Maureen E. O’Brien
Director of Corporate Governance

Maureen joined The Marco Consulting in 2011 and currently serves as Director of Corporate Governance where she helps lead corporate engagements on behalf of MCG’s clients and analyzes proxy voting issues. Maureen’s work in shareholder advocacy began in 2003 as a Research Analyst for the Investor Responsibility Research Center. Since then, she has specialized in engaging companies on behalf of investors. Most recently, Maureen was Head of Engagement at Conflict Risk Network, where she held dialogues with companies operating in Sudan and other conflict zones. She also served as Research Director at the Center for Political Accountability, a non-profit, non-partisan organization, where she promoted transparency in corporate political spending. Maureen co-founded LINC Negotiations, a Washington, D.C.-based consultancy that provides training in negotiation and mediation. In 2015 Maureen was appointed to the Council of Institutional Investors Corporate Governance Advisory Council.

Maureen holds an M.A. from American University in Washington, D.C. and B.A. from the University of Missouri-Columbia.
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What is Corporate Governance?

- Corporate Governance is the system of rules that sets the balance of how management and shareholders control the company.

“Corporate Governance is, to a large extent, a set of mechanisms through which outside investors protect themselves against expropriation by the insiders.”

- Study: Investor Protection and Corporate Governance, by professors at Harvard University and University of Chicago

“Good corporate governance won’t just keep your companies out of trouble. Well-governed companies often draw huge investment premiums, get access to cheaper debt, and outperform their peers.”

- International Finance Corporation of the World Bank Group
Corporate Governance Overview

Why it Matters

“We find that firms with stronger shareholder rights had higher firm value, higher profits, higher sales growth, lower capital expenditures, and made fewer corporate acquisitions.”
Harvard/Wharton Study (2003)

“Shareholder activists should be seen as playing a specialized capital market role.”

Companies with the best corporate governance in emerging markets had 8% higher measure of economic value added when compared to the average.
Credit Lyonnais Securities Asia (2001)

What’s Required

- Proxy voting rights are plan assets
- Trustees can delegate but must monitor
- Voted in economic best interest of plan beneficiaries

*Public pension funds do not operate under U.S. Dept. of Labor regulations. However, many public pension funds consider DOL guidance and regulations as a useful guide.

Where to Find Resources
# Corporate Governance: Evolution of Shareholder Rights

<table>
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<tr>
<th>Event/Event</th>
<th>Year</th>
<th>Details</th>
</tr>
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<tr>
<td>Stock Market Crash</td>
<td>1929</td>
<td>Focus on regulation</td>
</tr>
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</table>
| Securities and Exchange Commission (SEC) Established | 1934 | Requirements on companies to disclose operations  
Provides for shareholder rights and protections |
| Wall Street Walk | 1980s | Dissatisfied shareholders sell stock |
| Council of Institutional Investors (CII) Created | 1985 | Founding public funds:  
- CalPERS, CalSTRS, Connecticut Combined Retirement Fund, DC Retirement Fund, Delaware State Employees' Retirement Fund, Illinois State Board of Investment, Los Angeles City Employees' Retirement System, Los Angeles Fire and Police Pension Fund, Massachusetts PRIM, Minnesota State Board of Investment, New Jersey Division of Investment, NYC Pension Funds, San Francisco City and County Employees' Retirement System, West Washington Suburban Sanitary Commission, State of Wisconsin Investment Board |
| DOL Issued Interpretive Bulletin | 1994 | States the fiduciary duty of trustees to oversee proxy voting and provides that engaging companies is consistent with ERISA (94-2) |
Shareholders force restructuring of CVS/Caremark merger (2007)  
Shareholders reject Abercrombie & Fitch reincorporation (2011)  
Shareholders reverse fee-shifting provisions (2015) |
| Dodd-Frank Wall Street Reform and Consumer Protection Act | 2010 | Advisory vote on executive compensation (“say-on-pay”)  
CEO to average worker pay ratio (effective in 2018)  
Pending items (clawbacks, hedging, pay for performance disclosure) |
## Corporate Governance: Era of Engagement

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
<th>Description</th>
</tr>
</thead>
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<tr>
<td>SDX Protocol</td>
<td>Fall 2013</td>
<td>SDX Protocol, a set of guidelines to provide a framework for shareholder-director engagements.</td>
</tr>
<tr>
<td>&quot;Company-investor engagement on governance topics and disclosure of these efforts in the proxy statement continues to grow.&quot;</td>
<td>July 2014</td>
<td>EY Center for Board Matters</td>
</tr>
<tr>
<td>&quot;Increasingly, companies are talking to their shareholders, including so-called activist ones. That, in my view, is generally a very good thing. Increased engagement is important and a growing necessity for many companies today.&quot;</td>
<td>March 2015</td>
<td>SEC Chair Mary Jo White</td>
</tr>
</tbody>
</table>
Corporate Governance: Proxy Access

Proxy Access

- Total Voted On
- Total Passed

Number of Proxy Access Proposals (Shareholder & Management)

Data from ISS as of 6/15/15
Corporate Governance: Executive Compensation

Increase in Worker Annual Compensation: 5.7% Increase

Increase in S&P 500: 349.1% Increase

Increase in CEO Annual Compensation: 726.7% Increase

* Based on the Economic Policy Institute report “CEO pay and the top 1% ” published May 2, 2012.
Source: “Crazy data point of the day: How much CEO pay vs. worker pay has grown.” The Washington Post, May 11, 2012
Corporate Governance: Board Diversity

Changed its nominating committee charter to read: “Diversity of race, ethnicity, gender, sexual orientation and gender identity are factors in evaluating suitable candidates for Board membership.”
Case Study: Political Disclosure at Occidental Petroleum

- Model legislation on topics including eliminating defined benefit plans.

“The Legislature finds the defined-benefit model of retirement benefits for state and municipal employees is not fiscally sustainable.”

- Defined- Contribution Pension Reform Act

Case Study: Political Disclosure at Occidental Petroleum

ALEC fights to eliminate DB plans

ALEC

Defined Benefit Plans

Money Managers

Companies
Case Study: Political Disclosure at Occidental Petroleum

Shareholder Proposal:
1. Oversight policies by the board
2. Listing of lobbying payments at the Federal and State level including payments to trade associations used for lobbying
3. Memberships in any tax-exempt organization that writes and endorses model legislation

Source: ISS Link
Case Study: Political Disclosure at Occidental Petroleum

### Occidental Petroleum Corporation

#### Agenda & Recommendations

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<tr>
<th>Item</th>
<th>Code</th>
<th>Proposal</th>
<th>Board Rec.</th>
<th>ISS Rec.</th>
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<td><strong>MANAGEMENT PROPOSALS</strong></td>
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<tr>
<td>1.1</td>
<td>M0201</td>
<td>Elect Director Spencer Abraham</td>
<td>FOR</td>
<td>FOR</td>
</tr>
<tr>
<td>1.2</td>
<td>M0201</td>
<td>Elect Director Howard I. Atkins</td>
<td>FOR</td>
<td>FOR</td>
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<tr>
<td>1.3</td>
<td>M0201</td>
<td>Elect Director Eugene L. Batchelder</td>
<td>FOR</td>
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<td>1.4</td>
<td>M0201</td>
<td>Elect Director Stephen I. Chazen</td>
<td>FOR</td>
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<tr>
<td>1.5</td>
<td>M0201</td>
<td>Elect Director John L. Feick</td>
<td>FOR</td>
<td>FOR</td>
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<tr>
<td>1.6</td>
<td>M0201</td>
<td>Elect Director Margaret M. Foran</td>
<td>FOR</td>
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<tr>
<td>1.7</td>
<td>M0201</td>
<td>Elect Director Carlos M. Gutierrez</td>
<td>FOR</td>
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<tr>
<td>1.8</td>
<td>M0201</td>
<td>Elect Director William R. Klesse</td>
<td>FOR</td>
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<tr>
<td>1.9</td>
<td>M0201</td>
<td>Elect Director Avedick B. Poladian</td>
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<td>1.10</td>
<td>M0201</td>
<td>Elect Director Elise B. Walter</td>
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<td>2</td>
<td>M0550</td>
<td>Advisory Vote to Ratify Named Executive Officers’ Compensation</td>
<td>FOR</td>
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<tr>
<td>3</td>
<td>M0522</td>
<td>Approve Omnibus Stock Plan</td>
<td>FOR</td>
<td>FOR</td>
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<td>4</td>
<td>M0301</td>
<td>Ratify KPMG LLP as Auditors</td>
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<td><strong>SHAREHOLDER PROPOSALS</strong></td>
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<td>5</td>
<td>S0516</td>
<td>Claw-back of Payments under Restatements</td>
<td>AGAINST</td>
<td>FOR</td>
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<td>6</td>
<td>S0221</td>
<td>Adopt Proxy Access Right</td>
<td>AGAINST</td>
<td>FOR</td>
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<td>7</td>
<td>S0743</td>
<td>Report on Methane and Flaring Emissions Management and Reduction Targets</td>
<td>AGAINST</td>
<td>FOR</td>
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<td>8</td>
<td>S0809</td>
<td>Review and Assess Membership of Lobbying Organizations</td>
<td>AGAINST</td>
<td>FOR</td>
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Case Study: Political Disclosure at Occidental Petroleum

The Marco Consulting Group

September 28, 2014

Linda T. Peterson
Assistant General Counsel

Dear Tim,

The purpose of this letter is to "close the loop" on our discussions subsequent to your March email and letter, dated April 8, 2013. Concerning the identity of a number of separate issues, and assertions by the corporation for settlement, I am pleased to advise you that the corporation has determined that a settlement agreement is not in its best interest.

As we discussed last week, Residential's management, board, and Social Responsibilities Committee met last week to review the allegations presented by the corporation. The corporation has offered a settlement that, in our view, is not in the best interest of Residential.

Residential is committed to the principles of transparency and accountability. We have consistently argued that the corporation's actions are egregious and that a settlement agreement would not be in the best interest of our company.

Thank you for bringing this to our attention.

Sincerely,

Linda T. Peterson
Case Study: Political Disclosure at Occidental Petroleum

ALEC Tally

100+ companies left since 2012

Climate Change

Stand Your Ground

Campaign Tally

Political Spending Disclosure

Political Lobbying Disclosure

Source: Responsible Investor, "Why corporations are turning ice-cold on ALEC."; Center for Political Accountability
Immediate Action Items

1. Find Out How Your Fund Votes Proxies

2. Adopt NCPERS Model Proxy Voting Guidelines