance from the SBTi in setting goals.

Fluor Corporation (FLR)

FLUOR

Proposal 4: Adopt greenhouse gas reduction targets

Prepared by Ceres

Resolution

Shareholders request that Fluor Corporation adopt company-wide goals for the reduction of greenhouse gas (GHG) emissions in light of the goals of the Paris Climate Agreement, and issue a report by December 2019, at reasonable cost and omitting proprietary information, on its plans to achieve these goals.

Summary

1. Fluor's lack of greenhouse gas (GHG) reduction goals makes it difficult for investors to assess the company's exposure to climate risk going forward.

2. There is a clear link between GHG reduction goals and improved financial performance.

3. The world's largest companies recognize the value in reducing greenhouse gas (GHG) emissions; Fluor is lagging behind its competitors.

Rationale

Fluor's sustainability policies, goals, and disclosure are insufficient for investors' needs.

- A similar resolution filed last year with Fluor received a 41.6 percent vote, yet the company has not engaged in the dialogue with the proponent.
- As articulated in the Financial Stability Board's task Force on Climate-related Financial Disclosures (TCFD), investors need to understand Fluor's governance structures, strategy, risk-exposure, and related metrics and targets for managing current and future climate-related risks. GHG emission targets represent one of the core pillars of the TCFD framework, and without them, investors are unable to assess the expected future impact of Fluor's approach to managing GHG emissions.
    - At the moment, the Company has only made available its greenhouse gas emissions data from 2015-2017, according to Fluor's 2017 Sustainability Report.[123] While general mitigation strategies, such as increasing energy efficiency, are considered briefly within the Report, quantifiable objectives and targets are not identified.

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[123] https://www.fluor.com/SiteCollectionDocuments/2017-fluor-sustainability-report.pdf

- While Fluor published a 2006 global carbon footprint baseline and makes public its annual emissions, it still fails to set GHG reduction goals. The Company stated in 2017 that it would publish a data update since the Stork facilities acquisition, but without presenting concrete goals the Company falls short.[124]

- While the Company does show some slight reduction in absolute emissions for operations excluding client sites, it states: “Our GHG emissions reflect space requirements based on business activity, so there will be a plateau in Scope 1 and 2 emissions. Based on what we have experienced in the last several years, we may have reached that plateau.” As noted below, Stantec has successfully reduced their Scope 1 and 2 emissions by 10 percent since 2013.
- To avoid the most severe impacts from climate change, scientists and national governments are calling for GHG reductions on the order of 80 percent by 2050 (and 45 percent by 2030).[125] Clearly, Fluor’s emissions trends are far from what the scientific community says are needed.[126] Given the catastrophic economic and social impacts associated with failing to meet the IPCC (and Paris Agreement) goals,[127] it is reasonable to expect policy makers and the public will take additional steps to reduce emissions.
- Fluor’s 2017 Sustainability Report claims that “Fluor is committed to adopting the best environmental methods wherever possible and reducing energy, carbon, and operating expenses.” The Company is unlikely to successfully meet this commitment without adopting GHG reductions goals because setting goals is widely known to be an important step in achieving corporate objectives.
- Fluor’s CEO claims that helping clients manage their carbon footprints is central to Fluor’s business.[128] But Fluor itself has not taken the most important next step (after measuring emissions) in managing its own carbon footprint — setting goals. Setting and acting on GHG reduction goals would demonstrate the type of serious commitment that clients are likely to expect from a company that claims to help them reduce their own carbon footprints.

There is a clear link between corporate carbon reduction projects and improved financial performance. This link is driven by two main factors: 1) High returns on energy efficiency projects; and 2) the price of renewable energy falling below the price for fossil-based energy in many regions in the U.S. Lazard’s latest annual Levelized Cost of Energy Analysis (LCOE 12.0) shows a continued decline in the cost of generating electricity from alternative energy technologies, especially utility-scale solar and wind, and compares the costs, often favorably, with fossil fuel based energy.[129]

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[124] https://www.fluor.com/SiteCollectionDocuments/2017-fluor-sustainability-report.pdf
[125] Global Warming of 1.5 degrees C, IPCC, Oct 2018
[126] http://www.fluor.com/SiteCollectionDocuments/2016-fluor-sustainability-report.pdf
[127] The Uninhabitable Earth, Life After Warming by David Foster Wells.
[128] http://www.fluor.com/SiteCollectionDocuments/2014-fluor-sustainability-report.pdf
[129] https://www.lazard.com/perspective/levelized-cost-of-energy-2017/

- In 2013, CDP and World Wildlife Fund found that four out of five companies in the S&P 500 earned a higher return on investments aimed at reducing carbon emissions than other capital investments. This study also found energy efficiency improvements earned an average return on investment of 196 percent, with an average payback period of two to three years.
- CDP research shows that companies that lead on climate change management-- including setting GHG goals -- generate superior profitability, have lower volatility of earnings, grow dividends to shareholders and exhibit valuable attributes to investors.[130]
- Another report by CDP found that "companies with published absolute emissions reduction targets were 10 percent more profitable than those with intensity targets or no target at all.[131]

The world's largest companies and some of Fluor's primary competitors recognize the business value and importance to society of reducing GHG emissions; Fluor lags behind.

- Several of Fluor's peers have not only set but achieved GHG goals including AECOM, HDR, Stantec and Baker Hughes.
    - AECOM has already surpassed its target of a 20 percent reduction in GHG emissions by 2020, with a reduction of 43 percent since 2015. The company has announced a new commitment of a 20 percent reduction from 2017 levels by 2025, using science-based targets in alignment with the Paris Agreement.[132]
    - HDR has set a goal to reduce their GHG emission levels 20 percent by 2020 from their 2011 baseline, adjusted for growth. So far, their emissions reductions from 2011-2017 were 5.6 percent. Some of the ways they plan to continue reduction are by increasing energy efficiency in office spaces and encouraging the use of alternate, low-emission transportation.[133]
    - In 2017, Stantec reduced direct and indirect emissions (Scope 1 and 2) per-capita GHG emissions by more than 14 percent, and total per capita emissions decreased by over four percent.[134] The company plans to incorporate the MWH acquisition[135] into their GHG emissions calculations and set new baselines and reduction targets. They also began tracking and reporting Scope 3 emissions in 2013 and are instituting the changes needed to reduce emissions for business travel. In 2017, they set a new emissions baseline with external verification. They have committed to setting a GHG reduction target and are assessing the potential establishment of a science-based target.[136]
    - After examining 2040 energy forecasts, which predict that fossil fuels will only

[130] https://www.cdp.net/CDPResults/CDP-SP500-leaders-report-2014.pdf
[131] https://www.cdp.net/Documents/Carbon-action-report-2013.pdf
[132] https://bit.ly/2XXcaNn
[133] https://www.hdrinc.com/sites/default/files/inline-files/2018-hdr-sustainability-corporate-responsibility.pdf
[134] https://www.stantec.com/content/dam/stantec/files/PDFAssets/2018/stn-2017-sustainability-report.pdf
[135] https://www.stantec.com/en/about-us/news/2016/stantec-to-acquire
[136] https://www.stantec.com/content/dam/stantec/files/PDFAssets/2018/stn-2017-sustainability-report.pdf

account for 55 percent of energy demand, Baker Hughes is looking into wind and solar. Chief Technology Officer Derek Mathieson called their findings "the start of a tipping point," and said that in order for Baker Hughes to remain relevant, the company must "change not only our message, the brand of who we are, but what we actually do and what we deliver."[137]

- According to the report Power Forward 2.0, as of 2017, 63 percent of Fortune 100 companies had set GHG reduction goals.[138]

Conclusion

Fluor's CEO has stated that, "Sustainability is fundamental to our integrated solutions offerings. We are uniquely positioned to provide our clients with the technical experience and know-how, in areas such as energy efficiency and managing their carbon footprints, to help drive sustainable development."[139] Fluor's lack of emissions reductions goals is inconsistent with their goal to help clients manage their carbon footprints.

Fluor's competitors recognize the importance and financial benefits of emissions reduction measures. Investors want to see Fluor match, if not exceed, the actions of its peers. As the largest construction and engineering company in the Fortune 500, building some of the most important projects in the world, Fluor recognizes that it has an important opportunity to reduce the risks of climate change for itself and its customers — setting GHG reduction goals is an obvious place to start.

We urge you to vote FOR the greenhouse gas goals proposal on Fluor's 2019 proxy ballot.

[137] https://bloom.bg/2HkKbCk
[138] https://bit.ly/1R7uSWz
[139] https://www.fluor.com/SiteCollectionDocuments/2014-fluor-sustainability-report.pdf

General Motors Company (GM)

Proposal: Lobbying expenditures disclosure

Prepared by Ceres

Resolution

The shareholders of General Motors Company ("GM") request the preparation of a report, updated annually, disclosing:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments by GM used 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.

For purposes of this proposal, a "grassroots lobbying communication" is 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 GM is a member.

Both "direct and indirect lobbying" and "grassroots lobbying communications" include efforts at the local, state and federal levels.

The report shall be presented to the Governance and Corporate Responsibility Committee and posted on GM's website.

Summary

- The lead filer of this proposal is the New York City Office of the Comptroller. Co-filers are: AP7 (Swedish pension fund) and Congregation of Benedictine Sisters, Boerne TX
- Through the Climate Action 100+ initiative, over 300 investors managing $33.4 trillion are asking companies to align their lobbying with the goals of the Paris Agreement.
- GM's current disclosures on lobbying are not sufficient.
- The lobbying of GM and its trade association seeking to weaken the existing fuel economy (CAFE)/GHG vehicle standards is misaligned with the Paris Agreement's goals.

- GM has not engaged with investors constructively, rejecting a previous shareholder proposal asking for disclosure on how future fleet emissions will align with existing fuel economy (CAFE)/GHG vehicle standards through 2025.

Rationale

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." 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 it belongs too) and implementation of the objectives of the Paris Agreement at global, regional, national and sub-national levels?"

GM has a commendable record on disclosure on political spending to affect elections but offers very little disclosure of how the company lobbies on legislation and regulations both directly and indirectly. In the last decade investors have been urging increased disclosure and transparency by companies of their lobbying activities, oversight and expenditures. During the 2018 proxy season, over 50 companies received shareholder resolutions asking for lobbying disclosure. This led to increased discussion by boards and many companies adding an expanded lobbying disclosure section to their websites. In the last two years companies and investors have forged agreements for expanded disclosure that led to the resolution being withdrawn (e.g., Verizon, IBM, JPMorgan, ATT and ConocoPhillips).

GM spent $71,495,000 from 2010 – 2017 on federal lobbying (opensecrets.org). This figure does not include state lobbying expenditures in the 49 states where GM lobbies but disclosure is uneven or absent.[140] For example, GM spent $2,756,602 on lobbying in California from 2010 – 2017. GM's lobbying over fuel efficiency standards has attracted considerable media scrutiny.[141]

GM belongs to the Business Roundtable, which lobbies against the right of shareholders to file resolutions, and is also a member of the Alliance of Automobile Manufacturers, which spent over $15.5 million on lobbying for 2016 and 2017. GM does not disclose its memberships in, or payments to, trade associations, or the amounts used for lobbying. GM discloses trade association payments used for political contributions, but not payments used for lobbying. This leaves a serious disclosure gap, as trade associations generally spend far more on lobbying than on political contributions.

We are concerned that GM's lack of lobbying disclosure presents significant reputational risk when it contradicts the company's public positions. For example, GM states that it believes climate change is real and is committed to reducing greenhouse gas emissions, yet the Alliance

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[140] https://publicintegrity.org/state-politics/amid-federal-gridlock-lobbying-rises-in-the-states/
[141] https://nexusmedianews.com/the-stunning-hypocrisy-of-u-s-automakers-9024d5a52698

of Automobile Manufacturers has questioned climate science[142] and both the Alliance and GM[143] have sought to weaken existing CAFE standards, which are insufficient to meet climate goals.[144] As shareholders, we believe that companies should ensure alignment between the Paris goals, their own positions and their lobbying, including through trade associations.

According to Influence Map's analysis, (which gave GM a D grade): General Motors is "actively engaging with climate change policy, with a number of negative positions… GM is a member of several trade associations that have sought to delay or weaken climate change legislation across the world and in the U.S., most notably the Auto Alliance which has aggressively sought to undermine US vehicle GHG and fuel economy regulations."

In GM's 2018 Proxy Statement the company recommended voting AGAINST a proposal from As You Sow regarding GM's compliance with existing CAFE standards. GM's response included an assertion that "GM's fleet average GHG emissions will not increase through 2025. "Given that additional reductions rather than the status quo is necessary to meet the Paris commitments, GM's response is not consistent with seeking to meet the Paris goals. GM also highlighted its commitment to electrification. However, while its investment in electrification is laudable, given that the vast majority of vehicles on the road in the next decade will have internal combustion engines, and the need for significant near-term emissions reductions, its lobbying seeking to weaken the standards is inconsistent with Paris goals. While investors have tried to engage GM regarding its lobbying on CAFE and misalignment between stated decarbonization goals and public policy positions in other forums, the discussions have not been productive.

Weakening the standards will undermine GM's global competitiveness, enhance its exposure to fuel price spikes (especially as its fleet moves to larger vehicles), and create significant regulatory uncertainty. Fourteen states, representing approximately 40 percent of the U.S. market, have adopted California's standards, and California has announced that if the federal GHG standards are weakened, California's rule will effectively revert to the existing standards. In addition, California and 19 other states, in addition to other stakeholders, have announced that they will challenge the rollback of the standards. Evidently, the current course will lead to significant regulatory uncertainty, litigation delay, and logistical challenges.

The following summarizes what investors are seeking in terms of lobbying disclosure and

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[142] In its February 2018 regulatory filing, the Alliance questioned climate science. The same filing also "cast doubt on the negative effects of tailpipe pollution on human health," evidently conflicting with settled science. NYT 2018

[143] GM's public comments call for about a one percent improvement per year in fuel economy standards, along with increased credits. GM's proposal for a National ZEV program would effectively preempt CA and states that have adopted its program, undermining state authority and likely delivering similar EV deployment as current standards without the additional benefits of improvement to internal combustion engines. GM's overall proposal would provide about a 1.4 percent improvement per year (Obama standards call for approximately five percent improvement per year).

[144] A 2017 Rhodium Group study found that even if current standards were preserved, the U.S. would still fall short of its commitment under the Paris Agreement. A University of Michigan study[15] found that additional reductions in the automotive sector beyond those provided under the current CAFE/GHG standards would be necessary at the latest by 2025 (plus or minus 2 years) in order to meet climate goals and avoid increased costs. (In contrast, the Auto Alliance claims that the sector is approaching the Paris goals.) U.S. Paris commitments assumed retention of current (Obama) standards through 2025; a recent UN report found that G-20 nations (especially the U.S. as one of the four largest emitters) would need to raise their original Paris emissions reduction targets by three times to meet the 2 C threshold and by five times to meet the 1.5 C mark. See also (https://bit.ly/2O3FRI5).

highlights steps GM could take to bring its disclosure on lobbying up to the positive rating it gets on political spending.

We urge GM 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 political contributions provided and oversight provided. However, it does not provide similar reporting on lobbying disclosure and public policy advocacy.

This disclosure can also easily be added as part of a Sustainability Report. A natural flow for expanded lobbying disclosure follows:

1. A brief introduction for investors on the rationale / philosophy for the company regarding lobbying, e.g., why does the company lobby and how does it advance company and shareholder interests? How are the priorities for lobbying defined?
2. A description of the oversight by management and Board of lobbying.
3. A summary of the company's top lobbying priorities during the last two years and the rationale for choosing them. What has the company position been on those key lobbying priorities? For example, if our company actively supported staying in the Paris agreement, that would be useful information. Conversely, we seek information as to whether our company lobbied against or sought to weaken climate related legislation at the federal or state level. (This is important since without background and context, simply linking to the Senate website is not reader friendly because the website provides links to basic facts without explanation. That is why investors urge companies to add an introduction to the link summarizing the lobbying priorities for the last year and the amounts spent on lobbying for the last two or three years.)
4. What trade associations does the company participate in? Disclosure of any trade associations receiving payments of $50,000 or higher (same level as political spending disclosure). Disclosure of the total amounts paid and also the amount of all payments which are non-deductible under Section 162(e)(1) of the Internal Revenue Code (payments used for lobbying or political purposes). This disclosure should also include ALL payments made to trade associations (this would include any payments made in addition to regular dues).
5. How management attempts to communicate with and/or influence a trade association when its position strongly differs from the company on a priority issue (with an example or two if possible). How management reviews trade association memberships to assess whether they are advancing the company's business needs and policy goals.
6. Similar description of ties to lobbying firms and law firms doing major lobbying for the company.
7. A summary of yearly federal lobbying expenditures for last 3 years, including dollar amounts spent, and a link to two years of quarterly reports with specific detailed dollar amounts spent on lobbying.
8. A summary of yearly state lobbying expenditures, including the dollar amounts spent.
9. A description of any grassroots lobbying activities.

For questions, please contact:

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JPMorgan Chase & Co. (JPM)

JPMORGAN CHASE & CO.

Proposal: Limit high carbon financing for low carbon transition

Filer: As You Sow

Resolution

Shareholders request that JPMorgan Chase adopt a policy to reduce the carbon footprint of its loan and investment portfolios in alignment with the 2015 Paris goal of maintaining global warming well below 2 degrees, and issue annual reports (at reasonable cost, omitting proprietary information) describing targets, plans, and progress under this policy.

Supporting statement: Shareholders recommend the report include, among other issues at board and management discretion:

The carbon reduction benefits of expeditiously reducing exposure to extreme fossil fuel projects such as such as coal, Arctic oil and gas, and tar sands.

Background

There is growing awareness that climate change presents major economic risk to global markets and investor portfolios. A warming climate creates supply chain dislocations, reduces resource availability, and causes lost production, commodity price volatility, infrastructure damage, and energy disruptions, among other impacts. A 2018 analysis in Nature projects $30 trillion in global avoided damages by keeping warming under the 1.5-degree global warming target rather than below 2 degrees.[145] The U.S. 2019 National Climate Assessment Report projects damages to the U.S. economy in the hundreds of billions of dollars by the end of the century.[146]

Think tank Carbon Tracker warns that there is potentially $1.6 trillion at risk of being invested in fossil fuel energy projects above levels compatible with avoiding catastrophic climate change,[147] and the United Nations Principles for Responsible Investment sees an emerging, rapid "inevitable policy response" from governments to align with the Paris Agreement.[148] The IPCC's recent special report confirmed that "rapid, far-reaching" changes must be made quickly and that net emissions of carbon dioxide must fall 45 percent by 2030, reaching "net zero" by 2050, to avoid disastrous levels of global warming.[149]

[145] https://bit.ly/2s3b44f
[146] https://nca2018.globalchange.gov/
[147] https://www.carbontracker.org/1-6-trillion-of-investments-at-risk-if-fossil-fuel-firms-fail-to-heed-climate-targets/
[148] https://www.carbontracker.org/the-political-tipping-point/
[149] https://bit.ly/2A5BEhi

Such growing awareness of climate risk and the outsize impact that banks can have on climate through financing fossil-fuel companies and projects has prompted shareholders to request information on whether and how banks are reducing the climate impact of their investments and loans. Shareholders require information when evaluating whether a bank's investments are increasing climate risk to the economy.

JPMorgan Chase ("JPMorgan" or "the Company") has neither adopted nor disclosed sufficient actions to measure or reduce its full climate impact as requested by this proposal, exposing its shareholders to increased climate portfolio risks. The Company continues to make investments and loans in the most extreme fossil fuel projects, locking in emissions for decades to come and jeopardizing society's ability to comply with the Paris Agreement's critical goals. Between 2015 and 2017, JPMorgan poured over $26 billion into financing tar sands, Arctic oil, ultra-deepwater oil, LNG and coal – the highest funding of any American bank.[150]

Banks that finance carbon intensive fossils fuel investments, projects, and companies not only increase harm to the climate but also face reputational harm, boycotts, divestment, and litigation that adversely affect shareholder value. While JPMorgan is moving in the wrong direction, other major banks are transitioning their lending and investment strategies to align with the Paris Climate Agreement and limit financing of greenhouse gas intensive fossil fuel projects.

Rationale

1) JPMorgan's failure to reduce investments in fossil fuel projects increases global climate risk. JPMorgan is the top U.S. bank financier of extreme fossil fuel projects, with investments totaling $26.1 billion from 2015 to 2017.[151] JPMorgan is singled out in particular for increasing its funding of coal mining by 21 times and lending a total of $11.65 billion in 2017 to extreme fossil fuel projects in tar sands, Arctic oil, ultra-deepwater oil, LNG, coal mining, and coal-fired power.[152] Given growing awareness that climate change presents major risks to global markets, the Company's high carbon investments expose both its own and its shareholders' portfolios to avoidable risks.
2) JPMorgan does not provide shareholders with sufficient analysis and disclosure on managing growing climate risk. The Company states it supports the Paris Agreement and is aware of climate and stranded asset risks, but has not adequately described sufficient plans to address this material issue. A key step toward reducing its climate footprint is to measure the climate emissions associated with its investment and lending portfolios. Once the Company is appropriately measuring its funded emissions, it can take actions to reduce those emissions in line with Paris goals. JPMorgan has yet to measure and disclose the full carbon footprint of its investing and lending portfolios.

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[150] http://priceofoil.org/content/uploads/2018/03/Banking_on_Climate_Change_2018.pdf, p. 6
[151] https://www.ran.org/wp-content/uploads/2018/03/Banking_on_Climate_Change_2018_final.pdf, p. 6
[152] http://priceofoil.org/content/uploads/2018/03/Banking_on_Climate_Change_2018.pdf

3) JPMorgan compares poorly to peers in reducing the climate impact of its financing and lending activities. Peer banking groups, especially in Europe, are moving much more proactively towards Paris compliance by taking steps to measure and align their financing and lending strategies with goals to maintain global warming well below 2 degrees Celsius, including by restricting investments in fossil fuel projects, especially high-carbon projects like tar sands and Arctic drilling. Peers are further leading on analysis and disclosure of the greenhouse gas emissions associated with their lending and investment portfolios.
4) The risk that climate change poses to investors is increasingly recognized by financial and regulatory institutions. Shareholders, the business community, regulators, investment analysts, the accounting community, and others have begun to acknowledge the need to address the financial sector's outsize impact on climate change.

Discussion

1) JPMorgan's failure to reduce investments in fossil fuel projects increases global climate risk. JPMorgan is the top U.S. bank financier of extreme fossil fuel projects, including fossil fuel projects in tar sands, Arctic oil, ultra-deepwater oil, LNG, coal mining, and coal-fired power.[153]

   Climate risk is clear and growing and it will undeniably impact companies and the greater economy. Banks such as JPMorgan both experience climate risk and have an outsized impact in creating climate risk, which affects not only the company but also investors' broader portfolios. Fossil fuel projects can lock in emissions over decades, so the larger and more carbon-intensive a bank's loans and investments in fossil fuels, the more difficult it is for the world to achieve its goal of maintaining global temperatures within a range that will avoid global climate catastrophe.

2) JPMorgan does not provide shareholders with sufficient analysis and disclosure on how it is reducing its climate footprint in alignment with Paris goals. While Jamie Dimon, CEO of JPMorgan, has voiced support for the Paris Agreement and called for the U.S. to remain a participant to the Agreement, the Company's stated policies remain unaligned with Paris goals.[154] According to the Company's Environmental and Social Policy Framework document, JPMorgan's primary action to affirmatively reduce the bank's negative climate impact is a prohibition against financing the development of new greenfield coal mines and new coal-fired power plants in high-income OECD countries, where few or no mines or plants are planned.[155] JPMorgan's continued investment in many other high-carbon fossil fuel projects outside such limited categories demonstrates a clear inconsistency between the Company's claims to support action on climate change and its actual

[153] http://priceofoil.org/content/uploads/2018/03/Banking_on_Climate_Change_2018.pdf
[154] https://cnb.cx/2JmBUj8
[155] https://bit.ly/21WJrUG, p. 7

climate policies.

While the Company maintains that it manages climate risk, it fails to measure the impact its loans and investments are causing to the climate. The fossil fuel companies and projects financed by JPMorgan are at odds with maintaining global warming in alignment with Paris goals and represent a worrisome exposure for investors to climate change risk. The Company has yet to disclose any intention to significantly reduce such investments or inform investors of JPMorgan's full climate impact—information that is critical to shareholders' understanding of whether the Company is sufficiently transitioning toward Paris compliance.

Methodologies to calculate and provide information on the full carbon footprint of banks are being developed and used by others in the financial sector—an important step we urge JPMorgan to take.[156,157] For example, the 2° Investing Initiative has developed a Paris Agreement Capital Transition Assessment (PACTA) tool for comparing listed equity and corporate bond portfolios against a 2 degree transition scenario,[158] and a group of 14 Dutch financial institutions is developing open source methodologies to measure the carbon footprint of their investments and loans through the creation of the Platform for Carbon Accounting Financials (PCAF).[159]

Although JPMorgan is actively participating in the Task Force on Climate-related Financial Disclosures (TCFD) process, this is an insufficient response to the Proposal. The purpose of the TCFD is to increase reporting on company-specific risks associated with climate change. Bank risk is addressed in the TCFD through three major action components: disclosing governance activities related to climate risks and opportunities; identifying and disclosing opportunities and climate risks to the company over the short, medium, and long term; and assessing and reporting the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.[160] Each component addresses how the bank analyzes and assesses the risk that climate change poses to its own operations; none require addressing the risk that the bank's actions are imposing on the climate or how those impacts could be reduced.

3) JPMorgan compares poorly to peers in reducing the climate impact of its financing and lending activities. While JPMorgan holds the mantle of being the third largest financier globally, and largest in the U.S., of extreme fossil fuel projects, other major banks have been adopting policies to reduce carbon in their loan and/or investment portfolios. Toward the end of 2018, five banks (BBVA, Standard Chartered, BNP Paribas, Société

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[156] https://www.bbva.com/en/new-methodologies-to-help-banking-industry-face-climate-change-published-today/
[157] https://bit.ly/2PTMBZ0
[158] http://www.transitionmonitor.com/en/home/
[159] http://carbonaccountingfinancials.com/
[160] TCFD, "Supplemental Guidance for the Financial Sector"

Générale, and ING), with a combined portfolio of $2.7 trillion, committed to decrease the climate impact of their loans in alignment with Paris climate goals,[161] and at least 11 banks have adopted policies to end or reduce financing for Arctic oil and/or tar sands projects.[162] For example, BNP Paribas' policies phase out financing for companies tied to Arctic drilling, oil sands, and shale development and restrict financing for coal.[163] Natixis further committed to end financing of tar sands and Arctic drilling.[164]

In terms of developing enhanced disclosures, Amalgamated Bank is working with the Global Alliance for Banking on Values to construct a tool for carbon accounting in the financial sector specifically focused on North America, using the European PCAF system as a model.[165] In Europe, ING has further developed a customized method called the Terra approach based off the PACTA tool.[166]

4) The risk that climate change poses to investors is increasingly recognized by financial and regulatory institutions. The Economist released a report in 2015 addressing the financial impact on investors associated with inaction on climate change. The report notes that the asset management industry – and the wider community of investors – is facing the prospect of significant losses from the effects of climate change. It notes:

To highlight the relevance of climate change to the asset management industry and beyond, this research estimates the value at risk . . . to 2100 as a result of climate change to the total global stock of manageable assets . . . The resulting expected losses to these assets identified in our findings, in discounted, present value terms, are valued at US$4.2trn—roughly on a par with the total value of all the world's listed oil and gas companies or Japan's entire GDP. This is the average (mean) expected loss, but the value-at-risk calculation includes a wide range of probabilities, and the tail risks are far more serious.[167]

Mark Carney, Governor of the central Bank of England, has publicly stated that investors face "huge" losses stemming from climate change.[168] In October of 2018, 18 central banks and supervisors who are members of the Network for Greening the Financial System signed a declaration on climate risk.[169] The European Central Bank recently told banks that it is counting climate risk as a key threat.[170] Significantly, the World Bank has committed to end upstream oil

[161] https://bloom.bg/2rw6VoI
[162] https://www.banktrack.org/campaign/banks_that_ended_direct_finance_for_arctic_oil_andor_gas_projects
[163] https://www.upi.com/BNP-Paribas-says-it-will-no-longer-back-oil/4921507715402/
[164] https://bit.ly/2F9Wrmx
[165] The PCAF created carbon footprinting guidance for the following asset classes: government bonds, listed equity, project finance, mortgages, commercial real estate, corporate debt and corporate SME loans.
[166] https://www.ing.com/Sustainability/Sustainable-business/Terra-approach.htm
[167] The Economist, "The Cost of Inaction: Recognizing the value at risk from climate change," Executive Summary.
[168] https://www.ft.com/content/622de3da-66e6-11e5-97d0-1456a776a4f5
[169] https://www.ft.com/content/6af35cee-d3a7-11e8-9a3c-5d5eac8f1ab4
[170] https://www.ft.com/content/6af35cee-d3a7-11e8-9a3c-5d5eac8f1ab4

and gas financing starting in 2019 in response to the need to respond to the existential challenge of climate change.[171] Investor engagement around climate change is also ramping up—a major example of this is the Climate Action 100+ initiative, backed by more than 320 investors with more than $32 trillion in assets under management, including 87 North American investors, urging companies to contribute to the achievement of Paris Agreement goals and thereby avoid severe climate-induced market disruptions.[172]

Vote "Yes" on this Shareholder Proposal regarding aligning JPMorgan's lending and investment portfolios with the Paris Climate Change Agreement.

JPMorgan is directing billions annually toward greenhouse gas emitting fossil fuel projects that contribute to global climate risk.

Shareholders urge strong support for this proposal, which will bring increased transparency and action from JPMorgan toward the goal of reducing the most significant risk facing not only shareholders, but all of humanity. We believe that every company in which we invest must contribute to reducing climate risk and solving this growing crisis.

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[171] https://bit.ly/2T82AU1
[172] https://climateaction100.wordpress.com/about-us/

The Kroger Co. (KR)

Proposal: Disclose efforts to mitigate deforestation exposure and strengthen forest policies

Resolution

Shareholders request that Kroger issue a report to investors by December 31, 2019 and updated annually, at reasonable expense and excluding proprietary information, integrating quantitative metrics on its supply chain impacts on deforestation, including progress on any time-bound goals for reducing such impacts.

Supporting statement: Proponents believe meaningful indicators in such reports could include, for instance:

- Commodity-specific, time-bound goals for reducing or eliminating deforestation linked to Kroger owned-brand products;
- Identifying any sustainability certification standards the company is using for major forest risk commodities (including palm oil, soy, cattle, beef, and paper/pulp) and disclose the percentage of commodities and suppliers attaining those certifications;
- Strengthen supplier non-compliance protocols to include deforestation-related policy violations; and
- Any reporting conducted through CDP Forests or similar platforms.

Summary

Green Century Capital Management seeks your support for the deforestation-related proposal The Kroger Co.'s (hereby referred to as "Kroger" or "the Company") 2019 proxy statement asking the Company to improve transparency regarding its efforts to track and reduce the impacts that its beef, soy, palm oil and paper/pulp supply chains have on global deforestation and to strengthen its corresponding policy. The Proponent believes taking such action would serve the long-term interests of the Company by mitigating potential reputational and competitive risks, as well as potential supply chain disruption.

1. Reputational and financial risk, including potential loss of market access: Kroger faces risks from shifting consumer demand and public awareness campaigns targeting companies linked to deforestation.

2. Competitive Risk: Kroger is lagging significantly behind its peers in adopting comprehensive policies and providing adequate disclosure on progress to mitigate its exposure to forest-related risks. Further inaction could create competitive pressure potentially resulting in significant loss of market share.

3. Supply chain risks: The environmental impacts caused by agriculture-driven deforestation can reduce agricultural productivity, leading to supply chain disruptions and associated expenses.

Rationale

Tropical deforestation is primarily caused by cutting down forests to grow commodity crops like soybeans and palm oil, to raise cattle for the production of beef, and to supply the globe's demand for pulp and paper.[173] According to Chain Reaction Research, it is imperative that investors and banks pay attention to deforestation as it is "largely driven by specific economic activities and is thus a sector-specific risk."[174] Deforestation significantly degrades the environment, directly impacting agricultural production and posing a material risk to Kroger's owned-brand product offerings. Furthermore, public awareness campaigns are bringing more attention to the environmental and social problems associated with deforestation. In response to the risks posed by deforestation, peer companies such as Walmart,* Tesco,* Carrefour,* and others have introduced policies to monitor and reduce deforestation across each of their commodity supply chains. In contrast, Kroger has an opaque palm oil policy and a paper packaging policy that is neither quantifiable nor time-bound. Proponents are concerned that Kroger's inadequate policy efforts to address deforestation in its beef and soy supply chains, as well as its insufficient disclosure on the progress of its palm oil and paper/pulp policies, may expose the Company to financial risks.

Reputational and financial risks, including potential loss of market access

Growing global concern about the environmental, social and climate-related impacts of deforestation is shifting consumer purchasing habits. Kroger lacks the policy and metric reporting expected by stakeholders to demonstrate sufficient mitigation of exposure to deforestation, heightening its potential for reputational damage. As the environmental and supply chain impacts of deforestation become more pronounced, and as consumer concern around deforestation and climate change grow, Kroger may face substantial financial risks if it fails to act.

Companies linked to deforestation may receive negative attention, impairing brand reputation.

- Companies connected to suppliers associated with deforestation or human rights violations have been targeted in campaigns by influential nongovernmental organizations, like Greenpeace[175] and Rainforest Action Network.[176] The number of campaigns targeting corporations with global brands is growing;[177] supermarket brands

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[173] https://www.ucsusa.org/global-warming/stop-deforestation/whats-driving-deforestation
[174] https://chainreactionresearch.com/reports/economic-drivers-of-deforestation-sectors-exposed-to-sustainability-and-financial-risks/
[175] https://www.greenpeace.org/usa/research/moment-truth-time-brands-come-clean-links-forest-destruction-palm-oil/
[176] https://www.ran.org/issue/palm_oil/#snack_food20
[177] https://www.researchgate.net/publication/315856967_Is_the_Power_of_Brand-

have been targeted in such campaigns.[178]

- Major media outlets, including The New York Times[179] and Bloomberg,[180] as well as risk analysis platforms like Chain Reaction Research, are increasingly covering deforestation, exposing laggard companies to reputational risk.

Consumers are increasingly concerned about sustainability, expecting companies to act, and shifting their purchasing practices accordingly.

- A 2018 survey found that 72 percent of Americans say global warming is important to them, up 16 percentage points from 2015.[181] Deforestation is a leading cause of climate change.[182]
- A survey by Ernst & Young concluded that 59 percent of Americans believe companies have an obligation to protect the environment.[183]
- In 2014, a survey from Cone Communications found that 83 percent of shoppers consider sustainability when making food purchasing decisions.[184] Research conducted by Cone Communications in 2017 found that 87 percent of consumers will buy from a company that advocates for issues they care about, while 76 percent will refuse to do business with a company that supports issues contrary to their beliefs.[185]

Competitive risk – policies and implementation

Kroger's attempts to address forest risk in its supply chain lag behind other major food retail companies, which have adopted no-deforestation policies and regularly report on progress toward eliminating exposure to deforestation through their beef, soy, palm oil and pulp/paper supply chains. Kroger does not disclose quantitative progress toward its existing forest-related goals nor identify sustainability certification for other forest-risk commodities. This positions the Company as a laggard in the industry and leaves it at risk of competitive disadvantage.

Kroger's current disclosure is insufficient to inform consumers and investors of Company practices and risks.

- Kroger claims that it sources 100 percent sustainable palm oil, using Roundtable for Sustainable Palm Oil (RSPO) certification.[186] However, the Company is not a RSPO member, and thus cannot claim to use RSPO certified product.[187]
- Unlike its peers, who report to widely recognized platforms such as CDP Forests or RSPO, Kroger reports to neither, leaving investors to question whether its palm oil target was

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Focused_Activism_Rising_The_Case_of_Tropical_Deforestation
[178] https://foe.org/palm-oil-precipice/
[179] https://www.nytimes.com/2018/11/20/magazine/palm-oil-borneo-climate-catastrophe.html
[180] https://www.bloomberg.com/quicktake/deforestation
[181] http://climatecommunication.yale.edu/wp-content/uploads/2019/01/Climate-Change-American-Mind-December-2018.pdf
[182] https://www.earthday.org/campaigns/reforestation/deforestation-climate-change/
[183] https://go.ey.com/2Fbkd1K
[184] http://www.conecomm.com/research-blog/2014-cone-communications-food-issues-study
[185] http://www.conecomm.com/research-blog/2017-csr-study#download-the-research
[186] http://sustainability.kroger.com/products-responsible-sourcing.html
[187] https://askrspo.force.com/s/article/Do-I-really-need-to-be-a-RSPO-member-to-use-sustainable-palm-oil

achieved, as it claims on its website.

- Kroger aims to "increase certified virgin fiber sourcing from well-managed forests," but does not have a quantitative or time-bound goal, preventing investors from tracking implementation efforts to mitigate this forest-related risk.[188]
- Kroger does not have forest policies for the use of soy and beef in owned-brand products, preventing it from adequately mitigating their exposure to forest-related risk.

In comparison, several of Kroger's key peers have strong commitments that sufficiently mitigate their deforestation risk.

- Walmart has a 2020 zero net-deforestation commitment that covers the four leading commodity drivers of deforestation: palm oil, timber/paper/pulp, soy and cattle. The company is a member of RSPO and reports to its Annual Communications of Progress (ACOP) survey on palm oil sourcing.[189] Walmart has signed onto the New York Declaration of Forests[190] and the Cerrado Manifesto,[191] both voluntary declarations to halt deforestation, including in corporate supply chains. Leading European retailers, like Tesco[192] and Carrefour,[193] have similarly strong policies.
- Ahold Delhaize,* parent company to U.S. brands Peapod, Stop & Shop, Giant, Hannaford and Food Lion, has a commitment to achieve 100 percent certified sustainable palm oil, soy, wood fiber, tea, coffee and cocoa supply chains by 2020.[194] Ahold Delhaize is a member of RSPO and reports to its annual ACOP survey on palm oil sourcing.[195] The company responds to the annual CDP Forests survey.[196] Ahold Delhaize has signed onto the New York Declaration on Forests[197] and the Cerrado Manifesto.[198]
- Target* has committed to use only sustainably sourced palm oil by 2018[199] and 100 percent sustainable fiber-based packaging by 2020 within its own brand products.[200] The company is a member of RSPO and reports to its annual ACOP survey on palm oil sourcing.[201] Target responds to the annual CDP Forests survey.[202]
- Aldi* set goals for all wood/paper to come from certified responsibly managed forests by

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[188] http://sustainability.kroger.com/about-this-report-2020-sustainability-goals-update.html
[189] https://www.rspo.org/members/749
[190] https://nydfglobalplatform.org/endorsers/
[191] https://cerradostatement.fairr.org/signatories/
[192] https://sustainability.tescoplc.com/sustainability/sourcing/topics/environment/forests/; https://cerradostatement.fairr.org/signatories/; https://rspo.org/members/8016/Tesco-PLC; and https://nydfglobalplatform.org/endorsers/
[193] http://www.carrefour.com/protecting-biodiversity/protecting-forests; https://cerradostatement.fairr.org/signatories/; https://www.rspo.org/members/140/Carrefour; and https://nydfglobalplatform.org/endorsers/
[194] https://www.aholddelhaize.com/media/6389/material-topics-ahold-delhaize.pdf pg 2
[195] https://rspo.org/members/153/Royal-Ahold-Delhaize-N.V
[196] https://www.cdp.net/en/responses?utf8=%E2%9C%93&queries%5Bname%5D=Ahold+Delhaize
[197] https://nydfglobalplatform.org/endorsers/
[198] https://cerradostatement.fairr.org/signatories/
[199] https://corporate.target.com/corporate-responsibility/responsible-sourcing
[200] https://corporate.target.com/article/2017/04/sustainable-packaging-goals
[201] https://rspo.org/members/4572/Target-Corporation
[202] https://www.cdp.net/en/responses?utf8=%E2%9C%93&queries%5Bname%5D=target

2020[203] and for palm oil used in food products to be RSPO certified by 2018.[204] The company is a member of RSPO and reports to its ACOP survey on palm oil sourcing.[205]

Supply chain risks - deforestation alters and endangers crucial environmental systems upon which supply chains depend.

The consequences of deforestation threaten the environmental processes which sustain global food systems, resulting in risk for global food security, the economy, and ecosystems. The vicious cycle by which unsustainable sourcing of beef, soy, palm oil, and pulp/paper causes deforestation, directly jeopardizes the production of those very commodities and could position the Company's supply chains for future disruption. As banks and institutional investors develop policies to reduce their exposure to deforestation, retailers such as Kroger may face reduced access to capital if they are unable to cut ties with bad actors.

Deforestation threatens to disrupt global food systems and destabilize supply chains.

- Tropical deforestation, most of which is driven by agricultural expansion, is responsible for approximately ten percent of global greenhouse gas emissions.[206] Climate change causes changes in weather patterns, disruption of the water cycle and the frequency of extreme weather events, all of which threaten the security of commodity supply chains.[207]
- Deforestation alters global rainfall patterns, with some studies indicating that deforestation has led to ten to 15 percent declines in local rainfall and to shifts in rainfall patterns thousands of miles away.[208] Agriculture is highly dependent on consistent rainfall patterns, yet multiple studies have indicated that deforestation, due primarily to agricultural expansion, is leading to reductions in rainfall[209] and to decreased agricultural productivity.[210]
- According to a 2015 study, nearly 33 percent of the world's adequate or high-quality food-producing land has already been lost to soil erosion caused by clearing trees necessary for anchoring the soil.[211]

Banks and institutional investors consider deforestation a material risk and are adopting policies to stem financial services to companies linked to deforestation.

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[203] https://corporate.aldi.us/en/corporate-responsibility/supply-chain/forestry/
[204] https://corporate.aldi.us/en/corporate-responsibility/supply-chain/palm-oil/
[205] https://rspo.org/members/941/ALDI-International-Services-GmbH-Co.-oHG
[206] https://www.ucsusa.org/global-warming/stop-deforestation/whats-driving-deforestation
[207] https://www.worldwildlife.org/threats/deforestation
[208] http://www.nasa.gov/centers/goddard/news/topstory/2005/deforest_rainfall.html and http://journals.ametsoc.org/doi/abs/10.1175/2008JCLI2157.1; http://journals.ametsoc.org/doi/abs/10.1175/JCLI-D-12-00369.1
[209] http://www.nasa.gov/centers/goddard/news/topstory/2005/deforest_rainfall.html
[210] https://chainreactionresearch.com/report/cerrado-deforestation-disrupts-water-systems-poses-business-risks-for-soy-producers/
[211] http://www.reuters.com/article/2014/12/05/us-food-soil-farming-idUSKCN0JJ1R920141205

- Banks including HSBC,*[212] Rabobank,*[213] and Credit Suisse*[214] have adopted detailed financing and corporate lending policies that reduce their exposure to deforestation by examining their clients' links to deforestation and by setting expectations for their clients' sustainability practices.
- CalPERS, the largest US state pension fund, updated its investment policy to include deforestation as a material risk to be considered in its investment decisions.[215]
- The largest sovereign wealth fund in the world, Norway's, divested from 11 companies because they were connected to deforestation.[216]

Conclusion

Deforestation presents material risks to commodity production and therefore to Kroger's ability to provide products for its retail business. The narrow scope and comparative weakness of Kroger's current policies when compared with peers does not adequately protect Kroger or its investors from the risks associated with deforestation. As competitors implement stronger initiatives to tackle exposure to deforestation within their own supply chains and as consumers continue to demonstrate demand for sustainably sourced products, the Company may be viewed as a laggard and lose customers and access to capital. As the environmental impacts of deforestation and the rising consumer concerns regarding the issue become more pronounced, Kroger may face significant business risks if it fails to more aggressively manage its exposure to deforestation in its supply chains.

Shareholders are urged to vote FOR the proposal asking Kroger to disclose efforts to mitigate deforestation exposure and strengthen its forest policies.

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*As of December 31, 2018, Target Corporation comprised 0.74%, 0.00%, and 0.00%; and HSBC Holdings PLC comprised 0.67%, 0.00%, and 0.00% of the Green Century Balanced Fund, the Green Century Equity Fund, and the Green Century International Index Fund respectively. Other securities mentioned were not held in the portfolios as of December 31, 2018. References to specific securities, which will change due to

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[212] http://www.hsbc.com/news-and-insight/media-resources/media-releases/2017/hsbc-statement-on-revised-agricultural-commodities-policy
[213] https://www.rabobank.com/en/images/sustainability-policy-framework.pdf.
[214] https://www.credit-suisse.com/media/assets/corporate/docs/about-us/responsibility/banking/policy-summaries-en.pdf
[215] https://chainreactionresearch.com/the-chain-calpers-approves-updated-investment-policy-including-material-risks-from-deforestation/
[216] http://www.climateaction.org/news/norways_500bn_sovereign_wealth_fund_drops_deforestation_firms

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This information has been prepared from sources believed reliable. The views expressed are as the date of publication and are those of the Advisor to the Fund.

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Pilgrim's Pride Corporation (PPC)

Proposal: Water Impacts of Business Operations

Resolution

Shareholders of Pilgrim's Pride Corporation ("Pilgrim's" or "PPC" or "the Company") request a report on how the company is responding to increasing regulatory, public and competitive pressure to significantly reduce water pollution from the company's owned facilities, facilities under contract, and suppliers. This report should omit proprietary information, be prepared at reasonable cost, and be made available to shareholders by December 1, 2019.

Supporting statement: Examples of topics the report could cover include whether the company has considered:

- A responsible manure management policy that prevents water pollution, including not locating new or expanded concentrated animal feeding operations (CAFOs) in already-polluted watersheds;
- Sustainable feed sourcing policy (e.g., from farms with practices that reduce water pollution and greenhouse gas emissions); or
- Diversifying into plant based protein production systems.

Summary

Shareholders are encouraged to vote FOR the shareholder proposal regarding water impacts on Pilgrim's Pride's 2019 proxy statement. Lead filer Oblate International Pastoral Investment Trust and co-filers Friends Fiduciary, Adrian Dominican Sisters and Mercy Investment Services, Inc., share a common concern regarding the financial and reputational risks[217] associated with water contamination from the company's operations and its supply chain.

Rationale

PPC has a history of water contamination incidents at its facilities and among suppliers and contract farmers, and its business is exposed to significant water risk. The Company's disclosures on water-related risks are inadequate to be able to construct a full picture of how the Company is managing water-related risks and opportunities. PPC is the lowest performing meat company in Ceres' 2017 Feeding Ourselves Thirsty Report, which benchmarks the quality of food company disclosures on water risks.[218]

PPC has no policy to comprehensively manage water stewardship.[219] We therefore ask the

[217] https://www.bloomberg.com/news/articles/2019-02-07/pilgrim-s-pride-sued-over-natural-chicken-labels
[218] https://sustainability.jbssa.com/JBS-USA-2017-SUSTAINABILITY-REPORT.pdf
[219] The lack of policy is surprising in light of JBS USA, Pilgrim's corporate parent, stating the following in its 2017 sustainability report "In

company to assess water quality-related risks associated with the company's direct operations, as well as in its supply chain (including contract growers and feed suppliers), and publically report on how the company is responding to increasing regulatory, public and competitive pressure to significantly reduce water pollution from the company's owned facilities, facilities under contract, and suppliers.

Pilgrim's Pride Does Not Sufficiently Manage Water Risk

Pilgrim's Pride Corporation, one of the largest chicken producers in the world, operates in 14 U.S. States, the U.K., Mexico, Puerto Rico, France and the Netherlands. As of 2017, Pilgrim's Pride's market share of U.S. chicken production is 17.3 percent. According to a June 2016 analysis by Environment America, Pilgrim's Pride released 544,790 pounds of toxic pollutants in U.S. waterways in 2014, as reported in U.S. EPA's Toxic Release Inventory. Given the reputational, litigation, and regulatory risk of being a large polluter, Pilgrim's needs to describe how it is working to further minimize effluent discharge beyond compliance levels. For example:

Non-compliance at facility level

The company has, in the past, been exposed to detrimental impacts due to water quality violations and noncompliance. For example, in March of 2015, the Atlanta Journal-Constitution found that "since 2006 Pilgrim's Pride has regularly dumped more pollutants into Flat Creek than the state allows... State officials have found shortcomings in Pilgrim's Pride's pollution control practices since at least 2006," state records reviewed by the Atlanta Journal-Constitution show. In 2016, Pilgrim's Pride was issued a $65,850 fine by the EPA as a result of violations to the federal Clean Water Act. This enforcement action mandated that the company implement a suite of corrective actions to control its stormwater discharges. To address its stormwater, Pilgrim's hired a full-time Complex Environmental Manager who conducted a comprehensive site assessment of the company's stormwater system. In 2016, Pilgrim's invested more than $500,000 to upgrade its stormwater infrastructure, including installing a 70,000-gallon storage tank and a pump station, which will capture the critical first flush of a rain event from the facility and store the water until it can be pre-treated onsite before being sent to the city's sewage treatment plant. A 2016 analysis by the Atlanta Journal Constitution noted that Pilgrim's has failed one of every two stormwater quality tests it has submitted to the state of Georgia since 2006.[220]

PPC was recently required to pay a record $1.43 million in penalties to reduce pollution in the Suwannee River watershed in Florida.[3] In November 2017, Pilgrim's Pride settled this lawsuit by agreeing to pay a fine of over $1.43 million and conduct a study on eliminating the plant's wastewater discharge to the Suwannee River. The fine is believed to be one of the largest Clean Water Act penalties in a citizen enforcement suit in Florida's history. The complaint alleges that

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2018, we will develop a comprehensive water risk mitigation strategy." Haven't seen further disclosure on this yet, but may be helpful context for the direction PPC's parent company would like to head in. See page 85

[220] "State favors self-regulation over fines for chicken processors. EPA finds multiple Clean Water Act violations at one plant." The Atlanta Journal-Constitution. March 21, 2015.

the company violated standards for:

- Nitrogen, which can cause excessive algae growth;
- "Specific conductance," which can indicate high levels of chloride, nitrate, or sulfate;
- "Whole effluent chronic toxicity," which is an indication that wastewater is toxic to, and can harm, aquatic life.

The bulk of that money went to fund a new sustainable farming program at Stetson University to reduce pollution. The settlement terms required Pilgrim's Pride to:

- Conduct a comprehensive study on eliminating the plant's wastewater discharge to the Suwannee River;
- Conduct a toxicity identification evaluation to address the cause of the plant's toxicity violations;
- Conduct a water use and reuse study, an analysis of the plant's water supply system and various upgrades to the wastewater treatment plant; and
- Pay $1.43 million, of which $1.3 million would be used to create a Sustainable Farming Fund designed to improve soil, groundwater, and surface water quality in the Suwannee Basin, and $130,000 would be paid to the U.S. Treasury as a civil penalty.

On February 2018, The Guardian published an article revealing that previously unseen government records detail "deeply worrying" incidents in pork and poultry plants, raising fears of "dirty meat" entering the U.K.[221] Frequent failings were identified at 24 plants operated by Pilgrim's Pride. More than 16,000 non-compliance reports on Pilgrim's Pride operations detail 36,612 individual regulatory violations - an average of 1,464 a month - at the 24 plants during a 25-month period between 2014 and 2016.

Animal Waste Management

Pilgrim's Pride has owned animal operations and also procures livestock through a network of contract growers. This supply chain generates an enormous volume of animal waste; in fact, manure runoff from concentrated operations is a significant source of water pollution in the U.S.[222]

Minimizing Fertilizer Runoff from Feed Growers

Runoff from the acres of crops needed to feed livestock is a major source of pollution in critical waterways like the Chesapeake Bay and the Gulf of Mexico. In particular, nitrogen runoff from cornfields - the major ingredient in animal feed - is the single largest source of nutrient pollution to the Gulf of Mexico's "dead zone," an area the size of Connecticut that is essentially devoid of life.[223]

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[221] "Dirty meat: Shocking hygiene failings discovered in U.S.US pig and chicken plants". Guardian. February 21, 2018.
[222] https://bit.ly/2XYC7fj
[223] "Water and Climate Risks Facing U.S. Corn Production: How Companies and Investors Can Cultivate Sustainability." Ceres. June 2014.

PPC is lagging behind competitors

- In May 2017, Tyson Foods announced its collaboration with the World Resources Institute (WRI) to develop outcome-based water conservation targets for its own operations as well as that of its supply chain, including a target of 12 percent lower water use in its supply chain by 2020. Additionally, Tyson is working with The Nature Conservancy's Arkansas Chapter on a significant stream bank restoration on the Kings River and conservation easements in Arkansas' Buffalo National River watershed.[224] Tyson even set a Land Stewardship Target to improve farming practices on two million acres by 2020.[225]
- Smithfield Foods exceeded its grain sustainability goal in only five years, engaging 80 percent of its supply chain in reducing fertilizer loss. This included farmer access to tools and programs to improve water quality and fertilizer management.[226]
- In Hormel Food's provisional sustainable agriculture policy, it outlined a goal to reduce water consumption within manufacturing operations ten percent from 2011 to 2020, including through improvements in row crop irrigation. The company also publicly releases information about its water programs and works with works with stakeholders to identify science-based targets for water quality improvement.[227]

PPC's customers are under pressure from investors to improve

An increasing number of investors are interested in ESG measures - more than executives think - and over half of investors will divest from a company with low sustainability. The most popular reason cited is that sustainability performance increases a company's potential for long-term value creation.[228]

Downstream in Pilgrim's supply chain, investors are raising concerns on the water and greenhouse gas emissions impacts of meat supply chains. EIghty-three investors have asked some of Pilgrim's biggest customers — fast food chains including Domino's, Chipotle Mexican Grill and McDonald's — to set more ambitious water use and emissions targets. Already, Yum! Brands has lowered its water usage by 10 percent between 2015 and 2017. Yum! "look[s] forward to collaborating with global suppliers to lower their impact in line with leading markets in reduced emissions and impact."[229] This adds more reason for Pilgrim to make its own changes in water impact.

Conclusion

As concerned investors, we recognize that the Company has made some efforts related to water

[224] https://bit.ly/2HIin0y
[225] https://www.tysonfoods.com/the-feed-blog/creating-our-roadmap-land-stewardship
[226] https://bit.ly/2HyWiL6
[227] https://bit.ly/2O5acWx
[228] https://bit.ly/2UCLHm2
[229] https://on.wsj.com/2TBfZ8v

use reduction; however, investors remain concerned about the lack of disclosure that clearly outlines how the company is managing water contamination related risks. The proposal is not duplicative of the Company's current practices and procedures which focus mainly on water use reduction, versus the proposal's request for a clear analysis of how the company is working to significantly reduce water pollution from the Company's owned facilities, facilities under contract, and suppliers.[230]

Therefore, we urge shareholders to vote FOR the shareholder proposal calling on Pilgrim's Pride to report on how the company is responding to increasing regulatory, public, and competitive pressure to significantly reduce water pollution.

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[230] According to its 2017 sustainability update, PPC finalized its supplier code of conduct and is progressing on implementing it with suppliers. PPC expects suppliers to adhere to the code by 2020. While the code will address "environmental issues", the code hasn't been made publicly available, so its emphasis on water stewardship can't be determined. Retrieved from: p28

To find details of these and other climate- and ESG-related shareholder proposals, please visit:

engagements.ceres.org