Triodos Investment Management

THE WALT DISNEY COMPANY

MEETING DATE	Wed, 08 Mar 2017 10:00 am	TYPE	AGM	ISSUE DATE	Fri, 10 Feb 2017
MEETING LOCATION	Bellco Theatre at the Colorado Convention Center in Denver, Colorado				
CURRENT INDICES	S&P500				
SECTOR	Cable and other pay television services				

	PROPOSALS	ADVICE
1a	**Elect Susan E. Arnold** Non-Executive Director. Not considered independent owing to a tenure of over nine years. Also, she is the Chair of the Compensation Committee. It is noted that the Company received an 'E' compensation rating with respect to contracts with executives.There is insufficient independent representation on the Board. Triodos opposes this resolution.	**Oppose**
1b	**Elect John S. Chen** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. Triodos opposes this resolution.	**Oppose**
1c	**Elect Jack Dorsey** Independent Non-Executive Director.	**For**
1d	**Elect Robert A. Iger** 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. Triodos opposes this resolution.	**Oppose**
1e	**Elect Maria Elena Lagomasino** Independent Non-Executive Director.	**For**
1f	**Elect Fred H. Langhammer** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. Triodos opposes this resolution.	**Oppose**
1g	**Elect Aylwin B. Lewis** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. Triodos opposes this resolution.	**Oppose**
1h	**Elect Robert W. Matschullat** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. Triodos opposes this resolution.	**Oppose**
1i	**Elect Mark G. Parker** Independent Non-Executive Director.	**For**
1j	**Elect Sheryl K. Sandberg** Independent Non-Executive Director.	**For**
1k	**Elect Orin C. Smith** Lead Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. Triodos opposes this resolution.	**Oppose**
2	**Appoint the Auditors** PricewaterhouseCoopers LLP proposed. Non-audit fees represented 16.4% of audit fees during the year under review and 20% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditors. The current auditor has been in place for 79 years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor. Triodos opposes this resolution.	**Oppose**

3 Advisory Vote on Executive Compensation **Oppose**

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: CED.

For fiscal 2016, annual cash awards were considered excessive. The CEO's actual bonus for fiscal 2016 was $20,000,000, representing 800% of his base salary (200% maximum is considered as acceptable practice). His annual bonus target opportunity was $12,000,000 which is excessive. With respect to performance-based restricted stock units, no targets were made available to shareholders, which is considered unacceptable and does not allow shareholders the opportunity to assess the challenging nature of targets. Earnings per share is used as a performance metric for the long-term incentives and the annual bonus, allowing executives to be rewarded twice for the same performance. Time-based stock units and stock options vest annually over four years which is not considered sufficiently long-term. Triodos opposes this resolution.

4 Approve the Frequency of Future Advisory Votes on Executive Compensation **1**

The Company is providing shareholders with an advisory vote on whether the advisory vote on executive compensation should be held every one, two or three years. The Board is required by Section 951 of The Dodd-Frank Wall Street Reform and Consumer Protection Act to offer this vote on the frequency of a say-on-pay proposal not less than every six years, although they have the option to offer this proposal more often.

The Board of Directors recommends an annual vote. It is considered an annual vote on executive compensation to be best practice for companies. Executive compensation comprises of both fixed and variable pay elements, with the variable including share based incentive awards and cash bonuses over which the compensation committee have discretion. Decisions affecting the quantum and design of variable pay are made annually by the committee and it is therefore appropriate that shareholder approval is sought at the maximum frequency permitted by the new legislation. Contentious compensation payments and issues could occur in the intervening years between votes, if the frequency is less than annually. Triodos supports this resolution.

5 **Shareholder Resolution: Lobbying Disclosure** **For**

Proposed by: Zevin Asset Management on behalf of David Fenton, the Sisters of Saint Francis of Philadelphia, the Congregation of Sisters of St. Agnes, the Center for Community Change, and Daniel Altschuler. The Proponents request the Board of Directors to authorise the preparation of a report, updated annually, disclosing : i.) Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications; ii.) payments by the Company used for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient; iii.) Company's membership in and payments to any tax-exempt organization that writes and endorses model legislation; and iv.) description of management's decision making process and the Board's oversight for making the above payments.

Supporting Argument: The Proponents argue that the Company spent $7.18 million in 2014 and 2015 on federal lobbying and this figure does not include lobbying expenditures to influence legislation in states. Also, the Proponents argue that the Company will disclose its non-deductible trade association payments used for political contributions, but this does not include payments used for lobbying which leaves a serious disclosure gap, as trade associations generally spend far more on lobbying than on political contributions.

Opposing Argument: The Board recommends shareholders oppose and argues that the Company already provides substantial information regarding its lobbying activities through filings with the U.S. House of Representatives and the U.S. Senate and by law, the amount disclosed by the Company contains the portion of any trade association payments that are used for lobbying as disclosed to the Company by the trade associations. Also, the Board argues that many companies do not currently disclose the requested information and believes that the proposal would put the Company at a disadvantage.

Analysis: It is considered that the transparency and completeness of the Company's reporting on lobbying could be improved. The amount of shareholder funds involved appears to be sufficiently significant to warrant greater disclosure to shareholders. Moreover, it is to the benefit of the Company and its shareholders to be open about lobbying activities and so avoid any suspicion (and the damage that may cause to the Company's reputation) that the Company may be using shareholders' funds in an inappropriate way to gain undue influence. The request for a report is considered reasonable. Triodos supports this resoluton.

6 **Shareholder Resolution: Proxy Access Amendment** **For**

Proposed by: James McRitchie. The Proponent requests the Board to amend its "Proxy Access" bylaw, as follows: i.) the number of "stockholder mominees" eligible to appear in proxy materials shall be 25% of the directors then serving or 2, whichever is greater; ii.) no limitation shall be placed on the number of stockholders that can aggregate their shares to achieve the 3% "required shares" for an "eligible stockholder" ; and iii.) no limitation shall be imposed on the re-nomination of "stockholder nominees" based on the number or percentage of votes received in any election.

Supporting Argument: The Proponent argues that current bylaws restrict stockholder nominees to the greater of two or 20% of directors and under the current 12-member board, stockholder nominees are currently limited to nominating two. The Proponent argues that allowing an unlimited number of shareholders to aggregate shares will facilitate greater participation by individuals and institutional investors in meeting the ownership requirements.

Opposing Argument: The Board recommends shareholder oppose and argues that the limit of 20% of the Board (or at least two) for shareholder nominees ensures that shareholders have a meaningful right without overly disrupting the balance of characteristics the Board seeks to achieve through the regular nomination process. Also, the Board argues that the 20 shareholder limit included in the Company's proxy access bylaw is a reasonable limitation to control the administrative burden of confirming and monitoring share ownership within the group by the Company.

Analysis: The proposed changes are in the best interest of shareholders, and further improves shareholders ability to nominate a director. Any director put forward through the use of proxy access will still have to be voted on at the annual meeting by all shareholders. Therefore, shareholders can choose to support who they believe is the best candidate for the job, whether it be a company candidate or a shareholder candidate. Triodos supports this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote on Executive Compensation

The Company has achieved: an average level of disclosure; a poor balance for rewards; and below average approach to contracts with executives. **Disclosure: C**- Annual cash incentives are based on financial performance (segment operating income, earnings per share, after-tax free cash flow, return on invested capital) and individual performance. The Company granted long-term incentives in the form of performance-based restricted stock units, time-vesting restricted stock units and stock options. Performance-based restricted stock units are based on total shareholder return relative to S&P 500 and on earnings per share relative to S&P 500.The Company has disclosed the financial target ranges for its short-term incentives and has provided information with respect to individual performance factors. There is no disclosure of the targets for the performance-based restricted stock units.

Balance: E- For fiscal 2016, annual cash awards were considered excessive. The CEO's actual bonus for fiscal 2016 was $20,000,000, representing 800% of his base salary (200% maximum is considered as acceptable practice). His annual bonus target opportunity was $12,000,000 which is excessive. With respect to performance-based restricted stock units, no targets were made available to shareholders, which is considered unacceptable and does not allow shareholders the opportunity to assess the challenging nature of targets. Earnings per share is used as a performance metric for the long-term incentives and the annual bonus, allowing executives to be rewarded twice for the same performance. Time-based stock units and stock options vest annually over four years which is not considered sufficiently long-term.

Contract: D- The Company has a compensation claw back policy. A provision of 'good reason' is the reduction in the named executive officer's annual target bonus opportunity, which is not considered appropriate.

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