



The 2018 proxy season began inauspiciously for investors that file resolutions in company proxy statements for a shareholder vote at annual general meetings. Last November, the Securities and Exchange Commission (SEC) issued a Staff Legal Bulletin that appeared to make it easier for companies to prevail when they appeal to the SEC for permission to omit shareholder proposals from their proxy statements (known as “no-action” requests). While much of Walden’s impact through active ownership comes from constructive dialogues with companies over many years, sponsoring shareholder proposals remains an essential tool to influence corporate policies and practices. The good news is that thus far the SEC Bulletin appears to have been less consequential than we anticipated. But a different and unanticipated theme emerged over the season: numerous SEC decisions seemed to contradict established precedent that had favored shareholders, and “micromanagement” emerged as a main reason to omit shareholder proposals from proxy ballots on important issues such as climate change.

SHAREHOLDER RESOLUTION SUMMARY

Notwithstanding this difficult context, Walden had a successful proxy season. We withdrew a record number of our resolutions due to positive agreements reached with companies. In 2018, Walden led or co-led 21 resolutions on a variety of environmental, social, and governance (ESG) topics and co-filed 10 more resolutions led by other investors (see summary on page 2). Sixteen of the 31 resolutions were withdrawn with agreements. The average level of support for the eight shareholder resolutions that went to a vote was 25%. The two remaining proposals are pending. In a sign of the times, however, five of our proposals faced SEC no-action challenges or the threat of a no-action challenge leading us to withdraw them for tactical reasons.

Season Highlights

Our proposals at **Discover Financial**, **Dollar General**, **Morningstar**, and **SunTrust Bank** asking each to disclose publicly data that is already collected and reported

annually to the Equal Employment Opportunity Commission (the EEO-1 Report) were withdrawn based on agreements. Though none committed to disclose the full EEO-1 report detailing workforce composition by gender and race across job categories, all four companies agreed to improve the disclosure of workplace diversity programs and EEO metrics. Our proposal at **American Express** on the gender-wage gap, led by Arjuna Capital, was withdrawn when the company pledged to report on pay differentials between male and female employees by the end of 2018. The company also committed to make compensation adjustments in line with a goal of 100% gender pay equity.

A seventh-time proposal with **ConocoPhillips** urging improved disclosure on lobbying activities and trade association memberships was withdrawn after the company agreed to add more information on its lobbying activities to its website, including an annual list of trade associations to which ConocoPhillips paid more than \$50,000. This experience underscores our belief that persistence over many years can lead to progress.




New Obstacles

We experienced more SEC challenges this year than ever before. For the second consecutive year, **Cato** issued a no-action challenge at the SEC regarding Walden’s proposal to

AN INDUSTRY MILESTONE

We filed our 500th shareholder resolution this season. Since 1987, we’ve withdrawn more than 40% of our resolutions after companies committed to improve policies, practices, or transparency. In the current policy environment, in which this shareholder right is under threat, we are especially proud of our record demonstrating that resolutions contribute to positive corporate change.

SUMMARY OF 2018 SHAREHOLDER RESOLUTIONS

Walden Focus Area	Proposal Detail	Company	Status
 Climate Change	Assess feasibility of setting company-wide goals for increasing energy efficiency and use of renewable energy	Comcast	Challenged/Withdrawn
	Adopt time-bound, quantitative, company-wide goals for reducing total greenhouse gas emissions	Emerson Electric	40% Support
	Assess impacts to business from transitioning to a “2 degree” climate change target	ExxonMobil*	Agreement Reached
 Equality and Human Rights	Report a comprehensive breakdown of workforce by race and gender according to the Equal Employment Opportunity Commission’s defined job categories	Discover Financial	Agreement Reached
		Dollar General	Agreement Reached
		Morningstar	Agreement Reached
		SunTrust Bank	Agreement Reached
	Report on policies and goals to reduce the gender pay gap	American Express*	Agreement Reached
	Amend non-discrimination policy to include sexual orientation and gender identity	Cato	Challenged/Lost at SEC
		Chemed	Agreement Reached
		CorVel	Challenged/Withdrawn
		IPG Photonics	Agreement Reached
		The Ensign Group	Agreement Reached
Report on steps the company is taking to improve board diversity	Anika Therapeutics	Agreement Reached	
Report on efforts to ensure responsible labor recruitment within the supply chain	Williams-Sonoma*	Agreement Reached	
 Governance	Report on plans to address business ethics concerns	Wells Fargo*	Agreement Reached
	Issue a report describing the company’s policies, performance, and improvement targets related to key ESG risks and opportunities	Brinker International	Pending
		Natural Gas Services	Agreement Reached
		Tootsie Roll	3% support
	Report on policies and procedures relating to direct and indirect lobbying, including payments used to trade associations and think tanks to influence public policy	Alphabet	9% support
		AT&T	34% support
		Chevron*	32% support
		ConocoPhillips	Agreement Reached
		ExxonMobil*	26% support
		IBM	33% support
		Oracle*	Pending
	UPS	20% support	
	Review and report on proxy voting policies and practices	Cohen & Steers	Agreement Reached
T. Rowe Price*		Challenged/Withdrawn	
Adopt policy that require the Chair of the Board to be an independent member of the board	Express Scripts*	Challenged/Withdrawn	
	Johnson & Johnson*	Agreement Reached	

*In order, these shareholder resolutions co-filed by Walden were led by: New York State Common Retirement Fund, Arjuna Capital, Mercy Investment Services, Sisters of St. Francis of Philadelphia, City of Philadelphia Public Employees Retirement System, United Steelworkers, Boston Common Asset Management, Zevin Asset Management, John Chevedden, Sisters of St. Francis.

strengthen the company’s non-discrimination policy to include sexual orientation and gender identity. Though we presented a strong case in support of the proposal, we were disappointed that the SEC again ruled in favor of the company. This led us to withdraw a similar proposal at **CorVel**, which planned to replicate Cato’s successful challenge. In our view the Cato decision represents a departure from the SEC’s established precedent on LGBT workplace equality resolutions. **Comcast** also pursued a no-action request concerning our resolution asking for energy efficiency and renewable energy goals. After a similar proposal at another company was challenged and omitted by the SEC, we withdrew the proposal.

Walden is not sitting still. We have partnered with other shareholder proponents and are communicating with the SEC to gain a better understanding of its no-action process and defend shareowners’ right to engage companies on ESG issues that we believe contribute to long-term value creation.

PROXY VOTING SUMMARY

Walden’s shareholder proposals are a small subset of the range of company- and shareholder-sponsored proposals presented in company proxy statements. Walden’s voting record on these proposals diverges significantly from management recommendations. Two-thirds of the time we

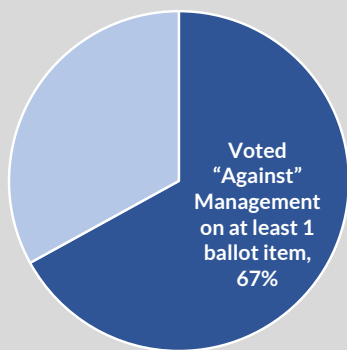
voted against at least one management recommendation on the ballot. Moreover, we did not support management on 83% of shareholder-sponsored resolutions, which includes virtually all environmental and social issue proposals. Importantly, however, we do not always support shareholder proposals. We vote against shareholder proponents when we disagree with the content of the resolution or because we believe the company has strong ESG performance on the issue at hand.

With respect to company-sponsored ballot items, Walden’s voting policy on board diversity accounted for the most significant departure from management recommendations. We voted against directors serving on nominating committees at 34% of US companies because women and people of color constituted less than 30% of the board of directors. Walden will determine which of these companies to engage on board diversity.

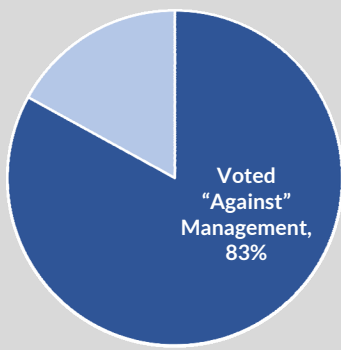
Walden has long championed the significance of proxy voting in addressing ESG risks and opportunities. We are encouraging other large investment firms to take this responsibility as seriously. Why? Because strong shareholder support at the ballot box encourages corporate decision-makers to consider and implement more sustainable business policies and practices. Simply put, proxy voting matters.

HOW WE VOTED—YEAR ENDED JUNE 30*

Company Annual Meetings
(272 Total)



Shareholder-Sponsored Proposals
(150 Total)



Our most significant votes “against” management on company-sponsored proposals:

- 34% against nominating committee members due to insufficient board diversity**
- 17% against directors for serving on too many boards**
- 8% against executive compensation

Shareholder-sponsored proposal topics that appeared on five or more proxy ballots:

- Increase various shareholder rights (supported 34 of 37)
- Improve disclosure of political contributions and lobbying (19/20)
- Commit to an independent board chair (17/17)
- Link executive compensation to ESG performance (6/6)
- Set greenhouse gas emissions goals and improve climate risk disclosure (5/5)

*The charts summarize how Walden voted on company- and shareholder-sponsored proposals for companies held in our investment strategies as of June 30, 2018. The analysis utilizes model portfolios and excludes the Walden International Equity Fund.

**The percentages are based on 240 companies headquartered in the US.