Triodos Investment Management

# THE WALT DISNEY COMPANY

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| **Meeting Date:** | Thu, 12 Mar 2015 10:00am | **Type:** | AGM | **Issue date:** | Tue, 24 Feb 2015 |
| **Meeting Location:** | Palace of Fine Arts Theatre, 3301 Lyon Street, San Francisco, California 94123 | | | | |
| **Current Indices:** | S&P500 | | | | |
| **Sector:** | Movies & Entertainment | | | | |

| | PROPOSALS | ADVICE |
|---|---|---|
| 1a | **Elect Susan E. Arnold**<br>Independent Non-Executive Director | **For** |
| 1b | **Elect John S. Chen**<br>Non-Executive Director. Not considered independent as he has served on the Board for more than nine years. There is insufficient independence on the Board. | **Oppose** |
| 1c | **Elect Jack Dorsey**<br>Independent Non-Executive Director | **For** |
| 1d | **Elect Robert A. Iger**<br>Chairman and CEO. Combined roles at the head of the Company which Triodos does not support. There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision. Combining the two roles in one person represents a concentration of power that is potentially detrimental to board balance, effective debate, and board appraisal. | **Oppose** |
| 1e | **Elect Fred H. Langhammer**<br>Non-Executive Director. Not considered independent as he has served on the Board for more than nine years. There is insufficient independence on the Board. | **Oppose** |
| 1f | **Elect Aylwin B. Lewis**<br>Non-Executive Director. Not considered independent as he has been on the Board for more than nine years. There is insufficient independence on the Board. | **Oppose** |
| 1g | **Elect Monica C. Lozano**<br>Non-Executive Director. Not considered independent as she has served on the Board for over nine years. Furthermore, she was not independent on appointment; Ms Lozano is the daughter of Ignacio Lozano Jr. who was a board member at the time that the board approved her appointment, in 2000. There is insufficient independence on the Board. | **Oppose** |
| 1h | **Elect Robert W. Matschullat**<br>Non-Executive Director. Not considered independent as he has served on the board for more than nine years. There is insufficient independence on the Board. | **Oppose** |
| 1i | **Elect Sheryl K. Sandberg**<br>Independent Non-Executive Director | **For** |
| 1j | **Elect Orin C. Smith**<br>Lead Director. Not considered independent as he has served on the board for more than nine years. There is insufficient independence on the Board. | **Oppose** |
| 2 | **Appoint the auditors**<br>PricewaterhouseCoopers LLP proposed. The total unacceptable non-audit fees were less than 25% of audit and audit related fees during the year under review. Non-audit fees over a three-year period were approximately 21% of audit and audit related fees.<br>The Auditor has been in place for more than ten years which Triodos does not support. | **Oppose** |

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| 3 | **Advisory vote on Executive Remuneration**<br>The company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. 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 compensation rating is: CDB.<br>*Disclosure: C*- Specific performance targets that determine the award of the annual bonus are disclosed.<br>*Balance: D* - Targets for the annual bonus are not considered challenging with the threshold for a payout well below the company's current performance. Long term performance equity awards are based on TSR relative to the S&P500 which is not considered an adequate measure of Executive performance. Stock options begin vesting after one year and there are no performance criteria except continued employment for time-based restricted stock awards.<br>*Contract: B*- The company has achieved an acceptable approach to contracts with executives.<br>Based on the concerns over the long-term awards, Triodos does not support this resolution. | **Oppose** |
| 4 | **Shareholder Resolution: Introduce an independent chairman rule**<br>Proposed by: James McRitchie. Shareholders request that the Board of Directors adopt a policy, and amend other governing documents as necessary, to require the Chair of the Board of Directors to be an independent member of the Board. It is requested that this new policy shall apply prospectively, with the next CEO, so as not to violate any contractual obligation at the time this resolution is adopted. The roles of the Chief Executive Officer and Chairman are combined. It is considered best practice for these positions to be separated with a Chief Executive responsible for the running of the business and the Chairman responsible for the functioning of the Board. The introduction of an independent Chairman rule would be beneficial to the company and enhance long term shareholder value. There should be a clear separation of roles between the Chief Executive Officer and the Chairman by establishing the post of Chairman as always independent. Triodos supports this resolution. | **For** |
| 5 | **Shareholder Resolution: Limit Accelerated Executive Pay**<br>Proposed by William Steiner.<br>Shareholders request that the Board of Directors adopt a policy that in the event of a change in control, there shall be no acceleration of vesting of any equity award granted to any senior executive. This would apply if the board's Compensation Committee provide in an applicable grant or purchase agreement that any unvested award will vest on a partial, pro rata basis up to the time of the senior executive's termination, with such qualifications for an award as the Committee may determine. This resolution shall be implemented as so not to affect any contractual rights in existence on the date this proposal is adopted. It is not considered best practice to support the acceleration of unvested stock pursuant to a change in control where there is no reference to performance. Triodos supports this resolution. | **For** |

## Supporting Information for Resolutions

**Proposal 3** - **Advisory Vote on Executive Remuneration**
*Disclosure: C*- Specific performance targets that determine the award of the annual bonus are disclosed. *Balance: D* - Targets for the annual bonus are not considered challenging with the threshold for a payout well below the company's current performance. Long term performance equity awards are based on TSR relative to the S&P500 which is not considered an adequate measure of Executive performance. *Contract: B*- The company has achieved an acceptable approach to contracts with executives.

**Proposal 4** - **Introduce an independent chairman rule**
*Supporting Statement:* The proponent argue that when the roles of Chief Executive Officer and Chairman are combined, this arrangement can hinder board's ability to monitor CEO's performance. Splitting the roles will bring more accountability to the CEO's job and will free the board to act as CEO's boss. Shareholders do not agree that having a Lead Director is the equivalent of board Chairman.
*The Board's Response:* The Board of Directors recommends to vote against and argues that this proposal seeks to replace the Company's balanced approach to Board leadership with an inflexible approach that does not permit to exercise judgement to adopt arrangements that would best advance the interests of shareholders. According to

the Company's Corporate Governance Guidelines the Board has the right to appoint a non independent Chairman if concludes that the interests of the shareholders would be better served by a non-independent chair but requires to disclose and explain its reasons for making that determination.

**Proposal 5** - **Limit Accelerated Executive Pay**
*Supporting Statement:* The intention of vesting of equity pay over a period of time is to promote long-term performance improvements. The proponent argue that if such pay is made on an accelerated schedule the link between executive pay and long-term performance can be severed. An additional factor to vote for this proposal is the Company's pay concerns including generous executive perks, mega-option grants, and insufficient long-term incentives tied to Disney's long-term sustainability.
*The Board's Response:* The Board of Directors recommends a vote against, because in the context of a change in control it would create a misalignment of management and shareholder interests. This proposal was rejected in the 2014 Annual meeting and received only 24% support. The board argues that the current structure of equity awards appropriately aligns the interests of executives and shareholders and there is no need for a change. Also the Company's current practice is consistent with that of its peers. The Board argues that it is standard practice among public companies and according to a study of 160 public companies drawn from the S&P 500, over 90% of the companies provided for accelerated vesting of equity awards. This proposal would also put the Company at a competitive disadvantage in securing talent as it would erode the value to participants of their equity compensation relative to the practices of many competing potential employers.

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