

Carleton

One North College Street
Northfield, Minnesota 55057

January 25, 2017

Dear Mr. Wender and members of the Investment Committee,

Please find enclosed the 2017 Report to the Trustees from the Carleton Responsible Investment Committee (CRIC). CRIC continues its work of reviewing shareholder resolutions as well as gathering information on the views of the Carleton community concerning issues related to investment.

A note on pre-approval and the proxy voting process:

Our process has been aided greatly by a proxy voting pre-approval policy that was approved during the February 2012 Trustees' meeting. This process recognized that there were certain regularly repeating resolutions on which we have repeatedly concluded/recommended that Carleton should vote 'yes'. We were able to create greater efficiency in reporting by recognizing that resolutions from a given company in a given year were from this pre-approved category. For the details of that policy, please see §2 of this report.

As you will recall, we recently met with you to discuss other additions to this list, and submitted a letter as well with our request. That request for additions stem from there being a natural change every few years in the kinds of resolutions that are now repeatedly visible. For details of the request for additions to the pre-approved policy list, we are also submitting a slightly edited version of the letter from Fall.

After a summary of previous resolutions and votes, we report our resolutions in three categories.

- (1) Starting with a review of the pre-approval policy and categories in in Section (2), we use Section (3) to report on those 18 resolutions that fall under these pre-approval categories.
- (2) There are also 14 resolutions that fall under the category of proposals we have recently requested to be added to the pre-approved list. We are not assuming that these categories will be added to the pre-approved list. However, the repetitive nature of the proposals and the arguments for voting yes makes it far more efficient and compact to report these 14 resolutions in a single table (Table (4.3)). We have included the arguments for voting for these proposals in a single place preceding the table (in subsection 4.1).
- (3) Finally our report discusses in subsection 4.2 the 11 shareholder resolutions which are on issues not covered under the pre-approved list nor do they fall under the category of those we have requested to add to the pre-approved list.

2017 Resolutions Not Covered by Proxy Voting Policy

Shareholders of companies in which Carleton is invested filed several resolutions not covered by the proxy voting pre-approval policy. CRIC recommends that the Trustees approve a vote of “yes” on each of the resolutions listed below. Please note that resolutions 12 through 25 fall into the categories of resolutions requested as additions to the pre-approval policy as requested in Fall 2016 (more detail below).

- (1) Majority Vote (Amazon.com Inc)
- (2) Prohibit Virtual-Only AGM (Comcast Corp)
- (3) Executive Pay Tied to Resilience to Low-Carbon Scenarios (Devon Energy Corp)
- (4) Majority Vote (JP Morgan Chase & Co)
- (5) Reduce Pesticide Use (Pepsico Inc)
- (6) Reduce Food Waste (Target Corp)
- (7) CEO To Worker Pay Ratio (TJX Cos INC/THE)
- (8) Executive Pay: Incorporate Diversity Metrics (TJX Cos INC/THE)
- (9) Business Standards/Vision and Values/ Risk Management (Wells Fargo)
- (10) Indigenous Peoples Rights (Wells Fargo Co) & Co)
- (11) Executive Pay Tied to Ethical Business Conduct (Wells Fargo & Co)
- (12) Business Plan for 2C Warming Scenario (Anadarko Petroleum Corp)
- (13) Business Plan for 2C Warming Scenario (Dominion Resources Inc/VA)
- (14) Environmental Impacts of Continued Use of Foam Packing (Amazon.com Inc)
- (15) Environmental Impacts of Non-Recyclable Packaging (Mondelez International Inc)
- (16) Environmental Impacts of Continued Use of Foam Packing (Target Corp)
- (17) Tobacco Marketing in Lower-Income Communities (Altria Group Inc)
- (18) Human Rights Policy Stressing Right to Health (Tobacco) (Philip Morris International)
- (19) Review Public Policy Advocacy on Climate (Devon Energy Corp)
- (20) Review Public Policy Advocacy on Climate (Occidental Petroleum)
- (21) Climate Change Impacts of Increased Biomass Use (Dominion Resources Inc/VA)
- (22) Proxy Voting Policies - Climate Change (JP Morgan Chase & Co)
- (23) Carbon Asset Risk (Noble Energy Inc)
- (24) Carbon Asset Risk (Occidental Petroleum Corporation)
- (25) Sustainability Reporting (Emerson Electric Co)

Summary

We appreciate this opportunity to report to the Investment Committee on our activities and to make recommendations. We hope the board accepts our recommendations on the shareholder resolutions not covered under the existing pre-approval policy. Please let us know if you require any additional information. Thank you for your time and your consideration.

COMMITTEE MEMBERS

David Coleman (Co-Chair, '17)	Arjendu Pattanayak (Co-Chair, Faculty)	Douglas Marshall (Faculty)
Fred Rogers (Ex Officio, '72)	Tenzin Dophen '19	Jacob Isaacs '20
Dylan Zeng '19	Jenna Greene (non-voting)	Locke Perkins '06 (Staff)
Steve Romenesko (Staff)		

REPORT TO THE TRUSTEES

CARLETON RESPONSIBLE INVESTMENT COMMITTEE (CRIC)

January 25, 2017

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¹This report reproduces resolution statements from the Ethvest Database, which is available to Carleton College users and to other members at <http://www.onlineethicalinvestor.org/eidb/login.html>. The full text of all 2017 resolutions discussed in this report, including arguments and supporting statements, is reproduced in Appendix A to this report at https://apps.carleton.edu/governance/cric/assets/CRIC_2017_Report_Appendix_A.pdf.

1 Report on 2016 Resolution Voting

1.1 2016 Resolutions Falling Under the Pre-Approval Policy

In 2016, CRIC used the proxy voting pre-approval policy to request that the Investment Office vote on a number of resolutions. Information gathered on the voting outcome is posted below.

Company	Proxy Pre-Approval Category	Outcome
Citigroup, Inc.	Equal Employment Opportunity	6% in favor
Discovery Communications	Equal Employment Opportunity	17.6% in favor
Ecolab, Inc.	Equal Employment Opportunity	Withdrawn
TJX COS INC.	Equal Employment Opportunity	4.97% in favor
Dominion Resources, Inc.	Greenhouse Gases Emission Reduction Goals	21.31% in favor
MasterCard Incorporated	Greenhouse Gases Emissions Reduction Goals	Withdrawn
TJX COS INC.	Greenhouse Gases Emissions Reduction Goals	Omitted
Amazon.com, Inc.	Political Contributions	5.5% in favor
Bank of America Corp.	Political Contributions	Withdrawn
Comcast Corp.	Political Contributions	16.7% in favor
Devon Energy	Political Contributions	31.12% in favor
Devon Energy	Political Contributions	21.2% in favor
Occidental Petroleum Corporation	Political Contributions	27.9% in favor
Raytheon Company	Political Contributions	Withdrawn
Wells Fargo & Co.	Political Contributions	11% in favor
Freeport-McMoRan Copper and Gold, Inc.	Hydraulic Fracturing (Toxic Chemicals)	21.95% in favor

Table 1: 2016 Resolutions Falling Under the Pre-Approval Policy

1.2 2016 Resolutions Not Falling Under the Proxy Voting Pre-Approved Policy

CRIC similarly asked the Investment Committee to approve recommendations for voting on a number of resolutions outside the the pre-Approved list. Information gathered on the voting outcome is posted below.

Company	Resolution	Outcome
Altria Group, Inc	List Health Consequences of Additives	6.6% in favor
Amazon.com Inc	Reduce E-Waste	Omitted
Anadarko Petroleum	Climate Risk Disclosure	42% in favor
Noble Energy	Climate Risk Disclosure	25.1% in favor
Occidental Petroleum Corp	Carbon Legislation Impact Assessment	49% in favor
Devon Energy	Executive Compensation: No Oil/Gas Reserve Addition Metric	3.82% in favor
Mondelez International, Inc	Recycle Food & Beverage Packaging	26.7% in favor
PepsiCo Inc.	Neonicotinoid-Containing Products & Pollinator Decline	8.8% in favor
Philip Morris International	Human Rights Policy Stressing Right to Health	18.2% in favor
TJX Companies, Inc	Pay Disparity	5.82% in favor

Table 2: 2016 Resolutions Outside the Pre-Approval Policy

2 Current Proxy Voting Pre-Approval Policy

Four years ago, the Investment Committee of the Board of Trustees granted CRIC the freedom to operate under a proxy voting pre-approval policy on a trial basis. The policy has allowed the committee to be more effective in its handling of corporate resolutions. It is stated as follows:

“For all resolutions and issues that appear on a PROXY VOTING LIST approved by the Investment Committee, the College will vote YES, assuming that CRIC has done due diligence to determine that there are no extenuating circumstances.”

The proxy voting list aims to align Carleton’s values with its investments. It currently encompasses the following categories of resolutions.

- (1) **Greenhouse Gas Emission Reduction Goals:** Resolutions requiring disclosure of GHG emissions and on resolutions requiring reasonable action to reduce GHG emissions.
- (2) **Hydraulic Fracturing (Toxic Chemicals):** Resolutions requesting disclosure to stockholders of information about the risks and impacts of hydraulic fracturing and policy options for dealing with any potential risks and impact.
- (3) **Executive Compensation (Say on Pay):** Resolutions requesting an advisory vote on executive compensation.
- (4) **Political Contributions:** Resolutions requesting reporting on political contributions.
- (5) **Separate Chair & CEO:** Resolutions requesting that the Board adopt a policy requiring the Chair of the Board of Directors to be an independent member of the Board.
- (6) **Equal Employment Opportunity:** Resolutions requesting the adoption and reporting of anti-discriminatory policies based on race, gender, gender identity, sexual orientation, and national origin.

The pre-approval policy allows CRIC to recommend votes on certain types of resolutions to the investment office with the expressed permission of the Board of Trustees. This removes the repetitive step of having to regain approval on the same types of resolutions every year, saving both CRIC and the Board of Trustees time. Furthermore, it allows Carleton to vote on policy-approved resolutions that arise between January and shareholder meetings occurring later in the spring.

3 2017 Resolutions Falling Under the Pre-Approval Policy

CRIC has been tracking shareholder resolutions for the 2017 season and has determined that the following resolutions fall under the Proxy Voting Pre-Approval Policy. CRIC asks the Investment Office to vote “yes” on the items listed. See Appendix A for full text of the resolutions.¹

Company	Resolution	Pre-Approval Category
TJX Companies Inc	Gender Pay Gap	Equal Employment Opportunity
Amazon.com	Criminal Background Checks in Hiring Decisions	Equal Employment Opportunity
Emerson Electric Co	Greenhouse Gas Reduction - Science-Based Targets	Greenhouse Gas Emissions Reduction Goals
Pepsico Inc	Greenhouse Gas Reduction - Renewable Energy	Greenhouse Gas Emissions Reduction Goals
Dominion Resources Inc	Methane Emissions - Measure Leakage & Disclose	Greenhouse Gas Emissions Reduction Goals
Occidental Petroleum Corporation	Methane Emissions - Measure Leakage & Disclose	Greenhouse Gas Emissions Reduction Goals
Emerson Electric Co	Lobbying Expenditures Disclosure - Climate	Political Contributions
Oracle Corp	Lobbying Expenditures Disclosure	Political Contributions
Bank Of America Corp	Lobbying Expenditures Disclosure - Climate	Political Contributions
Berkshire Hathaway Inc	Political Contributions	Political Contributions
Citigroup Inc	Lobbying Expenditures Disclosure - Climate	Political Contributions
Comcast Corp	Lobbying Expenditures Disclosure	Political Contributions
Alphabet Inc-CI A	Lobbying Expenditures Disclosure - Climate	Political Contributions
Alphabet Inc-CI C	Political Contributions	Political Contributions
Emerson Electric Co	Political Contributions	Political Contributions
Devon Energy Corp	Lobbying Expenditures Disclosure	Political Contributions
Dominion Resources Inc/VA	Lobbying Expenditures Disclosure - Climate	Political Contributions
Wells Fargo & Co	Separate CEO & Chair	Separate Chair and CEO

Table 3: 2017 Resolutions Falling Under the Pre-Approval Policy

¹Appendix A contains the full text of all 2017 resolutions discussed in this report and is available on CRIC’s website at <https://apps.carleton.edu/governance/cric/reports/>.

4 2017 Resolutions Not Falling Under the Pre-Approval Policy

4.1 Proposed additions to the pre-approved proxy voting list

In late Fall 2016, CRIC met and had a discussion with the Investment Committee. Among other things discussed were possible additions to the pre-approved list. Following that and, in keeping with the original rationale and purpose of the Proxy Voting Policy and in the interests of increased efficiency, we had requested that the Investment Committee approve the inclusion of the following resolutions and issues into the list of pre-approved categories, because such resolutions emerge with increasing regularity.

We re-state here for convenience the list and the rationale behind each item on the list. We do not assume here that these have been or will be added to the list. However, many of the resolutions on which we are recommending a 'yes' vote fall under this list, whence the listing here.

Proposed Additions to the Proxy Voting List

- (1) Post-Consumer Recycling: Resolutions requesting reporting on: the increase of post-consumer recycling, safer disposal of waste, and adjusting policy to reflect these goals.
- (2) Tobacco Health Risk: Resolutions requesting actions to inform consumers of health risks associated with tobacco product use.
- (3) Non-Recyclable Packaging: Resolutions requesting reporting on the environmental, reputational, financial, and/or operational impacts and risks of continuing to use non-recyclable product packaging.
- (4) Climate Change Risk: Resolutions requesting analysis and disclosure of the impacts and risks, including short and long term financial and operational risks, associated with climate change and plans to address those risks.

4.1.1 Post-Consumer Recycling

The Investment Committee has approved "yes" votes for three resolutions involving the reporting of efforts made to facilitate post-consumer recycling:

- (1) Wal-mart Stores, Inc. - Electronics Recycling (2013)
- (2) Safeway Inc. - Post-Consumer Product Recycling (2014)
- (3) Amazon.com, Inc - Reduce E-Waste (2016)

In each case, the language of the resolution has been and remains a version of the following:

"RESOLVED: Shareholders request that the Board of Directors prepare a report by Fall 2017, at reasonable cost and omitting confidential information such as proprietary or legally prejudicial data, detailing 1) efforts made to facilitate post consumer recycling; and 2) the company's policy options to reduce potential pollution and public health problems from electronic waste generated as a result of its sales to consumers."

CRIC has previously urged a YES vote based on the following arguments:

Plastic packaging remains a threat to the environment; consumer packaging accounts for 20% of land fill waste according to a recent study done by researchers at Duke University. In strengthening their post-consumer recycling programs, these companies set themselves above their competition in terms of social responsibility and commitment to a responsible future business model.

The avoidance of public health problems as a result of e-waste pollution is unquestionably a goal of the community both within Carleton and without. In addition, companies with robust waste-disposal policies are less likely to be the subjects of litigation.

A disappointingly small percentage of electronics are recycled safely, resulting in dangerous contamination. In addition to this pollution, much of the improperly recycled e-waste is sent to developing countries where the laws and restrictions imposed by the U.S. are not in force. This practice is unethical, and any company found to be contributing to such a problem would be castigated by the public. Such unfavorable press would negatively impact the company's profitability.

The Board has previously accepted CRIC's recommendation for these resolutions.

4.1.2 Tobacco Health Risk

The Investment Committee has approved "yes" votes for three resolutions involving the reporting on health risks associated with tobacco use:

- (1) Altria Group, Inc. - Educate on Health of Tobacco (2014)
- (2) Altria Group, Inc. - Report on Tobacco Health Risk Communications (2015)
- (3) Altria Group, Inc. - List Health Consequences of Additives in Products (2016)

In each case, the language of the resolution has been a version of the following:

"RESOLVED: the Board of Directors of the Company initiate efforts within six months of the annual meeting to prepare appropriate materials (similar to the success that has been noted with parallel materials for youth) informing tobacco users who live below the poverty line or have little formal education of the health consequences of smoking our products along with market-appropriate cessation materials. A report on this material's preparation and method of distribution shall be made available to requesting shareholders, at an appropriate cost, within one year of the 2015 annual meeting."

CRIC has previously urged a YES vote based on the following arguments:

Tobacco use is a leading cause of preventable disease and death worldwide.

Research by the World Health Organization suggests that poverty and tobacco-use are closely linked. As evidence, studies indicate that households in low-income countries spend a large proportion of their income on tobacco products.

Although most consumers in the U.S. are aware of the health risks associated with smoking, consumers lack knowledge of harmful additives in cigarettes.

Improved education and transparency regarding the risks associated with tobacco product use reduce the likelihood and costs associated with potential future lawsuits.

The Board has previously accepted CRIC's recommendation for these resolutions.

4.1.3 Non-Recyclable Packaging

The Investment Committee has approved "yes" votes for three resolutions involving reporting on non-recyclable packaging:

- (1) Mondelez International - Post-Consumer Product Packaging Recycling (2014)
- (2) Mondelez International - Environmental Impacts of Using Non-Recyclable Packaging (2015)
- (3) Mondelez International - Recycle Food and Beverage Packaging (2016)

In each case, the language of the resolution has been a version of the following:

"RESOLVED: Shareowners of the Company request the Board to issue a report at reasonable cost, omitting confidential information, by Fall 2017 assessing the environmental impacts of continuing to use non-recyclable brand packaging.

Supporting Statement: Proponents believe the report should include an assessment of the reputational, financial, and operational risks associated with continuing to use non-recyclable brand packaging and, to the extent possible, goals and a timeline to phase out non-recyclable packaging."

CRIC has previously urged a YES vote based on the following arguments:

The continued use of non-recyclable packaging, especially when recyclable alternatives are available, is an important problem, as non-recyclable packaging accounts for 20% of landfill waste.

Calling for a report studying the impact of the continued use of non-recyclable packaging falls in line with Carleton's stated position on, and values related to, environmental issues, as Carleton has been putting effort to reduce use of non-recyclable packaging in multiple ways.

The Board has previously accepted CRIC's recommendation for these resolutions.

4.1.4 Climate Change Risk

The Investment Committee has approved "yes" votes for nine resolutions involving the assessment of climate change risk:

- (1) Dover Corporation, Climate Change Report (2009)
- (2) Anadarko Petroleum, Stranded Assets/Climate Change (2015)
- (3) Consol Energy, Stranded Assets/Climate Change (2015)
- (4) Devon Energy, Financial Risk of Lower Than Expected Demand/Prices for Oil (2015)
- (5) Dominion Resources, Climate Risk Report (2015)
- (6) Noble Energy, Climate Change: Planning for Reduced Demand for Oil/Gas (2015)
- (7) Anadarko Petroleum, Climate Risk Disclosure (2016)
- (8) Noble Energy, Climate Risk Disclosure (2016)
- (9) Occidental Petroleum, Carbon Legislation Impact Assessment (2016)

These resolutions request analysis and disclosure of the impacts and risks, including short and long term financial and operational risks, associated with climate change and plans to address those risks. The exact resolution text may be sector-specific.

The majority of these resolutions have been for oil and gas companies. In these cases, the language of the resolution has been as follows (or something very much like it):

”RESOLVED: Shareholders request the Company to prepare a report, omitting proprietary information and prepared at reasonable cost, on the Company’s strategy to address the risk a of stranded assets presented by global climate change and associated demand reductions, including analysis of long and short term financial and operational risks to the company.”

Resolutions from outside of the energy sector read as follows:

”RESOLVED: Shareholders request that the Board of Directors provide a report to shareholders, prepared at reasonable cost and omitting proprietary information, describing how the Company is assessing the impact of climate change on the corporation, and the corporation’s plans to disclose this assessment to shareholders.”

CRIC has previously urged a YES vote based on the following arguments:

The Board of Trustees has already created a policy that allows CRIC to automatically vote yes on any resolution involving greenhouse gas emission reduction goals.

Global warming is already a scientific fact and many researchers now warn that a 2-degree Celsius increase in average global temperature will move the world past the safety threshold and lead to irreversible consequences.

If companies are willing to engage in activities and sell products detrimental to our environment and globe, the long term business risks of these actions should be taken into account as well.

Anadarko Petroleum, Consol Energy, Devon Energy, Dominion Resources, and Noble Energy are leading oil, gas, and utilities firms, and it is reasonable to ask them to do more than simply reduce greenhouse gas emissions. Assessing the risks associated to their business model would show that these large corporations are aware of and taking the next important steps towards slowing global warming.

These reports could improve the company’s image to the American public and help cast a brighter light on the companies with respect to an important issue.

As Carleton continues its tradition of encouraging sustainability, it seems only appropriate that we ask companies to join us in this movement. Through an evaluation of risks associated with climate change, companies may be more attentive to the environmental impact of their operations.

The Board has previously accepted the recommendation to vote yes on these resolutions.

That background information here allows us to present 14 of the Resolutions for 2017 in a compact form. That is, all of those listed here fall under the category of **proposed additions** to the proxy pre-approval policy.

Company	Resolution	Proposed Pre-Approval Category
Altria Group Inc	Tobacco Marketing in Lower-Income Communities	Tobacco Health Risk
Philip Morris International	Human Rights Policy Stressing Right to Health (Tobacco)	Tobacco Health Risk
Amazon.com	Environmental Impacts of Continued Use of Foam Packing	Non-Recyclable Packaging
Mondelez International Inc	Environmental Impacts of Non-Recyclable Packaging	Non-Recyclable Packaging
Target Corp	Environmental Impacts of Continued Use of Foam Packing	Non-Recyclable Packaging
Anadarko Petroleum Corp	Business Plan for 2C Warming Scenario	Climate Change Risk
Devon Energy Corp	Review Public Policy Advocacy on Climate	Climate Change Risk
Dominion Resources Inc/VA	Business Plan for 2C Warming Scenario	Climate Change Risk
Dominion Resources Inc/VA	Climate Change Impacts of Increased Biomass Use	Climate Change Risk
Emerson Electric Co	Sustainability Reporting	Climate Change Risk
JP Morgan Chase & Co	Proxy Voting Policies - Climate Change	Climate Change Risk
Noble Energy Inc	Carbon Asset Risk	Climate Change Risk
Occidental Petroleum Corporation	Carbon Asset Risk	Climate Change Risk
Occidental Petroleum Corporation	Review Public Policy Advocacy on Climate	Climate Change Risk

Table 4: 2017 Resolutions Falling Under Category of Proposed Additions to Pre-Approval Policy

4.2 2017 Resolutions Neither in the Pre-Approval or Proposed Pre-Approval categories

While the resolutions discussed below do not fall under the pre-approval policy, nor under the category of requested additions to pre-approval list, CRIC believes that they reflect values that are broadly shared by members of the Carleton community.

4.2.1 Amazon.com Inc – Majority Vote

Carleton holds 2,095 shares worth \$1754,164 as of September 30th 2016

Resolution Text

Amazon.com, Inc. ("Amazon") shareholders ask the Board to take or initiate steps to amend Company governing documents to provide that all non-binding matters presented by shareholders shall be decided by a simple majority of the votes cast FOR and AGAINST an item. This policy would apply to all such matters unless shareholders have approved higher thresholds, or applicable laws or stock exchange regulations dictate otherwise.

CRIC's position

CRIC has consistently voted for corporate transparency as well as for shareholder voices to be heard. This particular resolution argues against the standard practice of management interpreting those shareholders absent and not voting as voting with management. It is clear, considering the effort it takes to attend and vote at a shareholder meeting, that it is not appropriate to put any particular interpretation on the intentions of most absent shareholders. To quote from the supporting statement "in contrast to how shareholder items are treated, Amazon's Director Election (where management benefits from the appearance of strong support), does not count abstentions. Thus, management items and shareholder items do not receive equal treatment; though the Company has complete discretion to cure such inconsistencies in its voting policies." CRIC believes that this resolution is a straightforward request from shareholders for transparency and consistency from the company and urges a vote of YES.

4.2.2 Comcast Corp – Prohibit Virtual-Only AGM

Carleton holds 13,250 shares worth \$879,005 as of September 30 2016

Resolution Text

Shareholders request the Comcast Board adopt a corporate governance policy affirming continuation of in-person annual meetings in addition to internet access to the meeting, adjust its corporate practices accordingly, and publicize this policy to investors.

CRIC's Position

Many of CRIC's pre-approved categories relate to corporate transparency, indicating that there is a history of Carleton supporting resolutions like this one. With Comcast's discontinuation of its in-person annual shareholder meetings, shareholders fear they will lose their voice and let Comcast shroud its decision-making process. While we recognize the environmental benefits of virtual meetings, those benefits do not

go away if, as the resolution requests, Comcast brings back in-person meetings in addition to the virtual meetings. CRIC therefore requests a vote in favor of the resolution proposed.

4.2.3 Executive Pay Tied to Resilience to Low Carbon Scenarios – Devon Energy

Carleton holds 4,170 shares worth \$183,939 as of September 30 2016

Resolution Text

Shareholders request that Devon Energy issue a report that assesses, in light of global concerns about climate-change and the resultant pressures to transition to a low carbon economy, the benefits and risks of continuing to use oil and gas reserve additions as a metric in named executives' compensation. The report should be produced at reasonable cost and omit proprietary information.

Supporting Argument

“As long-term shareholders, we believe that compensation metrics should incentivize the creation of sustainable value. We further understand that the standards for sustainable value are changing as the global imperative to limit climate change becomes more urgent and energy markets transition toward a low carbon economy. Our company's incentive compensation should reflect this global change.

The Paris Agreement to accelerate greenhouse gas reductions underscores the challenges faced by the oil and gas industry in this changing environment. Government policies to speed the transition to a low carbon economy—including fuel efficiency standards, carbon pricing, and carbon emission standards—compel new planning metrics. Similarly, low carbon market forces, including competition from cleaner technologies compel new responses.

Emphasizing these trends, in October 2016, Fitch Ratings urged energy companies to plan for ‘radical change’.

Shareholders are concerned that tying executive compensation to growth of oil or gas reserves, without reference to the economic viability of those reserves at varying cost and price levels, may incentivize a continued focus on reserve growth at a time when management should be planning for a changing energy economy. This incentive may inappropriately encourage the addition of reserves which are likely to become stranded in a low carbon economy. Carbon Tracker estimates oil majors' combined upstream assets would be worth \$140 billion more if restricted to projects consistent with limiting climate change to 2 degrees. This compensation incentive may also discourage management from considering innovative new strategies such as diversification. Standard and Poor's notes that under a low price “stress scenario” associated with declining demand, the speed with which companies react and modify their strategies, including their investments, is an important potential rating consideration.

The recent volatility in oil and gas prices has only heightened the importance of management evaluating the costs and benefits of developing new oil and gas reserves, rather than simply amassing additional reserves in response to compensation incentives.

Accordingly, shareholders ask the company to assess the value of continuing to tie executive compensation to growth of oil and gas reserves; whether severing the link between reserves growth and executive compensation would better reflect increasing uncertainty over climate regulation and a decarbonizing global energy market; and what metrics more closely align senior executives' and long-term shareholders' interests.”

CRIC's Position

In 2016, shareholders of Devon Energy brought forward a resolution asking that Devon Energy remove any additions to oil and gas reserves as a positive factor in determining senior executives' pay.² Now in 2017 shareholders are proposing the adoption of a closely related, but crucially different, resolution. The 2017 resolution only asks that Devon Energy issue a report that addresses the benefits and risks of having additions to oil and gas reserves count as a factor in determining executive pay. It does not require any particular action with respect to the way Devon Energy determines the compensation for its executives. Moreover, we argue that a report of the kind asked for is valuable, while ignoring the compensation issue puts Devon Energy at a strategic and regulatory risk. There are various plausible scenarios on which the company's oil and gas holdings would be of less value than they traditionally have been. These scenarios include either a sustained decline in the price of oil due to reduced demand or stranded oil and gas assets that cannot be sold due to government regulation. In light of these risks, Devon energy should analyze and produce a report on the issue of whether executives should be incentivized to make additions to the company's oil and gas reserves.

We therefore recommend the Investment Committee vote "yes" on this resolution.

4.2.4 JP Morgan Chase & Co– Majority Vote

Carleton holds 14,000 shares worth \$932,260 as of September 30 2016

Resolution Text

JPMorgan Chase & Co. ("JPMorgan") shareholders ask the Board to take or initiate steps to amend Company governing documents to provide that all non-binding matters presented by shareholders shall be decided by a simple majority of the votes cast FOR and AGAINST an item. This policy would apply to all such matters unless shareholders have approved higher thresholds, or applicable laws or stock exchange regulations dictate otherwise.

CRIC's position

This being identical to the resolution for Amazon, the argument remains the same, and for the same reasons.

4.2.5 PepsiCo – Reduce Pesticide Use

Carleton holds 9,400 shares worth \$1,022,438 as of September 30 2016

Resolution Text

Shareholders request that the Board publicly report on company strategies or policies currently deployed, or under consideration, to protect public health and pollinators through reduced pesticide usage in the supply chain.

CRIC's Position

CRIC believes that this resolution aligns with the College's stated positions and actions with respect to sustainability. Given the stance of health as a human right and pollinators' crucial role in the food chain,

²CRIC discussed this resolution in §4.4 of our 2016 report.

CRIC views their protection as important to the functioning of a healthy and sustainable world. And given Pepsi's major role and high visibility in the food industry, we feel it is reasonable to ask the company to examine their supply chain. The supporting statement of the resolution allows PepsiCo, "the discretion to determine the precise content of the policy" so can avoid conflicts of interest and protect intellectual property. Also, because of the recent regulatory attention given to neonicotinoids and protecting bees, it might serve the company well to be pro-active and knowledgeable about managing these issues now rather than being less prepared to comply with potential regulations in the future. It should be noted that CRIC has advised in favor of resolutions regarding pesticide use from PepsiCo in past several years.

4.2.6 Target Corp. – Reduce Food Waste

Carleton holds 2,810 shares worth \$192,991 as of September 30 2016

Resolution Text

Shareholders request Target issue a report, to be prepared in reasonable time, at reasonable cost, and omit proprietary information, on company-wide efforts (above and beyond its existing reporting) to assess, reduce, and optimally manage food waste.

CRIC's Position

More than a third of food produced never reaches the table. This waste causes significant economic and environmental concerns. More than a third of food produced worldwide never reaches the table. This causes nearly \$1 trillion in retail losses each year. Target itself sets goals to reduce greenhouse gas emissions and wasted food production and transportation could go a long way to reaching those goals. Target also reports annually on their climate change efforts and water usage. CRIC has consistently recommended in favor of measures which would reduce or highlight issues relating to a company's carbon footprint and this resolution falls in line with those beliefs. CRIC therefore recommends that the College vote "yes" on this resolution.

4.2.7 TJX - CEO to Worker Pay Ratio

Carleton holds 2,450 shares worth \$183,211 as of September 30 2016

Resolution Text

Shareholders request the Board's Compensation Committee initiate a review of our company's executive compensation policies and make available, upon request, a summary report of that review by October 1, 2017 (omitting confidential information and processed at a reasonable cost). We request that the report include: 1) A comparison of the total compensation package of senior executives and our employees' median wage (including benefits) in the United States in July 2007, July 2012 and July, 2017; 2) an analysis of changes in the relative size of the gap and an analysis and rationale justifying this trend; 3) an evaluation of whether our senior executive compensation packages (including, but not limited to, options, benefits, perks, loans and retirement agreements) should be modified to be kept within boundaries, such as that articulated in the previously proposed Excessive Pay Shareholder Approval Act; and 4) an explanation of whether sizable layoffs or the level of pay of our lowest paid workers should result in an adjustment of senior executive pay to more reasonable and justifiable levels and how the Company will monitor this comparison annually in the future.

CRIC's Position

In 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act was passed as a response to the Great Recession; it stipulated, among other things, that public corporations need to disclose the financial compensation of their CEOs compare to the median wage of the company's employees (see first link). This resolution falls within the ideals and principles proposed and set in place at the SEC due to the passage of the Dodd-Frank Act. It is CRIC's position that voting in favor of TJX Cos Inc. preparing a summary report on the CEO to worker pay ratio, as it is a reasonable request which allows the company to address an important issue relevant to today's business world. More information can be found at:

<https://www.gpo.gov/fdsys/pkg/PLAW-111publ203/pdf/PLAW-111publ203.pdf>

4.2.8 TJX - Executive Pay: Incorporate Diversity Metrics

Carleton holds 2,450 shares worth \$183,211 as of September 30 2016

Resolution Text

Shareholders request that the Board's Compensation Committee, when setting CEO compensation, include metrics regarding diversity among senior executives as one of the performance measures for the CEO under the Company's annual and/or long-term incentive plans. For the purposes of this proposal, "diversity" is defined as gender, racial, and ethnic diversity.

CRIC's Position

Boardroom diversity is a pervasive problem that needs addressing at many companies within both the United States and around the world. In late 2009, the SEC adopted procedures to assess a company's commitment to creating and maintaining a diverse board and found many Fortune 500 companies lacking (first link). Carleton also maintains a commitment to diversity and values a diverse set of peoples integral to maintaining a high achieving student body, as seen in the college's Community, Equity, and Diversity Initiative (second link). Therefore, it is CRIC's position that voting in favor of adding diversity metrics to performance measures when assessing executive pay aligns with Carleton's values and helps to address a pressing and important issue found within the executive level of many corporations. More information can be found at:

<https://www.sec.gov/news/speech/2011/spch043011aa.htm>

and at <https://apps.carleton.edu/governance/diversity/statement/>

4.2.9 Wells Fargo - Business Standards/Vision and Values/ Risk Management

Carleton holds 58,000 shares worth \$2,568,240 as of September 30 2016

Resolution Text

Shareholders request that the Board commission a comprehensive report, available to shareholders by October 2017, on the root causes of the fraudulent activity and steps taken to improve risk management and control processes. The report should omit proprietary information and be prepared at reasonable cost.

CRIC's Position

In September of 2016, Wells Fargo was reported to have committed fraudulent activities by opening millions of unauthorized accounts in order to generate revenue through banking fees (see link for footnote). Due to this, Wells Fargo's public image was heavily damaged and the company was heavily fined for their actions. CRIC is in favor of this resolution, as it feels that by preparing a report on the root causes of the illegal activity and what steps are being taken to ensure that this does not continue or happen again the company can begin to repair their image and amend the issues created in the eyes of the public. Reporting on the root causes of the fraudulent activity would help to avoid such actions in the future, which would further damage the company's finances and public image. <http://money.cnn.com/2016/09/08/investing/wells-fargo-created-phony-accounts-bank-fees/>

4.2.10 Wells Fargo & Co - Indigenous Peoples Rights

Carleton holds 58,000 shares worth \$2,568,240 as of September 30 2016

Resolution Text

Shareholders ask Wells Fargo & Company (WFC) to develop and adopt a global policy regarding the rights of indigenous peoples (the "policy") which includes respect for the free, prior and informed consent of indigenous communities affected by WFC financing.

CRIC's Position

Carleton has long sought for fair and honest business practices, and CRIC sees this resolution as a forward-thinking attempt to offer a financial disincentive for companies that take advantage indigenous peoples. Presumably the filers of this resolution hope that WFC will regulate their customers (to a certain extent) in adherence to this policy. We also recognize that there is significant public opinion on issues similar to this, so WFC may save itself from future bad press (or even litigation) by proactively establishing the requested policy. CRIC therefore requests a vote in favor of the resolution proposed.

4.2.11 Wells Fargo - Executive Pay Tied to Ethical Business Conduct

Carleton holds 58,000 shares worth \$2,568,240 as of September 30 2016

Resolution Text

Shareholders request the Board Compensation Committee assess the feasibility of integrating responsiveness to sustainability metrics and Code of Ethics Business Conduct ("Code") into the performance measures of senior Wells Fargo executives under the Company's compensation incentive plans and report the results to shareholders.

CRIC's Position

Similar to the resolution on Business Standards/Vision and Values/Risk Management, CRIC is in favor of voting for the Board Compensation Committee of Wells Fargo assessing the feasibility of integrating responsiveness to sustainability metrics and Code of Ethics Business Conduct into the performance measures of senior Wells Fargo executives under the Company's compensation incentive plans and report the results

to shareholders. Wells Fargo has published on their leadership in sustainable initiatives (link 1) and their ethical practices (link 2), assessing the alignment of their executive pay with these values would encourage sustainable operations and ethical practices. This would assist in addressing the damaging and fraudulent activities of Wells Fargo and repairing the harm done to the company image in the eyes of the public. By assessing the feasibility of tying executive pay to ethical and sustainable business conduct ideals already put forth by the company, Wells Fargo would help to make sure that it is following its own practices and following principles it publishes as important to the company. More information can be found at:

<https://www.wellsfargo.com/about/corporate-responsibility/environment/>
and at <https://www08.wellsfargomedia.com/assets/pdf/about/corporate/>

5 Community Engagement and Other Activities

Much of CRIC's past year was spent looking into divestment from the fossil fuel industry as a tool of social change. After much discussion and dialogue with the Investment Committee, our recommendation of divestment was not approved, and the issue has been shelved for the time being. Despite our lack of success in arguing our stance, we believe the committee has fulfilled its purpose in bringing the issues of the student body to the attention of the Trustees. In the spring of 2016, CRIC asked members of Prof. Chihara's Statistical Consulting class to survey campus attitudes related to Carleton's investments and investing strategy. The survey results are posted at <https://apps.carleton.edu/governance/cric/surveyresults/2016/>.

This past November, CRIC sent one of our members, Chenoa Schatzki-McClain, to the Intentionally Designed Endowment Forum at Loyola University in Chicago. From the report given by Chenoa after she returned, CRIC gained valuable insight into the current advances in socially responsible investing.

6 Conclusion

CRIC has had another productive year of engagement with Carleton’s investments, the Carleton Community at large, and other organizations advocating for ethical investment. We hope you will consider the arguments we have made on behalf of voting “yes” on the resolutions discussed in §4.