Triodos Investment Management

Google Inc.

Meeting Date:	Wed, 14 May 2014 14:00pm	Type:	AGM	Issue date:	Fri, 02 May 2014
Meeting Location:	1600 Amphitheatre Parkway, Mountain View, California 94043.				
Current Indices:	S&P500				
Sector:	Computer programming services				

	PROPOSALS	ADVICE
1.01	**Elect Larry Page** Co-founder and executive of the company since 1998. Chief Executive Officer since April 2011. Mr. Page currently holds 42.2% of the Class B Common Stock, which is approximately 28.1% of the total voting power.	**For**
1.02	**Elect Sergey Brin** Co-Founder and former President of Technology and Chairman. Mr. Brin currently holds 41.5% of the Class B Common Stock, which is approximately 27.6% of the total voting power.	**For**
1.03	**Elect Eric Schmidt** Executive Chairman since April 4 2011, and former CEO. Mr. Schmidt currently holds 8.2% of the Class B Common Stock, which is approximately 5.5% of the total voting power. It is viewed that an Executive Chairman cannot fulfill his role of representing shareholders and overseeing management while being part of the executive team. There is insufficient independent representation on the Board.	**Withhold**
1.04	**Elect L. John Doerr** Non-Executive Director. Independent by company, not considered independent as he has been on the Board for more than nine years. Additionally, he owns 2% of the Class B shares and therefore holds 1.4% of the voting power in the company. There is insufficient independent representation on the Board.	**Withhold**
1.05	**Elect Diane B. Greene** Independent Non-Executive Director.	**For**
1.06	**Elect John L. Hennessy** Lead Independent Director. Independent by Company but not considered independent as he has been on the Board for more than nine years and is the President of Stanford, while in 2013 and 2012 Google paid respectively $1.8 and $3.5 million to Stanford University. There is insufficient independent representation on the Board. Note: Mr Shriram, another director, he is a Trustee of the University.	**Withhold**
1.07	**Elect Ann Mather** Independent Non-Executive Director. However, there are concerns over her aggregate time commitments.	**Withhold**
1.08	**Elect Paul S. Otellini** Non-Executive Director. Independent by the Company, but not considered to be independent as he has served on the Board for more than nine years. There is insufficient independent representation on the Board.	**Withhold**
1.09	**Elect K. Ram Shriram** Non-Executive Director. Independent by Company, but not considered independent as he has served on the Board for over nine years. In addition, in 2013 and 2012 Google paid respectively $1.3 and $3.5 million to Stanford University of which Mr. Shriram is a trustee. There is insufficient independent representation on the Board. Note: Mr Hennessy, another director, is the President of Stanford University.	**Withhold**
1.10	**Elect Shirley M. Tilghman** Independent Non-Executive Director.	**For**

2 **Ratify the appointment of the auditors** **Oppose**

Ernst & Young LLP proposed. Non-audit fees represented 30% of the statutory audit fees during the year under review and 28% on a three-year aggregate basis. There are concerns that this level of non-audit fees creates a potential for a conflict of interest on the part of the independent auditor.

3 **Approve Executive Compensation** **Oppose**

The Company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The commentary on the disclosures made by the company are contained in the body of this report and the voting outcome for this resolution reflects the balance of opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment. The rating is : CDC (The rating was CEC in 2011)

Disclosure rating: C - Annual bonus awards are discretionary and therefore the performance targets are not disclosed. Note: Page, co-founder and CEO, and Brin, co-founder and executive director, do not receive any base salary, annual bonus nor equity grants. Schmidt, the executive Chairman, receive an annual salary of $1.25m and his bonus opportunity is capped at $6m. In 2011, he received a grant of $100m restricted stock units upon appointment.

Balance rating: D - There is no long-term incentive plan per se, but a biennial grant of restricted stock units, the Google Stock Units (GSUs). The GSUs cliff-vest four years after the grant date, based on continued employment only. This is in line with good practice and a significant improvement in comparison with awards made until 2012, which had a vesting schedule as follows: 1/4th of GSUs vest twelve months after the grant date, and 1/16th of GSUs shall vest each quarter thereafter until all GSUs are fully vested. Also, the Company does not award stock-options any more.

Contracts rating: C - The Company does not have any agreements that provide for additional or accelerated compensation upon a change in control or termination of employment. There is no clawback provision.

Based upon the lack of performance criteria for the restricted stock units and the grant to the Executive chairman which is deemed to be excessive, Triodos does not support this resolution.

The Company has a triennial 'say-on-pay' vote. In 2011, 97.5% of shareholders voted in favour of the 'say-on-pay' resolution.

4 **Shareholder Resolution: Equal Shareholder voting** **For**
Proposed by: John Chevedden

The proponent requests that the Board take steps to adopt a recapitalisation plan as soon as practicable for all outstanding stock to have one-vote per share. This would include all practicable steps including encouragement and negotiation with family shareholders to request that they relinquish, for the common good of all shareholders, any preexisting rights. It argues that by allowing certain stock to have more voting power than other stock, Google "takes public shareholders' money but does not let them have an equal voice in the Company's management". It adds that without a voice, shareholders cannot hold management accountable.

The Board recommends to vote against the proposal. The Board states that since its inception, Google has been managed with a focus on the long term, and that every investor purchasing a share of Class A common stock and every investor who will be purchasing Class C capital stock is aware of the capital structure, and many are attracted to Google by the long-term stability that the founders and largest Class B stockholders, Larry and Sergey, provide to the Company. It adds that through the co-founders and Eric Schmidt leadership and focus on innovation and long-term growth, they have established a track record of building a strong company and creating stockholder value. It concludes that the stability provided by the tri-class voting structure gives the Company greater ability to focus on long-term interests than might otherwise be the case.

It is considered that the dual or triple class structure treats the majority of shareholders inequitably. The principle of "one vote one share" is supported. Triodos supports this resolution.

Note: This is a repeat of a proposal at the 2013 and 2012 Annual meetings which received respectively 24% and 17.6% of the votes cast for the resolution. (As three directors hold 65.1% of voting power, this represents more than 50% of the remaining voting power.)

5 **Shareholder Resolution: Lobbying Report** **For**
Proposed by: Walden Asset Management, The Unitarian Universalist Association, The Benedictine Sisters of Baltimore, The Sustainability Group, the Connecticut Retirement Plans and Trust Funds, Kathryn A. Gardow and David G. Bradle.

The proponents request the Board to authorise the preparation of a report, updated annually, and disclosing: the Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications; payments by Google used for direct or indirect lobbying or grassroots lobbying communications; Google's membership in and payments to any tax-exempt organization that writes and endorses model legislation; and a description of the decision taking process that governs lobbying payments. They provide an example where the Company's support for the American Legislative Exchange Council (ALEC) which has launched a "high priority campaign" to repeal renewable energy standards in states, is not coherent with Google's commitment to protect the environment.

The Board recommends to vote against the proposal. It believes that participating in the political process in a transparent manner is an important way to enhance stockholder value and promote good corporate citizenship and that given the Company's existing method of frequently updating the public about Google's public policy activities, the board of directors does not believe that implementing this proposal would add benefit to stockholders.

More transparency on payments made to trade associations is considered to be in the best interest of shareholders as it provides clarity on the Company's indirect lobbying activity and gives further re-assurance to shareholders on potential reputational risks. The proposal is a reasonable request for disclosure. Triodos supports this resolution.

6 **Shareholder Resolution: Introduce majority voting for director elections** **For**

Proposed by: The Firefighters' Pension System of the City of Kansas City, Missouri, Trust

The proponent requests that the Board initiate the appropriate process to amend the Company's governance documents to provide that director nominees shall be elected by the affirmative vote of the majority of votes cast at an annual meeting of shareholders, with a plurality vote standard retained for contested director elections, that is, when the number of director nominees exceeds the number of board seats. It believes that a majority vote standard in board elections would establish a challenging vote standard for board nominees and improve the performance of individual directors and entire boards. It adds that a majority vote standard combined with a post-election director resignation policy would establish a meaningful right for shareholders to elect directors, and reserve for the board an important post-election role in determining the continued status of an unelected director.

The board recommends to vote against the proposal. It states that shareholders can currently express dissatisfaction with an incumbent director's performance by withholding their vote and that those who are truly dissatisfied with incumbent directors are can nominate or recommend candidates for elections to the Board. It believes that current nominating and voting procedures for election provide the board the flexibility to appropriately respond to stockholder interests without the risk of potential corporate governance complications arising from failed elections.

Although it is considered that only true majority voting standard for directors' election gives shareholders the right to effectively have a say on directors' election, and therefore sanction directors' performance, a plurality plus voting standard as suggested by the proponent would represent a step forward in comparison with the current plurality system. Triodos supports this resolution.

7 **Shareholder Resolution: Tax Policy Principles** **For**

Proposed by: The Domini Social Equity Fund, The Missionary Oblates of Mary Immaculate, NEI Investments L.P., Robert Burnett, and Investor Voice, SPC.

The proponents request that the Board adopts a set of principles to address the impact of Google's tax strategies on society, with particular focus on Google's employees, customers and suppliers. In addition, the board should publish annual reports to shareholders, at reasonable cost, omitting proprietary information, discussing implementation of these principles, beginning December 2014. Proponents recommend that the tax principles include: a commitment to pay Google's fair share of taxes; avoidance of transactions that would not be fully justifiable should they become public; consideration of any misalignment between tax strategies and Google's stated objectives and policies regarding social and environmental sustainability; consideration of impact of tax strategies on reputation and brand value.

The Board recommends to vote against the proposal. It refers that its Executive Chairman's statement in June 2013 "Today's [tax] rules are fiendishly complicated, and everyone would benefit from a simpler, more transparent system... International forums are precisely the places to decide on these kinds of highly complex, interconnected issues." and confirms that the Board is monitoring the international debate about taxes closely. However, it believes it would not be advisable to adopt a set of principles in support of the proponent's proposal.

It is viewed that listed companies have a licence to operate from the wider society and that they should act responsibly in addressing the views of stakeholders in order to retain the legitimacy of the wider community. In doing so, transparency in Google's tax strategy could be enhanced, appropriate steps be taken to publicly commit to some of the proponent principles, and the Company could take the lead in influencing regulators for changes suggested by the Executive Chairman. Google's tax strategies have opened up the company to reputational risk. The Board has the flexibility of what would be included in the principles, although the proponents provide guidance in their recommendations. Triodos supports this resolution.

8 Shareholder Resolution: Introduce an independent chairman rule **For**

Proposed by: the Massachusetts Laborers' Pension Fund

The proponent asks the Board to adopt a policy that the Board's chairman should be an independent director who has not previously served as an executive officer of the Company. It argues that it is the responsibility of the Board to protect shareholders' long-term interests by providing independent oversight of management, including the CEO, in directing the corporation's business and affairs. It notes that currently Mr. Eric Schmidt former CEO of Google, is the Executive Chairman of the Board and believes this scheme may not adequately protect shareholders.

The Board recommends to vote against the proposal. It believes that Google and its stockholders are best served by a balanced policy that does not prohibit prior executive officers of Google from serving as the chairman of the board. It adds that a policy that would inhibit the board's ability to select certain individuals from serving as chairman would deprive the board of the opportunity to select the most qualified and appropriate individual to lead the board. Furthermore, it argues that the responsibilities of the Lead Independent Director appropriately and effectively complement the Executive Chairman and Chief Executive Officer structure.

It is considered best practice to separate the roles as an independent Chairman can provide objective oversight of management and facilitates clearer lines of accountability with respect to corporate decisions. The fact that the Board considers that their lead director is a substitute for a separate Chairman is not supported. It is considered best practice that the Chairman's role is to oversee the governance of the company, rather than to lead or set corporate strategy, which are properly the roles of the CEO. Triodos supports this resolution.

**** = Special resolution***

Researcher: Alix Foulonneau
Email: pircresearch@pirc.co.uk

PIRC

Pensions & Investment Research Consultants Limited
6th Floor
9 Prescot Street
London E1 8AZ

Tel: 020 7247 2323
Fax: 020 7247 2457
http://www.pirc.co.uk

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