

# Communicating Purpose in Light of BlackRock's Letter to CEOs

Last Summer, we shared Argyle's thinking on the communication of Corporate Purpose:

"Behind every successful strategy is a broader goal, yet many Annual Reports are light on the discussion of Corporate Purpose. Why does the business exist? What is the mission that sets the strategic direction? What values guide employee behavior? How does the company define success in the broader societal context?

This is set to change. As consumers seek authenticity from the brands they patronize, investors also want to understand and evaluate the sustainability of the business model. Accordingly, we are seeing a growing number of reporters incorporate purpose and values into the heart of their corporate communications."

From "Presenting Value Beyond Financial Returns: Communicating Purpose" http://argyle.company/downloads/OnPurpose.pdf

Given our interest in this topic, we were excited to read Larry Fink's 2018 BlackRock Letter to CEOs which presents Corporate Purpose as a central theme (https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter).

Communicating Corporate Purpose enables investors to better understand and evaluate how companies expect to create value for a broad range of stakeholders and deliver long-term returns. The BlackRock letter comes at an exciting time for corporate reporting, as we are seeing more investors call for an evolution from a siloed, rules-based approach to integrated, dynamic communications that connect stakeholder interests.

We have identified the following leading investor considerations:

- 1. Corporate Purpose why a business exists, and the role it plays in society is a prerequisite to defining a sustainable business strategy and generating long-term value.
- 2. Reporting with a primary focus on financial returns is no longer sufficient.
- 3. Boards are expected to engage with stakeholders to understand their interests, and Boards will be held accountable for aligning strategy with Corporate Purpose.

Larry Fink's Letter to CEOs is an important contribution to the ongoing dialogue around Corporate Purpose. Over the following pages, we take a fresh look at how a range of investor communications prepared by US and foreign corporations link their Corporate Purpose, progress and performance, in alignment with BlackRock's proposals.

# "Purposeful" Investor Communications



Allstate



**American Express** 2018 Proxy Statement



ConocoPhillips 2018 Proxy Statement



**Edison International** 2018 Proxy Statement



Exelon 2018 Proxy Statement



GE 2018 Proxy Statement



PepsiCo

Corning

2018 Proxy Statement

2017

GlaxoSmithKline 2017 Annual Report



The Hartford 2018 Proxy Statement



2017 Annual Report



McDonald's 2018 Proxy Statement

OmnicomGroup



**Southern Company** 



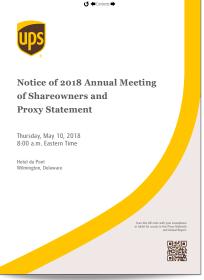
**Tailored Brands** 2018 Proxy Statement



**Novo Nordisk** 2017 Annual Report



**Tractor Supply** 2018 Annual Report



2018 Proxy Statement





Vodafone 2018 Annual Report



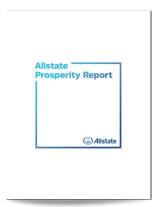
# Communicating Social Purpose

From Larry Fink's 2018 letter to CEOs:

"Indeed, the public expectations of your company have never been greater. Society is demanding that companies, both public and private, serve a social purpose. 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."

We looked for:

**Examples of how corporations communicate that they are acting on their Purpose** 



#### **Allstate Prosperity Report**

This year, Allstate recreated its Annual Report from the ground up to communicate clearly and confidently about how the company is performing against its Purpose, and in doing so rebranded its Annual Report as a "Prosperity Report".



https://www.allstate.com/resources/allstate/attachments/annual-report/328815-allstate-complete-combo-2017.pdf





#### Novo Nordisk 2017 Annual Report

Novo Nordisk places Social and Environmental progress at the heart of their corporate reporting.



https://www.novonordisk.com/content/dam/ Denmark/HQ/investors/irmaterial/annual\_ report/2018/NN-AR17\_UK\_Online1.pdf

| ACCOMPLISHMENTS AND RESULTS 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 |

ACCOMPLISHMENTS AND RESULTS 2017

#### BUSINESS APPROACH

The Triple Bottom Line principle is anchored in the company's Articles of Association and the Nowo Nordisk Way as the way we do business. It is applied to ensure that business decisions balance financial, social and environmental considerations, always keeping in mind the best interests of the patients we serve.

#### NOVO NORDISK'S AMBITION IS TO BE A SUSTAINABLE BUSINESS. BY THIS WE MEAN:

- creating long-term value for patients, employees, partners and shareholders by developing innovative and competitive solutions to patients' unmet needs
- doing business in a financially, environmentally and socially responsible way
- anticipating, adapting to and creating new business opportunities from changes in ou business environment.

FINANCIALLY RESPONSIBLE



SOCIALLY RESPONSIBLE ENVIRONMENTALLY

See the account for financial, social and environmental performance on pp 6–13 and pp 57–106. The articles on pp 16–53 elaborate on the company's strategy and actions to be a sustainable business. More information can be found at nowonprofits for product and the purpose.

#### THE VALUE WE CREATE

- Improved health and quality of life for people with diabetes and other serious
- Job creation and productivity
- .
- 6 2 1 1 2
- \$ Return to shareholders

#### **EXAMPLES OF VALUE CREATED**

**27.7 MILLION** people use Novo Nordisk diabetes care products

60,000 (approx) direct and indirect jobs created in Denmark

reated in Denmark

DKK 10.6 BILLION expensed on company income t

4,800 (approx) investigator sites active in Novo Nordisk sponsored clinical trials

DKK 7.85 total dividend per share in 2017

ACCOMPLISHMENTS AND RESULTS 2017 | 15

For more information, visit us on novonordisk.com or in 1 vi ( )

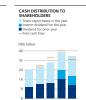
NOVO NORDISK ANN

	2013	2014	2015	2016	2017	2016-201
SOCIAL PERFORMANCE						Chang
Patients reached with Novo Nordisk diabetes care products (estimate in millions)	24.3	24.4	26.8	28.0	27.7	(19
Patients reached with Novo Nordisk diabetes care products via the Access to Insulin Commitment (estimate in millions)	-	-	-	-	0.3	
Donations (DKK million) <sup>2</sup>	83	84	105	106	103	(34
New patent families (first filings)	77	93	77	74	65	(129
Employees (total)	38.4364	41.4504	41.122	42.446	42 682	1
Employee turnover	8.1%	9.0%	9.2%	9.7%	11.0%	
Sustainable engagement score	_	_	_	_	90%	
Gender in Management (ratio menowomen)	61:39	60:40	59:41	59:41	60:40	
Relevant employees trained in business ethics	97%	98%	98%	99%	99%	
Product recalls	6	2	2	6	6	
Failed inspections	0	0	0	0	0	
LONG-TERM SOCIAL TARGET						Targe
Company reputation (scale 0–100) <sup>5</sup>	82.5	79.5	81.1	77.8	79.3	≥ 8
ENVIRONMENTAL PERFORMANCE						Chang
Energy consumption (1,000 GJ)	2,572	2,556	2,778	2,935	2,922	(01
Water consumption (1,000 m <sup>2</sup> )	2,685	2,959	3,131	3,293	3,276	(19
CO, emissions from energy consumption (1,000 tons)	125	120	107	92	90	(24
Waste (1,000 tors)	131	141	159	153	157	3
LONG-TERM ENVIRONMENTAL TARGETS						Targ
Energy consumption (vs. prior year) <sup>6</sup>	6%	(196)	9%	6%	0%	Not to exceed 39
Share of renewable power for production	74%	73%	78%	78%	79%	100% by 20
Water consumption (vs prior year) <sup>6</sup>	8%	10%	6%	5%	1%	Not to exceed 39
SHARE PERFORMANCE						Chang
Basic earnings per share/ADR in DKK <sup>1,8</sup>	9.40	10.10	13.56	14 99	15.42	3
Diluted earnings per share/ADR in DKK <sup>1,8</sup>	9.35	10.07	13.52	14.95	15.39	
Total number of shares (million). 31 December	2.750	2.650	2.600	2.550	2.500	(2)
Treasury shares (million), 31 December	103	57	52	46	56	22
Share capital (DKK million)	550	530	520	510	500	(21
Dividend per share in DKK®	4.50	5.00	6.40	7.60	7.859	3
Total dividend (DKK million)	11.866	12.905	16.230	19.048	19.2069	1
Share repurchases (DKK million)	13,989	14,728	17,229	15,057	16,845	12
Closing share price (DKX)	198.80	260.30	399.90	254.70	334 50	319

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NOVO NORDISK ANNUAL REPORT 201



# Meaningful Shareholder Engagement

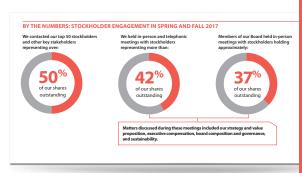
From Larry Fink's 2018 letter to CEOs:

"The time has come for a new model of shareholder engagement – one that strengthens and deepens communication between shareholders and the companies that they own. I have written before that companies have been too focused on quarterly results; similarly, shareholder engagement has been too focused on annual meetings and proxy votes. If engagement is to be meaningful and productive – if we collectively are going to focus on benefitting shareholders instead of wasting time and money in proxy fights – then engagement needs to be a year-round conversation about improving long-term value." –

We looked for:

#### Disclosure of meaningful engagement with shareholders around strategy







#### ConocoPhillips 2018 Proxy Statement

ConocoPhillips presents shareholder engagement in detail, and cross-references the subject throughout the Proxy Statement. The Company's strategy and value proposition are among the topics discussed and – importantly – an overview of ConocoPhillips' strategy is also presented in the Proxy Statement.



http://static.conocophillips.com/files/resources/18proxystatement.htm#1

We announced an updated value proposition in late 2016 focused on creating value through commodity price cycles with a disciplined, returns-focused strategy. In late 2017, we reaffirmed our value proposition to the market. Our value proposition is underpinned by five strategic cash flow allocation priorities that we expect will deliver our goal of superior returns to stockholders through price cycles. We believe the following strategic priorities, and our ability to deliver them through cycles, are distinctive and differential among E&P companies.

1

Invest enough capital to sustain production and pay existing dividend: 3

Grow dividend

annually:

Reduce debt and target 'A' credit rating; 4

Pay out 20 to 30 percent of cash from operations to stockholders annually; and 5

Disciplined investment to expand cash from operations.



#### GlaxoSmithKline 2017 Annual Report

While a number of US corporations undertake investor days, few communicate about them in annual reporting in the style of GSK and a number of British peers. In this extract from the Company's Annual Report, GSK presents how the Chairman uses an Annual Governance Event to share updates on areas of Board focus including oversight of business priorities, culture and strategy.



https://www.gsk.com/media/4751/annual-report.pdf

#### Committed to Innovation and Long-Term Growth

Throughout the year, the Board is actively engaged in developing corporate strategy and participating in our long-range planning. The corporation made \$1.2 billion of capital expenditures in 2017. We plan to increase capital expenditures in 2018 and invest more in research and development to create new technologies that will help drive long-term growth. We are committed to meeting our customers' needs, pursuing opportunities to grow our business and returning value to stockholders. We also remain focused on ensuring that our strategy for future success is reflected in our executive pay programs through a mix of short- and long-term incentives that align with the corporation's long-range plan. At the same time, we are steadfast in maintaining our longstanding commitment to corporate citizenship and sustainability.

#### Effective Stockholder Engagement

Accountability to our stockholders is an important component of the Corporation's success. We recognize the value of building informed relationships with our investors that promote further transparency and accountability. More than 94 percent of the votes cast at our 2017 annual meeting approved our Say-on-Pay proposal. While proxy voting is one direct way to influence corporate behavior, proactive engagement with our investors can be effective and impactful. Investor views are communicated to the Board and are instrumental in the development of our governance, compensation and sustainability policies and informs our business strategy.

During 2017, we had 27 engagements by telephone conference and/ or written correspondence with our largest institutional investors and other significant stockholders. We engaged with investors about an array of governance topics, including stockholders' right to amend the Corporation's Bylaws and Board composition. Many investors considered the right to amend our Bylaws to be a fundamental right. In response, we made that right available through an amendment to the Bylaws. The Board will continue to seek investor input on its governance practices in furtherance of enhancing long-term stockholder value.



Investor Engagement Cycle

#### **Annual Governance event**

A cornerstone of our investor calendar is the annual governance event that we hold with institutional shareholders, key investment industry bodies and influential proxy advisory firms. This year's event was held in December 2017 at the Francis Crick Institute in London and was hosted by the Chairman, our SID, and our Committee Chairs.

We valued prior engagement with and input from the Investor Forum and their members in helping shape the agenda for the event. The Chairman shared updates on key areas of focus for the Board including:

- Overview of business performance for 2017
- Board and CET Succession skills, capabilities and diversity
- New CEO
- Oversight of new business priorities:
- Innovation, Performance and Trust
- Capital Allocation

- Aligning culture and strategy
- Board stewardship and stakehold
- Drovit

Lynn Elsenhans, Dr Jesse Goodmar Urs Rohner provided an overview of Board Committees undertaken duri Banga, our SID, provided his insigh dynamics and the role and contribut Directors in challenging and shapinbusiness model.

Listening to the views of our sharehfeedback during this event held in the reporting and AGM season, helps the shareholders' views



#### Lockheed Martin 2018 Proxy Statement

In a letter at the beginning of the Proxy Statement, Marillyn Hewson, Lockheed Martin's Chairman, President and CEO, highlights that the Board, "... is actively engaged in developing corporate strategy and participating in our long-range planning". The Proxy Statement goes on to disclose that investor views are communicated to the Board and inform the Company's business strategy.



https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/annual-reports/2018-proxy-statement.pdf



## Board Oversight of Strategy

From Larry Fink's 2018 letter to CEOs:

In order to make engagement with shareholders as productive as possible, companies must be able to describe their strategy for long-term growth. I want to reiterate our request, outlined in past letters, that you publicly articulate your company's strategic framework for long-term value creation and explicitly affirm that it has been reviewed by your board of directors. This demonstrates to investors that your board is engaged with the strategic direction of the company. When we meet with directors, we also expect them to describe the Board process for overseeing your strategy."

We looked for:

#### Disclosures that highlight board oversight of corporate strategy

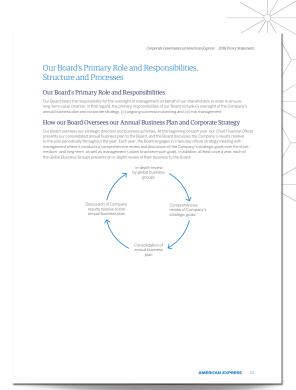


#### American Express 2018 Proxy Statement

American Express presents an overview of how its Board oversees corporate strategy.



http://ir.americanexpress.com/Cache/1001233964. PDF?O=PDF&T=&Y=&D=&FID=1001233964&iid=102700



SUMMARY OF DIRE

SUBJECT MATTER EXECUTION Strategy

Branding

Consumer/Retail

Digital/Omni-Char

Technology

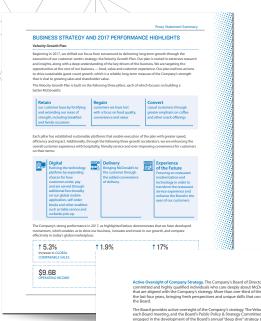
HR/Org Developm



#### RD'S ROLE IN STRATEGIC OVERSIGHT

and is actively engaged in the oversight of the Company's strategic plan. While the Board receives updates ng strategic matters throughout the year, one Board meeting per year, typically in September, is focused on mpany's strategic planning and direction. At this meeting, the Board reviews the Company's corporate strategy ented by management and provides input and oversight on short-term strategic goals and helps set the longrategic direction of the Company. In addition to this annual review, the Board reviews detailed presentations hout the year on critical aspects of the implementation of these initiatives. These periodic presentations include we of performance, progress on initiatives, and reports from specific departments such as finance, business rmation, store operations, merchandising, marketing, information technology, supply chain, human resources jal.







#### **Tailored Brands 2018 Proxy Statement**

Tailored Brands presents its Board's role in overseeing strategy, and uses a Skills Matrix and Director Biographies to highlight individual directors' experience in this area.



https://www.sec.gov/Archives/edgar/data/884217/000120677418001613/tlrd\_courtesypdf.pdf



#### McDonald's 2018 Proxy Statement

McDonald's highlights its Board's oversight of strategy throughout the Proxy Statement, and presents the Company's strategy in a dedicated section.



https://corporate.mcdonalds.com/ corpmcd/investors-relations/investorevents/annual-shareholders-meeting.html



## Strategy for Long-Term Growth

From Larry Fink's 2018 letter to CEOs:

The statement of long-term strategy is essential to understanding a company's actions and policies, its preparation for potential challenges, and the context of its shorter-term decisions. Your company's strategy must articulate a path to achieve financial performance. To sustain that performance, however, you must also understand the societal impact of your business as well as the ways that broad, structural trends – from slow wage growth to rising automation to climate change – affect your potential for growth."

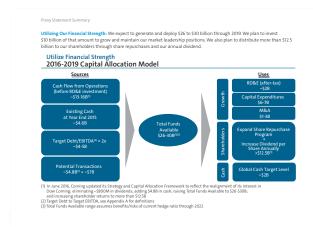
#### We looked for:

### Presentations of strategy that communicate how a company creates long-term value

# 2018 Notice of Annual Meeting of Shareholders & Proxy Statement CORNING

#### Corning 2018 Proxy Statement

Corning presents its strategy with a focus on how the Company plans to generate sustainable returns over time.







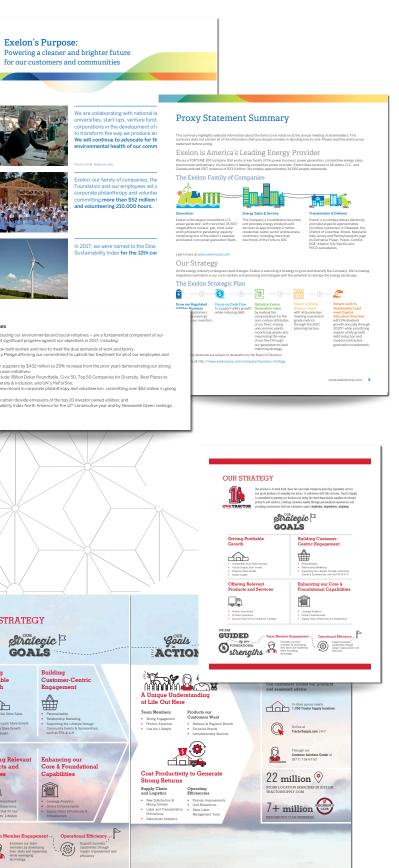
https://investor.corning.com/investor-relations/financials/annual-reports-and-proxy-statements/default.aspx



GUIDED

Strengths \*

Prgyle





#### **Exelon 2018 Proxy Statement**

Exelon presents an aligned vision of the Company's purpose and strategy, and sustainable business practices.



http://www.exeloncorp.com/company/Documents/ Exelon%20-%202018%20Proxy%20Statement.pdf



#### **Tractor Supply 2017 Annual Report** and 2018 Proxy Statement

Tractor Supply communicates its strategy for growth clearly and consistently across all of the Company's shareholder materials.



Annual Report:

http://ir.tractorsupply.com/Cache/1500109200

PDF?O=PDF&T=&Y=&D=&FID=

1500109200&iid=4071364

Proxy Statement:

https://www.sec.gov/Archives/edgar/ data/916365/000091636518000036/ a2018proxydef14ar339.pdf

# Linking the Boardroom to the Business

From Larry Fink's 2018 letter to CEOs:

"The board's engagement in developing your long-term strategy is essential because an engaged board and a long-term approach are valuable indicators of a company's ability to create long-term value for shareholders. Just as we seek deeper conversation between companies and shareholders, we also ask that directors assume deeper involvement with a firm's long-term strategy. Boards meet only periodically, but their responsibility is continuous. Directors whose knowledge is derived only from sporadic meetings are not fulfilling their duty to shareholders."

We looked for:

#### Presentations of ongoing Director education and proximity to the business



#### **GE 2018 Proxy Statement**

GE uses the Proxy Statement to explain how directors go beyond the boardroom.



https://www.ge.com/investor-relations/proxy/overview

### Board Members Are Encouraged to Visit at Least Two GE Businesses Per Year

GE PRACTICE. We encourage our directors to meet with GE senior managers throughout the company. To facilitate this contact, directors are encouraged to make at least two visits to GE businesse sach year, typically unaccompanied by corporate management. Priority goes to those businesses identified as strategically important during the company's annual financial and strategic planning sessions as well as any that were recently acquired or are a particular focus of risk oversight. These visits also serve as an important tool in the Board's succession planning process for the CEO and the rest of the senior leadership to the senior leadership

# IO BUSINESS VISITS IN 2017 UNITED STATES Additive, Cincinnati, Ohio Aviation, Cincinnati, Ohio GE Capital, Norwalk, Connecticut Global Research Center, Niskayuna, New York Healthcare, Chicago, Illinois Oil & Gas, Houston, Texas Power, Schenectady, New York EUROPE Oil & Gas, Florence, Italy ASIA Digital, Shanghai, China Healthcare, Beijing, China



#### **Director Orientation and Continuing Education**

We have a comprehensive orientation program for all new directors with respect to their role as directors and as members of the particular Board committees on which they will serve. This orientation program includes one-on-one meetings with senior management, visits to PepsiCo's operations and extensive written materials to familiarize new directors with PepsiCo's business, financial performance, strategic plans, executive compensation program, and corporate governance policies and practices. Additional training is also provided when a director assumes a leadership role, such as becoming a Committee Chair.

We also have continuing education programs to assist directors in enhancing their skills and knowledge to better perform their duties and to recognize, and deal appropriately with, issues that may arise. These programs may be part of regular Board and Committee meetings or provided by qualified third-parties on various topics. The directors also periodically visit PepsiCo's operations, which provide the directors with an opportunity to see firsthand the execution and impact of the Company's strategy and engage with senior leaders and associates in our divisions to deepen their understanding of PepsiCo's business, competitive environment and corporate culture. In addition, the Company pays for all reasonable expenses for any director who wishes to attend an external director continuing education program.

#### PepsiCo 2018 Proxy Statement

PepsiCo discloses that periodic site visits provide directors with the opportunity to see the execution and impact of the Company's strategy.



http://www.pepsico.com/docs/album/investor/pepsico-inc-2018-proxy-statement.pdf

#### Local market focus: Vodafone Germany and the Mission to the Moon project

As part of this project, Vodafone Germany will be working with Nokia and PTScientists to create the first 4G network on the moon. Vodafone's 4G network will enable the first live-streaming of HD video from the moon's surface to a global audience.

During the Board's meeting held in Düsseldorf, a demonstration was given of the new technology being developed as part of this project along with a project presentation from senior management from Vodafone Germany.

The demonstration of this project allowed the Board to see first-hand the innovative work being undertaken in a local market and is a good example of how Vodafone is developing new and exciting mobile network infrastructure. It allowed the Board to gain a better insight into that local market.

As outlined on pages 60 and 61, an action from the 2017 Board evaluation was to ensure that the Board was provided with opportunities to enhance its engagement with local markets and this is one example of such activities.



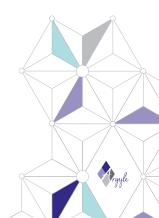
# The future is exciting. Ready? Validates Group Re Providing 2018

#### Vodafone 2018 Annual Report

Each year, Vodafone presents details of its Board strategy day, which enables Directors to meet with senior management and learn more about the Company's products.



https://www.vodafone.com/content/annualreport/annual\_report18/downloads/Vodafone-full-annualreport-2018.pdf



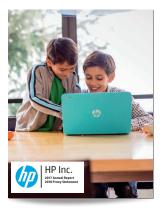
# Diversity in the Boardroom

From Larry Fink's 2018 letter to CEOs:

"We also will continue to emphasize the importance of a diverse board. Boards with a diverse mix of genders, ethnicities, career experiences, and ways of thinking have, as a result, a more diverse and aware mindset. They are less likely to succumb to groupthink or miss new threats to a company's business model. And they are better able to identify opportunities that promote long-term growth."

We looked for:

#### Presentations of boardroom diversity



#### HP 2017 Annual Report/ 2018 Proxy Statement (Combo Book)

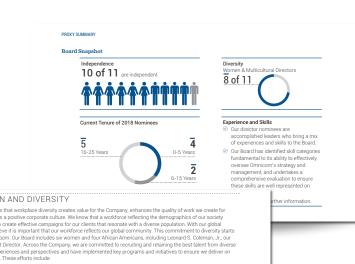
HP has the most diverse board of US technology companies, and also presents in broader terms how the Company is demonstrating innovation through diversity.



www.hpannualmeeting.com



INCLUSIO



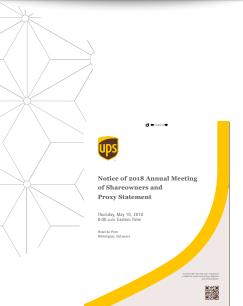


#### **Omnicom 2018 Proxy Statement**

Omnicom presents diversity as a core value across the organization, with statistics at board level, and an explanation of how diversity creates value for the Company.



http://investor.omnicomgroup.com/investor-relations/overview/default.aspx

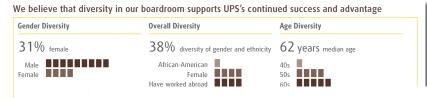


and accountability — Omnicom created the role of Senior Vice President and Chief Diversity Officer at our se in 2009, reporting directly to the CEO, and this role has since been expanded throughout our Company. networks now employ their own Directors of Diversity or Chief Diversity Officers, and Throughout its networks, 10 professionals are dedicated full-time to overseeing and advancing diversity and inclusion (yevel of our organization.

ple Engagement Network (OPEN) – led by six senior-level Chief Diversity Champions, meets quarterly practices and develop tools to efficiently and effectively incorporate diversity and inclusion initiatives at

as ub-group of OPEN, specifically strives to identify and develop LGBTQ talent and promote awareness nd advocacy by creating opportunities for leadership, visibility, community involvement, networking and ughout our networks.

Immicrom supports this network of outstanding diverse professionals and champions of diversity and he annual ADCOLOR Conference and Awards, diverse professionals at all levels within the industry are either presental conflict business and efforts to open doors for other high-potential, diverse professionals. — is a global initiative, launched in April 2014, intended to serve as a catalyst to increase the influence and men leaders across the Omicrom networks. Leading this initiative are the most senior women executives om and its agencies.



#### **Board Diversity**

Effective decision-making is facilitated by a variety of viewpoints. Diversity is an important consideration for the Nominating and Corporate Governance Committee when identifying director nominees. The Committee considers nominees' race, gender, age and cultural background, as well as diversity in experience and skills relevant to the oversight of a complex global business. The Nominating and Corporate Governance Committee assesses the effectiveness of its diversity efforts through periodic evaluations of the board's composition.

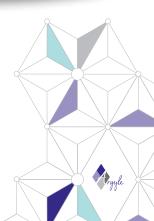
Our 13 director nominees include a diverse range of individuals, including four women, one African-American, two Europeans and a nominee who spent his entire career in Asia. Furthermore, our directors' ages range between 47 and 72 years.

#### **UPS 2018 Proxy Statement**

UPS goes beyond diversity metrics to present what diversity means to the Company.



https://www.upsannualmeeting.com



## Environmental, Social, and Governance Matters

From Larry Fink's 2018 letter to CEOs:

"Furthermore, the board is essential to helping a company articulate and pursue its purpose, as well as respond to the questions that are increasingly important to its investors, its consumers, and the communities in which it operates. In the current environment, these stakeholders are demanding that companies exercise leadership on a broader range of issues. And they are right to: a company's ability to manage environmental, social, and governance matters demonstrates the leadership and good governance that is so essential to sustainable growth, which is why we are increasingly integrating these issues into our investment process.'

We looked for:

#### Disclosures around board oversight of ESG matters



#### **Edison International** 2018 Proxy Statement

ESG features prominently in Edison's 2018 Proxy Statement, as the Company places clean energy and responses to recent environmental disasters at the heart of its business strategy.



https://www.edison.com/content/dam/eix/ documents/investors/corporate-governance/2018eix-sce-proxy-statement.pdf

#### Our Business and Clean Energy Strategy

EIX's core business is conducted by its subsidiary SCE, a rate-regulated ele energy to approximately 15 million people in a 50,000 square-mile area of building a modern electricity company that allows customers to take conti providing safe, smart, flexible, reliable, and affordable services. We are foc

· Cleaning the power system through continued leadership in procurem

er energy choices, including renewable portation, and energy efficiency prograi g the electric grid; and What is the Board's role in cybersecurity oversight? vice excellence and doing so safely. en by the Board, is intended to provide g California's goal to cut greenhouse gas eveloping smart solutions to society's c What is the Board's role in oversight of ESG issues? is included in our Annual Report

Our Mission

Our mission is to safely provide reliable, affordable and clean energy to our customers. As part of commitment, we have been working tirelessly to restore the communities affected by the recent v and mudslides in our service territory, prevent and fight future wildfires, and address the impact of change on our communities. The Board's role in our response to wildfires and climate change is d in the Proxy Statement.



#### The Hartford 2018 Proxy Statement

The Hartford hardwires board oversight of ESG matters throughout its Proxy Statement, and highlights sustainability as a shareholder engagement topic.



https://ir.thehartford.com/financial-information/annual-reports-and-proxy-statements/2018

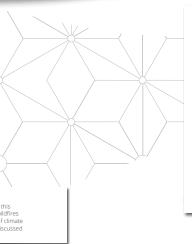
ctric utility that supplies electric southern California. We are ol of their energy consumption by used on four strategic priorities:

distributed energy resources such

ent of renewable power

a foundation for long-term

emissions to 40 percent below w 1990 levels by 2050. We believe imate and energy challenges.



#### BOARD AND GOVERNANCE MATTERS

#### SUSTAINABILITY PRACTICES

We believe that having a positive impact on the world is the right thing to do and a business imperative. Our success is inextricably tied to the well-being of our customers, employees, partners and neighbors, and to the way we conduct ourselves. Our focus and impact must extend beyond the quality of the products and services we offer to encompass our responsibilities as an employer, neighbor, member of the global community and steward of the planet's natural resources.

Our approach to ESG issues has traditionally focused on four areas to illustrate our commitment to sustainability:

- Environmental Stewardship. As an insurance company, we understand the risks that environmental challenges present to
  people and communities. As stewards of the environment, we are committed to mitigating climate change and reducing
  our carbon footprint incrementally each year.
- Communities and Giving. We help individuals and communities prevail by building safe, strong and successful
  neighborhoods through targeted philanthropic investments, by partnering with like-minded national and local
  organizations, and by harnessing the power of our employees to engage with their communities.
- Diversity & Inclusion. We are committed to building an inclusive and engaging culture where people are respected for who
  they are, recognized for how they contribute and celebrated for growth and exceptional performance. We value the
  diversity of our employees' skills and life experiences and invest in their development so they can deliver on our strategy
  and propel our company forward.
- Ethics & Governance. We believe that doing the right thing every day is core to our character and we are proud of our
  reputation for being a company that places ethics and integrity above all else.

Consistent with best-practices, we have established forward-looking goals for each of the areas above, which are featured in our Sustainability Report along with examples of the progress we have made in each area. As a result of our efforts, in 2017 the company received the following national recognition:

Dow Jones
Sustainability Indices
In Collaboration with RobecoSAM

Included in the Dow Jones Sustainability Indices in 2017 for the sixth year, one of only five U.S. insurers



Participated in the CDP reporting process in 2017, publicly disclosing our progress toward environmental goals for the 10th year in a row; one of only four U.S. insurers to be featured in the Leadership category  ${\tt CPP}$ 

#### Sustainability Governanc

In 2017, we took actions to improve our sustainability practices and enable the full Board to oversee ESG risks and opportunities that contribute to the long-term sustainability of the company:

- First, we better defined the scope of ESG priorities at the company based, in part, on a materiality assessment we conducted in May, 2017, in which stakeholders (investors, employees, customers, community member and suppliers) were asked to identify and prioritize the ESG factors most important to them.
- Second, we formed a Sustainability Governance Committee comprised of senior leaders to set and help drive execution of the company's sustainability strategy, which reports up to the full Board at least annually.

The first such report was a deep dive on climate change and severe weather in February 2018, which, among other things, looked at (1) how the company is reducing its environmental impact; (2) how the company helps its customers reduce their environmental impact through its products, services and investments; and (3) how the company's Enterprise Risk Management function monitors and manages the risks associated with climate change and severe weather.

To learn more please access our Sustainability Report, which presents our sustainability goals and provides data and examples of our efforts to achieve those goals, and our Global Reporting Initiative (GRI) G4 Response, which offers greater detail on our activities at history/www.the.hartford.com/about-us/corporate-sustainability.

#### **POLITICAL ACTIVITIES**

The Nominating Committee reviews the company's political and lobbying policies and reports of political contributions annually as part of our Code of Ethics and Business Conduct, we do not make corporate contributions to political candidates or parties, and we require that no portion of our dues paid to trade associations be used for political contributions. We do allow the use of corporate resources for non-partisan political activity including voter education and registration. We have two political actions committees ("PAGS"). The Hartford Advocates Fund and The Hartford Advocates Fund and The Hartford Advocates Fund and The PAG stage solely funded by voluntary contributions from eighble employees in management level roles. The PAGs support candidates for federal and state office who are interested in understanding insurance issues and developing public policy to address them. Our website includes information on: (1) contributions made by The Hartford's PAGS: (2) our policy on corporate contributions for political purposes; and (3) annual dues, excessments and contributions of 575 000 or more to trade associations and routificiants. To learn, more, please access our 2017

#### LETTER FROM OUR LEAD DIRECTOR

#### Dear fellow shareholders:

As my first year as Lead Director draws to a close, I would like to share my reflections on how the Board worked together to provide independent oversight and represent shareholder interests in 2017.

Throughout the year, the Board remained highly engaged in the company's strategy for creating long-term shareholder value by profitably writing business while expanding the range of insurance products and services offered to customers; investing in systems, data and analytical tools and other capabilities to make The Hartford an easier company to do business with; and attracting, retaining and developing top talent. In addition to overseeing the acquisition of Aetna's U.S. group life and disability business and the sale of Talcott Resolution, the Board devoted significant time and discussion to the company's long-term plans for driving future profitable growth, allocating time at each board meeting to discuss strategy at the business line and enterprise level. In these sessions, the board discussed advancing existing strategic priorities and investments not only within the framework of the company's traditional operating plan cycle, but also over a longer period of time. In July, discussions focused on the strategic implications of market outlooks, demographic shifts and industry trends using the year 2025 as a target time horizon to free our thinking from the constraints of the three year planning period, but not so far off as to lack relevance. The Board also devoted substantial time in 2017 to risk management, with a particular focus on cybersecurity and insurance risk.

2018 Proxy Statement 17





#### Southern Company 2018 Proxy Statement

Southern Company makes clear its commitment to sustainable business practices, communicates clearly which Board Committee oversees Sustainability initiatives, and links its compensation program to the Company's long-term strategy and sustainability for customers, stockholders, employees and communities.



https://southerncompanyannualmeeting.com

#### Our Compensation Program is Designed to Further Our Long-Term Strategy

Operating premier state-regulated utilities and investing in energy infrastructure under long-term contracts is the focus of our customer-centric business model, which is designed to support regular, predictable and sustainable long-term earnings and dividend growth. We believe in several overarching principles in designing the compensation program to tie to our long-term strategy.

#### Alignment with Strategy

- Metrics support long-term business strategy of superior risk-adjusted returns
   Goals are set to align with investor guidance

#### Balance and Sustainability

- ▶ Designs balance achievement of short-term goals and long-term value creation
- ▶ Designs balance operational goals and financial objectives (leading and lagging indicators)
   ▶ Ensure programs reward behaviors that drive long-term sustainability for customers, stockholders, employees

#### Pay for Performance

- ► Ensure a strong pay-for-performance relationship exists between business results, stockholder returns and
- ▶ Where appropriate, use individual performance metrics to enhance pay-for-performance relationship
- ► Ensure appropriate pay mix (i.e. the % of total pay derived from annual and long-term incentives) accurately reflects the scope of responsibility of the role
- ► The Compensation Committee exercises discretion when necessary to ensure actual payouts are appropriately mance and stockholder returns

#### Veronica M. Hagen ► (Independent)

Chief Executive Officer, Polymer Group, Inc. (retired), engineered materials



Director since: 2008 Board committees: Nominating, Governance and Corporate Responsibility (Chair); Operations, Environmental and Safety

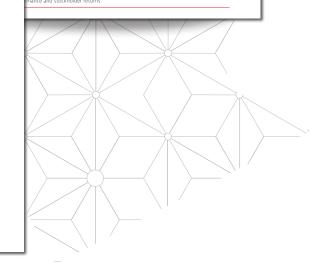


#### Director highlights:

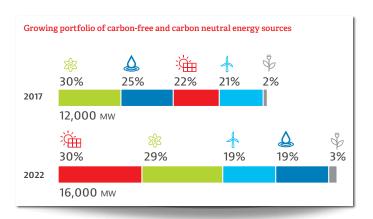
**Director highlights:**Ms. Hagen's qualifications include senior leadership experience, corporate governance knowledge and experience, environmental matters experience and risk management experience. Bk. Hagen's experience as the chief executive officer of two global companies allows her to contribute key valuable insights to the Board regarding operations management, customer service and strategic planning.

- ► From 2007 until her retirement in 2013, Ms. Hagen served as Chief Executive Officer of Polymer Group, Inc. and served from 2007 to 2015 as a Director. Ms. Hagen also served as President of Polymer Group, Inc. from January 2011 until her retirement in 2013. Polymer Group, Inc. is a leading producer and marketer of engineered materials.
- ▶ Prior to joining Polymer Group, Inc., Ms. Hagen was the President and Chief Executive Officer of Sappi Fine Paper, a division of Sappi Limited, the South African-based global leader in the pulp and paper industry, from November 2004 until 2007.
- ▶ She also served as Vice President and Chief Customer Officer at Alcoa Inc. and owned and operated Metal Sales Associates, a privately-held metal business.
- ▶ She serves on the Audit Committee, Compensation Committee and the Nominating/Corporate Governance Committee of the Board of Directors of American Water Works Company, Inc. Ms. Hagen also serves as the Chair of the Leadership Development and Compensation Committee and a member of the Nominating and Governance Committee of the Board of Directors of Newmont Mining Corporation

Other public company directorships: American Water Works Company, Inc., Newmont Mining Corporation







### Southern Company Planning for a low-carbon future

Southern Company also publishes a report to discuss the Company's strategy to maximize long-term value to shareholders through a customer, community and stakeholder-focused business model that produces sustainable levels of return on energy infrastructure.



https://www.southerncompany.com/content/dam/southern-company/pdf/corpresponsibility/Planning-for-a-low-carbon-future.pdf

### Governance to guide us through

Our Board of Directors recognizes the potential impacts on our business and the transitional risks and opportunities the utility industry faces in a low-carbon future. Our governance process combines regular assessments of our short- and long-term business strategy and a robust enterprise risk management program, both of which facilitate identification. communication and management of significant risks ultimately reporting to the Chief Executive Officer and the Board. The existing governance and enterprise risk management process ensures focus on the longterm sustainability of our business.

#### Transparency on ESG data

We are focused on increasing transparency and accessibility to information about our carbon emissions. We have worked with the Edison Electric Institute (EEI) and its member companies, our investors and other stakeholders to develop an ESG/Sustainability template that is consistent across the electric sector. The goals of this initiative include:

- Provide consistent information to investors;
- Allow integration of ESG/Sustainability data and performance;
- ➤ Provide clarity of risks (e.g., stranded assets, regulatory issues, etc.) and opportunities (e.g., investments in renewables, etc.) and how they are being managed;
- Provide insight into growth strategy, assumptions and future trajectory;
- Provide both qualitative and quantitative information; and
- Serve as a primary reporting channel for consolidated ESG/ Sustainability information relevant to investors and other stakeholders.



