

Wetherby REPORTS

Wetherby Asset Management works with the nonprofit, As You Sow, to connect investors directly with social and environmental shareholder engagement initiatives that can foster long-term value in public companies. Every year, we release a report summarizing our clients' involvement and highlight ways in which individual investors help shape the future of business through shareholder advocacy.

“Individual investors can encourage the world’s most powerful companies to address - and improve - their impact on our society and planet.”

JUSTINA LAI, DIRECTOR OF IMPACT INVESTING

THE POWER OF THE INVESTOR VOICE

Publicly-traded companies and their boards are directly accountable to the interests of their shareholders. As such, shareholders have the right to engage corporate management, to ask questions about policies and practices and to point out risks to the company. Done well, the process can be collaborative and productive. Recently, more directors are recognizing engagement as a valuable opportunity to connect with long-term shareholders who understand the company's strategy and support it with patient capital.

THE RISING RELEVANCE OF ESG

Engagement on environmental, social and governance (ESG) issues is rising in prominence as an urgent and material issue for many corporations. The US SIF Foundation's 2018 Biennial Report recorded that from 2016-2018, over 200 institutional investors and money managers collectively controlling \$1.76 trillion in assets filed or co-filed shareholder resolutions on ESG issues – including 700 ESG resolutions in the 2018 proxy season alone.¹ ESG shareholder engagement is rapidly becoming mainstream, bolstered by changing societal expectations, better data, research and reporting, as well as investor focus on long-term performance.

MEANINGFUL ENGAGEMENT TAKES MANY FORMS

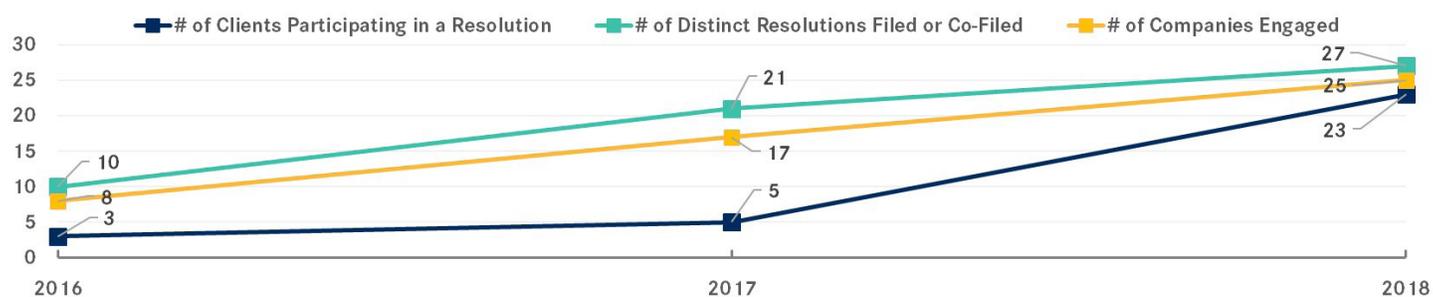
Successful engagement can utilize a variety of approaches. Our firm connects with expert organizations like As You Sow that build strategic and thoughtful campaigns, sometimes choosing to escalate a dialogue by submitting shareholder resolutions for consideration at a company's annual meeting.

Our offering focuses on this crucial step. With as little as \$2,000 worth of shares, held at least a year prior to and up to the resolution filing deadline, our clients can authorize a proposal for shareholder vote thereby representing critical issues to the board, other investors and the general public.

HOW TO GET INVOLVED

Wetherby clients can support critical proposals with a simple signature. Every year, As You Sow experts draft resolutions for which they need investor support in order to file for corporate annual meetings. Wetherby notifies all eligible clients of the opportunity, who then choose if they want to support the proposals by signing a letter of authorization. Participating and interested clients are then notified of progress in the campaign. To learn more about participating, please notify your Wetherby team.

Figure 1: Growing Wetherby Client Participation in Shareholder Resolutions from 2016-2018



Topics of Engagement

As You Sow engages around 60 companies every year on a wide range of ESG issues. For the 2018 annual meeting season, Wetherby clients authorized As You Sow to file and co-file shareholder resolutions focused on the following topics.

ANTIBIOTICS & FACTORY FARMS

Resistant bacteria strains that survive antibiotic treatments can cause infections that are harder, sometimes impossible, to treat. Antibiotic resistance is reaching dangerously high levels globally, accelerated by the overuse and misuse of antibiotics. The World Health Organization calls antibiotic resistance “one of the biggest threats to global health, food security and development today.”²

Factory farms and the food industry often overuse antibiotics to promote growth in otherwise healthy animals. Center for Science in the Public Interest (CSPI) reports that about 80 percent of all antibiotics distributed in the U.S. were for food animals.³ Major health and food organizations, including the World Health Organization and U.S. Food and Drug Administration, urgently recommend that farmers and the food industry stop routine use of antibiotics on healthy animals.⁴

ANTI-SLAVERY

Forced labor is a pernicious practice in our global economy where individuals work involuntarily and under threat of a penalty. It can take many forms including slavery or slave-like practices, various forms of debt bondage and human trafficking, which all involve living conditions contrary to human dignity.⁵ An estimated 40 million people are victims of modern slavery, with 24.9 million in forced labor. These victims work in virtually

every industry and across sectors. According to the U.N. Guiding Principles, companies have a corporate responsibility to respect human rights within their operations and supply chains.⁶

CLIMATE CHANGE

The human, environmental, and economic costs of a warming climate are becoming increasingly clear – as is the need for decisive action. From catastrophic flooding, hurricanes, droughts and fires, the impacts of climate change are no longer a concern of the future.

Scientists and global governments have agreed that global temperature increases must be held below two degrees Celsius to avoid catastrophic climate change. Companies can lead the way in maximizing opportunities created by climate change – including investing in new products, technologies and operational innovations. Alternatively, they may face losses if unprepared for a quickly decarbonizing global economy.⁷

COAL ASH MANAGEMENT

While the energy sector is moving away from coal for a multitude of reasons, the negative health impacts of this dirty fuel continue. Not only does coal pollute the air when burned, but the storage of coal ash also has a significant potential to contaminate water and air, raising the risk to nearby communities of cancer, lower IQ in children and organ damage.⁸ In 2015, the Environmental Protection Agency acknowledged the significant risks of coal ash by approving a national mandate for its management and storage, as well as long-term monitoring of groundwater and disclosures of risks.⁹

CONSUMER PACKAGING

Among a backdrop of consumer and regulatory pressure as well as sustainable innovation in the space, many large companies are reducing overall use of packaging, adopting sustainable packaging and finding ways to close the loop on their models of production. However, the scale and urgency of the issue requires continued attention. For example, recyclable materials represent the largest single portion of the U.S. municipal waste stream, comprising nearly 30% of all waste (75 million tons). Single use applications are wasteful and not designed to align with a circular collection and recycling model.¹⁰

Progress toward a circular economy of production can decrease post-consumer packaging waste, conserve natural resources, reduce energy use and greenhouse gas emissions and slow the toxic loading of our oceans with packaging debris.

EXECUTIVE COMPENSATION

According to the Economic Policy Institute, in 1978, U.S. executives earned 30 times the average employee, now it is 276 times as much.¹¹ The U.S. leads the world in excessive executive compensation, to the detriment of shareholders. Excessive executive pay distorts incentives, exacerbates income inequality and undermines the trust of consumers and employees. Many compensation structures are also short sighted, prioritizing quarterly stock performance over the long-term success of the business.¹² Executive interests, and therefore their compensation structure, should be aligned with the shareholders that they serve.

GMOS & PESTICIDES

Pesticides are an enormous group of chemicals designed to kill unwanted insects (insecticides), weeds (herbicides), rodents (rodenticides) and fungi (fungicides). Many pesticides endanger human health or damage ecosystems, creating risk for companies that buy or produce food and other crops.

The vast majority of Genetically Modified Organisms (GMOs) grown in the U.S. are engineered to produce their own pesticides, or survive direct application of pesticides. For example, Monsanto’s Roundup Ready crops are engineered to survive direct

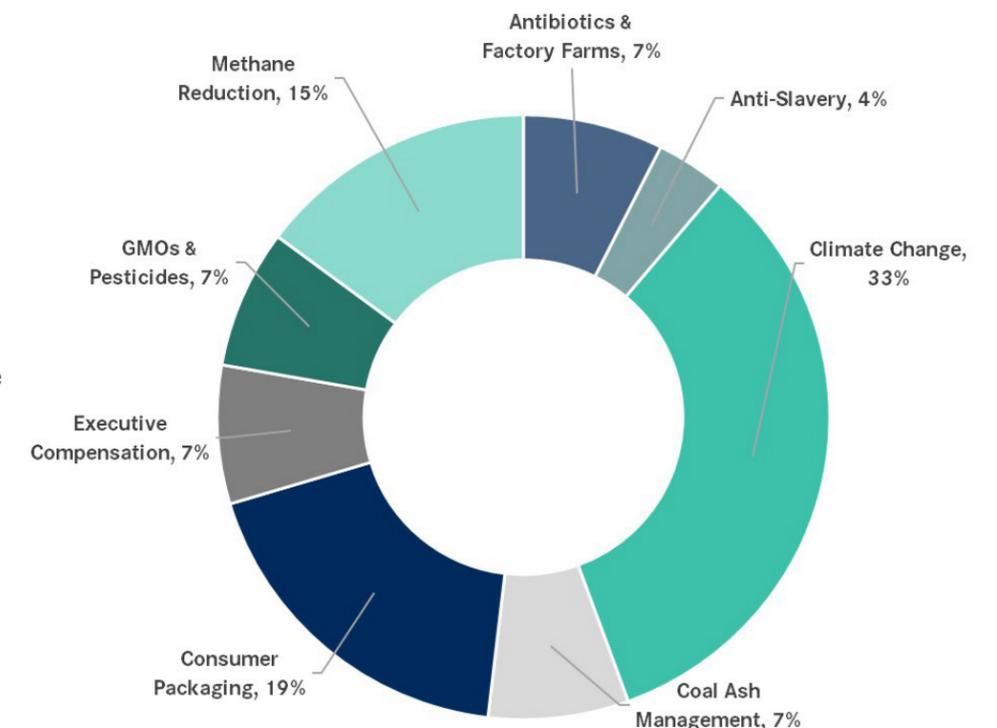
application of glyphosate (the primary ingredient in Roundup). Glyphosate is the world’s most heavily used herbicide and, in 2015, it was classified as a probable human carcinogen by the world’s leading cancer authority.¹³

METHANE REDUCTION

Methane is a significant contributor to climate change with a global warming impact roughly 86 times that of carbon dioxide over a 20-year period according to the Intergovernmental Panel on Climate Change (IPCC). Methane emissions occur throughout the oil and gas supply chains even though many cost-effective technologies exist to dramatically reduce such emissions.

Natural gas is often promoted as a bridge fuel to help move the global economy away from high-carbon energy sources like coal. Yet, while natural gas burns more cleanly than coal, if methane emitted from the natural gas and oil supply chain is above 3.2%, using natural gas may be worse for the climate than burning coal. Companies across the oil and gas supply chain must improve disclosures and adopt best management practices that limit risk of unacceptable methane emissions.¹⁴

Figure 2: Wetherby Client Resolutions by Topic in 2018



AS YOU SOW

As You Sow is the nation’s nonprofit leader in shareholder advocacy. Founded in 1992, As You Sow harnesses shareholder power to create lasting change that benefits people, planet and profit. They use shareholder advocacy, coalition building and innovative legal strategies to promote environmental and social corporate responsibility. To learn more about the organization and their various initiatives, visit www.asyousow.org.

Outcomes & Spotlights

30%

RESOLUTIONS SUCCESSFULLY WITHDRAWN

Not all proposed resolutions are ultimately included in the proxy materials for an annual meeting. Oftentimes, companies are motivated to satisfy a resolution in advance of the proxy vote, based upon the merit of the proposal and the company's desire to avoid public exposure of poor practices. Following such cases of successful dialogue and agreement, shareholder activists like As You Sow may choose to withdraw the resolution from consideration at the annual meeting.

4%

RESOLUTIONS OMITTED

Some companies may also challenge a proposal based on SEC standards in an effort to disqualify it from inclusion in the proxy materials. If, upon review, the SEC finds that a resolution is inappropriate – e.g., if the issue is considered a part of a company's "ordinary business" – it can issue a "no action letter" in which it will not take legal action against a company for omitting the resolution from its proxy statement.

52%

RESOLUTIONS BROUGHT TO VOTE

Results of a shareholder vote are publicly reported and calculated as "votes for," divided by the total votes cast for and against the proposal; abstained votes are not counted. Typically, outcomes around or over 10% send a clear signal of shareholder support to a management team, but the actual results can vary case-by-case as even limited voter support can still lead to corporate adoption of thoughtful proposals.

15%

RESOLUTIONS CANCELLED

Sophisticated shareholder engagement programs maintain a continuous and constructive dialogue to reach consensus between investors and management on their shared interest of improving the long-term financial performance of the company. As such, As You Sow will, at times, cancel planned resolution filings in favor of continued engagement or high priority engagements with other companies.

RESOLUTION SPOTLIGHT: STARBUCKS MAKES PROGRESS ON ENVIRONMENTAL COMMITMENTS

At Starbucks' 2018 Annual Meeting of Shareholders held early this year, actor, filmmaker and UN Environment Goodwill Ambassador Adrian Grenier presented an As You Sow resolution asking the company to take bold action on reducing its global plastic footprint.

Shareholders – including 6 Wetherby clients – representing 29% of votes and over \$54 billion agreed.

Scientists estimate that between 4.8 to 12.7 million metric tons of plastic waste can enter our oceans in a single year. Once in the ocean, plastics do not biodegrade but instead slowly fragment into smaller pieces known as "microplastics," which have been found in the deepest parts of our ocean and are scientifically proven to be mistaken as food by many forms of marine life.

Starbucks had previously pledged that by 2015, 25% of beverages would be served in reusable containers, and 100% of paper and plastic cups would be recyclable at all company-owned stores. Today, less than 2% of beverages are served in reusable cups and only 60% of stores have cup recycling.

Conrad MacKerron, senior vice president of As You Sow, noted prior to the meeting that, "Investors should be concerned about the company's lack of action. Starbucks stands to lose a major competitive edge when rivals like McDonald's make global recycling commitments. The company must also take seriously the considerable environmental damage that occurs when its plastic straws and lids are swept into waterways around the world."¹⁵

Since the company's annual meeting, Starbucks has made some substantial commitments that not only help reduce their environmental impact, but also protect their reputation, reduce regulatory risk and improve their bottom line in a rapidly evolving market. They have committed \$10 million of investment capital to sustainable package design and announced they will be phasing out plastic straws by 2020. Most recently, Starbucks launched their Global Greener Stores plan to design, build and operate 10,000 greener stores globally by 2025.¹⁶

This progress is indicative of a changing economy, whereby large multinational companies are compelled by consumer sentiment, industry competitors and regulation to take more responsibility for post-consumer waste. Shareholders can play a powerful role in advocating for responsible production and recycling or composting of consumer products and packaging to preserve Earth's limited natural resources.



"RESOLUTION: Provide a comprehensive policy on sustainable packaging that includes: making cups recyclable, ensuring that cups collected are actually recycled, increasing recycled content, removing plastic straws, and identifying a feasible path toward a scaled commitment to its original goal for reusable cup usage."

- Supported by over **29%** of Starbucks' shareholders, representing over **\$54 billion**
- In response, Starbucks announced a **\$10 million investment** to design a more sustainable cup
- Subsequently, the company chose to phase out plastic straws from all stores **by 2020**
- They have since committed to design and build **10,000 greener stores by 2025**

Table 1: Resolutions and outcomes of 2018

	Topic	Company	Clients	Resolution Request	Outcome
Resolutions Successfully Withdrawn	Antibiotics & Factory Farms	McDonald's	6	Set global sourcing targets with timelines for pork and beef raised without the use of medically-important antibiotics for disease prevention purposes	Withdrawn; agreed to publish beef antibiotics policy by end of 2018; will involve As You Sow (AYS) and other investors in the review process
	Climate Change	Devon Energy	4	Report on the risks of using oil and gas reserve additions as a metric in executive compensation given climate change and the global transition to a low carbon economy	Withdrawn; agreed to remove oil and gas reserves from executive compensation bonuses
	Coal Ash Management	Duke Energy	1	Report on the public health impacts of air and water pollution in communities adjacent to the company's coal operations, including costs related to potential liability and reputational damage	Withdrawn; agreed to disclose water stewardship, measurement of pollutants from coal, and associated health impacts
	Consumer Packaging	McDonald's	2	Expedite on previous commitment to phase-out the use of unrecyclable foam packaging	Withdrawn; after 2 years of targeted filings (32% vote in 2017), agreed to stop using unrecyclable and carcinogenic foam globally by end of year
	Executive Compensation	Equifax	1	Adopt a policy to use generally accepted accounting principles for purposes of determining senior executive compensation which would require executives to hold stock long-term	Withdrawn; agreed to eliminate 2017 bonuses for senior leadership and make other changes to performance incentives; working to add a cybersecurity performance measure for senior employees this year
	GMOs & Pesticides	PepsiCo	9	Report on the environmental and public health risks of unnecessary pesticide use in the company's agricultural supply chain	Withdrawn; agreed to improve scope and transparency of pesticide management programs
	Methane Reduction	Dominion Resources	1	Review the company's policies and plans to measure, monitor, mitigate, and set quantitative reduction targets for fugitive methane emissions resulting from natural gas storage assets	Withdrawn; agreed to disclose amount of methane gas leaks from operations
		DTE Energy	2	Report on the company's efforts to monitor and minimize methane leakage, including adopting a quantitative methane intensity reduction target for its operations	Withdrawn; agreed to publicly report how they are addressing methane leaks
Resolutions Brought to Vote	Antibiotics & Factory Farms	Tyson Foods	4	Adopt and implement a water stewardship policy designed to reduce risks of water contamination at company-owned facilities, facilities under contract and feed suppliers	Received 15.8% vote (61.5% of shares not controlled by founders' trust); Tyson agreed to meet with investor advocates; AYS will maintain pressure to develop strong policies to minimize water use and pollution
	Anti-Slavery	Monster Beverage	2	Report on actions taken to reduce forced labor in the company's supply chain after receiving the lowest possible score on a Know the Chain report addressing forced labor risks within supply chains	Supported by 20% of shares in first ever resolution to address risks of forced labor in agricultural supply chains; will continue to engage
	Climate Change	Anadarko Petroleum	3	Report on the risks of climate change to the company's fossil fuel operations, given the international agreements to curb carbon emissions	Received 53% vote (\$19BN); increases pressure on management to address risks and retain value in low carbon future
		Chevron	7	Report on the risks of climate change to the company's fossil fuel operations, given the international agreements to curb carbon emissions	Supported by 8.1% of shares; will continue to educate investors and engage with oil companies
		Emerson Electric	1	Adopt goals for reducing total greenhouse gas (GHG) emissions, taking into account the goals of the Paris Climate Agreement	Supported by 39% of shares (over \$17BN); have had success with company before (e.g., issuance of 1st ever sustainability report); increases pressure on management to set goals for reducing GHG emissions in operations
		Ford Motor Company	2	Report on the company's fleet-wide GHG emissions given the industry's proposed weakening of Corporate Average Fuel Economy (CAFE) standards or how it plans to ensure its products are sustainable in a rapidly decarbonizing vehicle market	Received 12.8% vote (~\$7BN and ~25% of shares not owned by Ford family); will continue to press for specific, time-bound information on fleet-wide emissions reductions over the next 5 years
		General Motors	4	Report on the company's fleet-wide GHG emissions given the industry's proposed weakening of Corporate Average Fuel Economy (CAFE) standards or how it plans to ensure its products are sustainable in a rapidly decarbonizing vehicle market	Supported by 26.9% of shares (over \$15BN) in first year resolution; will continue to engage on fuel economy goals
		Kroger	1	Report on climate change risk reduction benefits of adopting renewable energy sourcing targets	Supported by 31.4% of shares (over \$7BN), strong increase from 24.8% a year ago, demonstrates progress on education; will continue to engage and educate
	Coal Ash Management	Ameren	1	Report on the company's efforts to identify and reduce environmental and health hazards associated with the handling of coal combustion residuals	Received 53.2% vote (~\$7BN); will report on water contamination at current and former coal plants in IL and MO
	Consumer Packaging	Kraft Heinz	1	Report on the environmental impacts and risks of continuing to use unrecyclable brand packaging	Received 13.5% vote (~27% of shares not owned by private equity); will continue to educate investors on recyclable packaging
		Kroger	1	Report on the environmental impacts and risks of continuing to use unrecyclable brand packaging	Supported by 29.4% of shares (over \$6BN), strong increase from 24% last year, demonstrates progress on education; will continue to mobilize investor power (launched new investor alliance seeking solutions to ocean plastic)
Mondelez International		6	Report on the environmental impacts and risks of continuing to use unrecyclable brand packaging	Received 31.2% vote (over \$12BN and nearly 4% higher than 2017); after years of negotiations, the company agreed to eliminate single use plastic in October 2018	
Starbucks		5	Report on progress on achieving environmental leadership commitments by scaling up efforts through a comprehensive policy on sustainable packaging	Received 29.2% vote (\$23BN); AYS will continue the dialogue and educate more investors about the long-term risks of waste	
GMOs & Pesticides	General Mills	7	Report on its pesticide management programs and options for adopting policies to prevent or minimize environmental and public health harms from glyphosate in the company's supply chain	Supported by 31% of shares (over \$5BN); AYS has been engaging since 2014 and has seen increasing momentum; AYS will continue to engage until General Mills begins to quantify pesticides use	
Omit	Climate Change	Exxon Mobil	2	Report on how the company can adapt its business model to align with a decarbonizing economy by altering its energy mix to substantially reduce its dependence on fossil fuels and protect shareholder value	SEC decided to block resolution from shareholder vote; despite the fact that a shareholder resolution requesting climate reporting won a majority vote last year; could result in Board Members losing re-election this year
Cancelled Filings	Climate Change	Hess	1	Report on the risks of climate change to the company's fossil fuel operations, given the international agreements to curb carbon emissions	As You Sow decided to prioritize engagements with other companies
	Executive Compensation	Las Vegas Sands	1	Adopt a policy that better aligns incentives, linking executive compensation and performance	As You Sow decided to prioritize engagements with companies with a greater likelihood of adopting better practices
	Methane Reduction	Public Service Enterprise	1	Report on the company's efforts to monitor and minimize fugitive methane emissions	As You Sow achieved positive dialogue and progress with the company
		Consolidated Edison	2	Report on the company's efforts to monitor and minimize fugitive methane emissions	As You Sow decided to prioritize engagements with other companies

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