



## **LongView Funds Corporate governance and proxy voting report Executive summary**

January 1, 2015 to June 30, 2015

Amalgamated Bank's LongView Funds believe in taking an active approach towards protecting the long-term interests and financial goals of our investors. We take seriously our role as fiduciaries, and we pursue a strategy that seeks to enhance shareholder value by exercising our obligation to vote our clients' shares in favor of practices that promote long-term, sustainable growth and by opposing practices that may produce short-term benefits at the expense of long-term gains. We consider carefully every candidate who is nominated for a seat on company boards, and we scrutinize every item presented for a vote with an eye on what the proposal will do to promote shareholder value.

But, we do much more than cast an informed vote on matters that others present for our consideration. We use the tools that are available to us as shareholders to initiate dialogues with companies on practices that we believe place long-term value at risk, such as excessive executive compensation that is not tied to performance, dark money that flows from a company's treasury into the political process, governance practices that can entrench unresponsive boards, and other topics. We also try to steer the conversation about what is good corporate governance by pioneering shareholder proposals that companies print in their proxies and that all shareholders get to vote on. Through these initiatives we have shined a spotlight on—and managed to reform—some of the most egregious practices.

### **Engaging companies to promote sustainable long-term value creation.**

This report provides an overview of our shareholder activities during the first half of 2015. It summarizes how LongView Funds shares were voted on key issues, as well as the shareholder engagements and initiatives that we have pursued from January 1, 2015 to June 30, 2015. It is a companion piece to the individual proxy reports that detail how we voted on each proxy and the rationale for our voting decisions for each of the LongView Funds.

### **Shareholder engagements and resolutions**

#### **Promoting pay-for-performance**

It is no secret that senior executives in public companies are extremely well paid. But, are they worth it? And how does one find out? The LongView Funds believe that executive pay should be closely aligned with creating long-term shareholder value, rather than geared towards huge short-term payouts for performance that may not be long-lasting. To this end, we look for—and try to change—pay practices that have little or no link to long-term performance. For example, many companies do make a bow towards a pay-for-performance philosophy by phasing in an executive's award of stock options or restricted stock over a multi-year period and requiring that certain performance targets be achieved in order for all shares to "vest" on schedule. So

far, so good. However, companies will throw this vesting schedule out the window if there is a change in control and the executive leaves before all shares have vested—even if performance goals have not been achieved and even if the company is doing poorly. This “accelerated vesting” of unearned equity can produce a windfall worth millions or tens of millions of dollars to the executive—this is on top of severance payments covering one or more years of salary and anticipated bonuses. We thus spearheaded the filing of shareholder proposals asking companies to end or substantially curtail this windfall, and we were able to successfully negotiate modifications with various companies in the first half of 2015, including Marathon Oil, Marathon Petroleum, ONEOK, Cameron International and Noble Energy. We were unable to reach agreement at McDonald’s, Yum! Brands and ConocoPhillips, and our proposals received almost one-third of the vote at those companies.

But, that is not the only compensation reform on which we have taken the lead. More than ten years ago, the LongView Funds offered the first shareholder proposal asking companies to recoup or “claw back” executive pay that was paid out for meeting performance goals, only to discover that the accounting was flawed, and the financial results had to be restated. In our view, it made no sense for executives to hold on to performance-based pay that they did not earn. Our proposal obviously struck a chord. Companies began adopting policies on their own, and the Dodd-Frank Act mandated that companies have such policies. With this success behind us, we have taken the effort to the next level by asking companies: How are you actually implementing your clawback policy? Will you disclose to shareholders how your policy is working in practice? The LongView Funds joined two other institutional investors—the UAW Trust and the Illinois State Board of Investment—to sponsor a resolution asking Wal-Mart to make such disclosures, given the roughly \$500,000,000 that Wal-Mart has spent on legal and related fees in responding to allegations of foreign bribery and corruption. Since insiders control half of Wal-Mart’s outstanding shares, we knew that the proposal would not prevail at the 2015 annual meeting, but our proposal ultimately received about one-third of the non-insider vote.

#### Board accountability

Should a director remain on a corporate board if a majority of the shares are voted against that director? We do not think so, since directors are supposed to represent the interest of shareholders, and that would seem hard to accomplish if the shareholders say “no” to a particular candidate. We have thus worked to replace the long-standing practice by which directors who are unopposed for re-election are automatically re-elected, no matter how many shares are voted against them. We have succeeded in persuading a number of companies to adopt a “majority voting” standard, and this year was no exception, with Chipotle Mexican Grill, CB&L Associates Properties, and Medidata joining the growing list of companies that follow this practice.

We also believe that there is greater accountability if all directors are elected each year, rather than serving three-year terms on a staggered basis so that only one-third of directors are elected at a time. Many companies already hold annual elections in response to shareholder elections, and this year we persuaded Whiting Petroleum to join the list.

### **Holding board directors accountable to shareholders.**

Board accountability also means embracing diversity and making sure that the board represents a diversity of experience and expertise. We engaged with several companies—Senior Housing Properties, Fortinent, SuperValu and Douglas Emmett—that, for whatever reason, had no women on their board of directors as of early 2015. We had a productive dialogue with each company and withdrew our proposals after each company indicated that it would be nominating a female director candidate at the 2015 annual meeting. We also engaged with Urban Outfitters, which agreed to add a non-inside female director to its board.

### Transparency of political spending

There may be valid reasons for companies to spend money to educate lawmakers and the public on policy issues affecting their industry, but how can shareholders tell if that money is being well spent? Disclosures are often inadequate, and it is possible to channel money from a company's treasury to trade associations and non-profit groups that do not have to disclose this so-called "dark money." But, does this spending benefit the long-term interest of shareholders? Does it reflect the political preferences of top executives? Is the company trying to "play the Washington game" to secure a short-term advantage over competitors? Is the board overseeing how this money is being spent? Without disclosure, shareholders are themselves in the dark. The LongView Funds have filed proposals at a number of companies in recent years to demand greater transparency. Progress has been made (Olin responded to a 40% "yes" vote on our 2014 proposal by adopting a disclosure policy), but much remains to be done.

### Proxy voting

Amalgamated Bank's LongView Funds vote proxies at the companies in which we invest according to stringent proxy voting guidelines. We can report that in the first half of 2015, we carefully adhered to these guidelines and also supported each of the AFL-CIO's Key Votes Survey votes. The following chart highlights several statistics of how LongView Funds voted on major proxy items and themes during the first half of 2015.

#### LongView Funds' votes on select proxy items, January to June 2015

	For	Against	Abstain
<b>Board issues</b>			
Election of Directors	73%	26%	1%
<b>Executive compensation</b>			
Advisory votes on executive compensation	48%	51%	1%
Executive equity plans	1%	99%	0%
<b>Shareholder proposals</b>			
Establish an independent board chair	100%	0%	0%
Annual elections for directors	100%	0%	0%
Establish majority vote standard for director elections	100%	0%	0%
Reform executive compensation practices	93%	6%	1%
Environmental issues	94%	5%	1%
Labor and human rights issues	95%	0%	5%

## LongView Funds corporate governance – January–June 2015 Resolutions-at-a-glance

The chart below shows the outcome as to each shareholder proposal that the LongView Funds presented to companies in the first half of 2015. Most were withdrawn after the Funds successfully negotiated with the company to implement the proposal either in whole or in part. At only four companies were we unable to negotiate a change in company practices, and the matter went to a vote by all shareholders, with results shown below.

### Board accountability

#### Annual elections of all directors (board declassification)

Company	Industry	Result
Riverbed Technology	Information technology	Withdrawn; company acquired
Whiting Petroleum	Oil & Gas	Withdrawn; successfully negotiated

#### Implement majority vote standard for election of directors

Company	Industry	Result
Allegiant Travel	Airline	Withdrawn; successfully negotiated
CBL & Associates	REIT	Withdrawn; successfully negotiated
Chipotle Mexican Grill	Restaurants	Withdrawn; successfully negotiated
Medidata Solutions	Information technology	Withdrawn; successfully negotiated

#### Take steps to improve board diversity

Company	Industry	Result
Douglas Emmett	Office buildings	Withdrawn; successfully negotiated
Fortinet	Information technology	Withdrawn; successfully negotiated
Senior Housing Properties Trust	REIT	Withdrawn; successfully negotiated
SuperValu	Food retailing	Withdrawn; successfully negotiated
Urban Outfitters	Apparel retail	Withdrawn; successfully negotiated

#### Improve disclosure of corporate political spending

Company	Industry	Result
Olin	Specialty chemicals	Withdrawn; successfully negotiated

### Pay-for-performance executive compensation

#### Limit automatic accelerated vesting of unearned equity after merger or acquisition

Company	Industry	Result
Cameron International	Oil & Gas	Withdrawn; successfully negotiated
ConocoPhillips	Oil & Gas	29.1% “yes” vote
Marathon Oil Corp.	Oil & Gas	Withdrawn; successfully negotiated
Marathon Petroleum Corp.	Oil & Gas	Withdrawn; successfully negotiated
McDonald’s	Restaurants	34.9% “yes” vote
Noble Energy	Oil & Gas	Withdrawn; successfully negotiated
ONEOK	Oil & Gas	Withdrawn; successfully negotiated
Yum! Brands	Restaurants	32.2% “yes” vote

#### Disclose implementation of clawback policy

Company	Industry	Result
Wal-Mart Stores	Hyperstores	15.8% “yes” vote (30% of outside shares)

As of June 30, 2015

## Corporate governance – Amalgamated Bank's LongView Funds

### Results of AFL-CIO Key Votes Survey (January–June 2015)

#### Shareholder proposals — AFL-CIO recommended vote: For

Company	Meeting	Proposal topic	LongView vote
Aqua America	May 8, 2015	Executive Retirement Benefits	For
Bank of America	May 6, 2015	Lobbying Disclosure	For
BlackRock	May 28, 2015	Lobbying Disclosure	For
Boston Properties	May 19, 2015	Proxy Access	For
Celgene	June 17, 2015	Drug Pricing Risk Disclosure	For
Chevron	May 27, 2015	Lobbying Disclosure	For
Citigroup	April 28, 2015	Government Service Golden Parachutes	For
Community Health Systems	May 19, 2015	Clawback Disclosure Policy	For
Expeditors International	May 21, 2015	Pay for Performance Standards	For
Exxon	May 27, 2015	Lobbying Disclosure	For
Gilead Sciences	May 6, 2015	Drug Pricing Risk Disclosure	For
Goldman Sachs	May 21, 2015	Government Service Golden Parachutes	For
Hospitality Properties Trust	June 1, 2015	Opt Out of MD Unsolicited Takeovers Act	For
JPMorgan Chase	May 19, 2015	Clawback Disclosure Policy	For
McDonald's	May 21, 2015	Proxy Access	For
Morgan Stanley	May 16, 2015	Lobbying Disclosure	For
Nabors Industries	June 2, 2015	Proxy Access	For
Reynolds American	May 7, 2015	Green Tobacco Sickness	For
Service Corp International	May 13, 2015	Equity Retention Policy	For
Staples	June 1, 2015	Golden Parachutes	For
T-Mobile	June 2, 2015	Human Rights Risk Assessment	For
Urban Outfitters	June 2, 2015	Proxy Access	For
Vertex Pharmaceuticals	June 4, 2015	Drug Pricing Risk Disclosure	For
Vornado Realty Trust	May 21, 2015	Independent Chair	For
Wal-Mart	June 4, 2015	Independent Chair	For
Willbros Group	June 8, 2015	Annual Director Elections	For
Yum! Brands	May 1, 2015	Accelerated Vesting	For

#### Management Proposal— AFL-CIO recommended vote: Against

Company	Meeting	Proposal subject	LongView vote
Ashford Hospitality Trust	May 12, 2015	Modify Shareholder Proposal Process	Against

As of June 30, 2015

