Triodos Investment Management

THE WALT DISNEY COMPANY

MEETING DATE	Thu, 07 Mar 2019 10:00 am	TYPE	AGM	ISSUE DATE	Tue, 26 Feb 2019
MEETING LOCATION	The Stifel Theatre 1400 Market Street St. Louis, Missouri 63103				
CURRENT INDICES	S&P500				
SECTOR	Cable and other pay television services				

	PROPOSALS	ADVICE
1a	**Re-elect Susan E. Arnold.** Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board.	**For**
1b	**Re-elect Mary T. Barra.** Independent Non-Executive Director.	**For**
1c	**Re-elect Safra A. Catz.** Independent Non-Executive Director.	**For**
1d	**Re-elect Francis A. deSouza.** Independent Non-Executive Director.	**For**
1e	**Re-elect Michael Froman.** Independent Non-Executive Director.	**For**
1f	**Re-elect Robert A. Iger.** Chairman and CEO. Combined roles at the head of the Company. 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**
1g	**Re-elect Maria Elena Lagomasino.** Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board.	**For**
1h	**Re-elect Mark G. Parker.** Independent Non-Executive Director.	**For**
1i	**Re-elect Derica W. Rice.** Independent Non-Executive Director.	**For**
2	**Appoint the Auditors PwC.** PwC proposed. Non-audit fees represented 18.09% of audit fees during the year under review and 18.32% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. The current auditor has been in place for more than ten years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.	**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.

For fiscal 2018, annual cash awards were considered excessive. The CEO's actual bonus for fiscal 2018 was $18,00,000, representing 626% of his base salary (200% maximum is considered as acceptable practice). In addition, the CEO is entitled to a cash bonus of $5 million if he remains employed by the Company until 2 July 2019. This cash award, with no performance conditions attached is highly inappropriate. Time-based stock units and stock options vest annually over four years which is not considered sufficiently long-term. Earnings per share is a performance metric for the long-term incentives and short-term incentives. Replication of a performance metric in two different plans raises concerns that executives are being rewarded twice for the same performance. The Company uses adjusted performance metrics for most elements of compensation. The use of non-GAAP metrics prevents shareholders from being able to assess fully whether the performance targets are sufficiently challenging. Awards under the annual-incentive plans are tied to multiple performance conditions, which is considered best practice. Executive compensation is not aligned with peer group averages. The Company included non-financial metrics into the annual bonus structure, which is considered best practice. For the year under review, annual bonus payouts are considered to be excessive as they represent more than 200% of base salary. PSUs vest after a three year performance period. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. Performance metrics are replicated under different incentive plans, raising concerns that executives are being rewarded twice for the same performance.

Cash severance is considered excessive. A provision of 'good reason' is the reduction in the named executive officer's annual target bonus opportunity, which is not considered appropriate. The Company maintains a supplemental executive retirement plan for the benefit of certain officers; which is not in line with best practice. Change-in-control payments are subject to double-trigger provisions. Equity awards are not subject to pro-rata vesting, which is not line with best practice. Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary. The Company does not appear to have double-trigger provisions in place, which is a concern as single-trigger vesting allows for awards to automatically vest in the event of a change-of-control. 'Good reason' is not defined appropriately, such that the Remuneration Committee is able to apply discretion when determining the status of a departing executive. The Compensation Committee has full discretion to accelerate the vesting of awards upon a change of control, which is a concern.

The compensation rating is: DDE. Based on this rating, it is recommended that shareholders oppose.

4 Shareholder proposal requesting an annual report disclosing information regarding the Company's lobbying policies and activities. **For**

Proposed by: Zevin Asset Management on behalf of Emma Creighton Irrevocable Trust, the Congregation of Sisters of Saint Agnes, the Congregation of Saint Joseph, and Walden Asset Management.

The proponents the shareholders of The Walt Disney Company ("Disney") request the Board authorize the preparation of a report, updated annually, disclosing: 1.Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications. 2.Payments by Disney used for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient.

Proponent's Supporting Argument: Board's oversight for making payments described. The proponent encourage transparency and accountability in the use of corporate funds to influence legislation and regulation. Disney spent $30,235,000 from 2010 through 2017 on federal lobbying. This figure does not include state lobbying expenditures, where Disney also lobbies but disclosure is uneven or absent. For example, Disney spent $3,330,584 lobbying in six states from 2012-2015 ("How Leading U.S. Corporations Govern and Spend on State Lobbying," Sustainable Investments Institute, February 2017), and Disney's state lobbying on sick leave has attracted scrutiny ("Forced to Work Sick? That's Fine with Disney, Red Lobster, and Their Friends at ALEC," Mother Jones, June 27, 2013). Disney serves on the board of NCTA - The Internet & Television Association, which spent 132 million on lobbying from 2010 –2017, and reportedly belongs to the Chamber of Commerce ("Is the Most Powerful Lobbyist in Washington Losing Its Grip?" Washington Post, July 14, 2017), which spent over $1.4 billion on lobbying since 1998. Disney does not disclose memberships in, or payments to, trade associations, or the amounts used for lobbying. Disney will disclose trade association payments used for political contributions, but this does not cover payments used for lobbying. This leaves a serious disclosure gap, as trade associations generally spend far more on lobbying than on political contributions. The proponent is concerned that Disney's lack of trade association disclosure presents reputational risk. For example, Disney takes steps to fight climate change, yet the Chamber undermined the Paris climate accord ("Paris Pullout Pits Chamber against Some of Its Biggest Members," Bloomberg, June 9, 2017).

Board's Opposing Argument: The Company currently provides substantial disclosure regarding political activities, including extensive information regarding lobbying activities. Company's contributions to candidates for office are disclosed annually at www.thewaltdisneycompany.com/citizenship/policies, and information regarding lobbying activities is available through filings with the U.S. House of Representatives and the U.S. Senate, which are publicly available at http://lobbyingdisclosure.house.gov. These reports detail the issues the Company lobbied on, the houses of Congress and federal agencies lobbied and the total amounts expended during each calendar quarter on lobbying activities. 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. The Company also files extensive lobbying disclosure reports as required by state law, which are also publicly available. According to the Board many companies do not currently disclose the information sought by the proposal and the Board believes that the proposal would put the Company at a disadvantage in advancing shareholder interests through political activities by compelling disclosure of information about the Company's priorities and methods to the advantage of their adversaries on policy issues and without providing meaningful new information to the shareholders. Accordingly, the Board believes that the adoption of the proposal would effectively create an unequal playing field, making it more difficult for the Company to protect the interests of its shareholders

PIRC Analysis: The transparency and completeness of the Company's reporting on lobbying is both disparate and incomplete. The Company scores over 77 out of 100 on the CPA-Zicklin Index of corporate political accountability, indicating that it is among the top performers on disclosure as it regards political spending. 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 any 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 resolution.

5 Shareholder proposal requesting a report on use of additional cyber security and data privacy metrics in determining compensation of senior executives. **For**

Proposed by: James McRitchie

Requesting a Report on use of additional cyber security and data privacy metrics in determining compensation of senior executives

Proponent's Supporting Argument: Disney links senior executive compensation to various performance metrics, including information security metrics. Cyber security and data privacy are vitally important issues for Disney and should be integrated as appropriate into senior executive compensation to incentivize leadership to reduce needless risk, enhance financial performance, and increase accountability. In September 2017, the Co-Director of the SEC's Enforcement Division announced creation of a "Cyber Unit" stating, "Cyber-related threats and misconduct are among the greatest risks facing investors and the securities industry." Many consumers dislike being tracked and profiled. As a result some regulators have taken action to address concerns. Disney made several policy commitments regarding data privacy and data security but may be particularly vulnerable due to the depth of information it collects, including about children, who are usually subject to more stringent data protection laws. Some questions can be readily addressed by looking at Disney's Privacy Policy. However, the proponent believes that publishing the requested report could further reduce uncertainty regarding what information is collected by Disney, how it is protected and how its security is tied to executive pay. High-profile cyber attacks and allegations have given the entertainment industry an image problem. In addition, they believe that since risks are significant, the Board should explore more fully integrating cyber security and data privacy metrics into executive compensation.

Board's Opposing Argument: The Board recommends that you vote against this proposal because it is unnecessary and would not promote enhanced protection of data security and data privacy.The Compensation Committee believes the compensation program for senior executives incorporates broad financial measures and it incorporates a consideration of non-financial performance factors in setting individual awards, which includes an assessment of individual executives' fulfilment of direct responsibilities. The performance of an individual executive with responsibility for data security and privacy matters would already be considered in this context. The Committee incentivizes those executives with direct responsibility for data security and data privacy on an individual basis, and does not put undue emphasis on these matters for executives who do not have direct responsibility for these matters. The Board believes that the report called for by this proposal is unnecessary, and would not be helpful in promoting the establishment and maintenance of an effective program to address risks to data security and data privacy.

PIRC Analysis: While the Company argues that the performance of an individual executive with responsibility for data security and privacy matters would already be considered in the context of assessing their performance against non-financial metrics for setting their incentive payments, for none of the three executives who might be said to have some responsibility for cyber security are these measures disclosed in the compensation discussion and analysis. Moreover, tying all executives bonuses to performance against cyber security metrics would have the added benefit of focusing the entire team on this growing and serious risk. A report on viable performance metrics that quantify an executive officer's performance in cyber security and data privacy matters, given the importance of this issue to investors, is a reasonable request and would be of benefit to investors.

Triodos supports this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote on Executive Compensation

Disclosure: D - It is noted that the Company received 52.2% support for its say-on-pay vote at the last AGM. The Company disclosed that it conducted shareholder outreach however no concrete change has resulted. The annual bonus is based on payout on 70% of target determined by performance against financial performance ranges established early in the fiscal year and payout on 30% of target determined by Committee's assessment of individual performance based both on other performance objectives established early in the fiscal year. Bonus opportunity normally limited to

200% of target bonus. The Company granted long-term incentives for NEO - 30% in the form of performance-based restricted stock units, 30 % time-vesting restricted stock units and 40% stock options. Equity awards carry vesting terms that extend up to four years and include performance units whose value depends on company performance relative to the S&P 500. The Company has disclosed the financial target ranges for its short-term incentives however targets for individual performance factors are not disclosed. There is not adequate disclosure of the targets for the performance-based restricted stock units.

Balance: D - For fiscal 2018, annual cash awards were considered excessive. The CEO's actual bonus for fiscal 2018 was $18,00,000, representing 626% of his base salary (200% maximum is considered as acceptable practice). In addition, the CEO is entitled to a cash bonus of $5 million if he remains employed by the Company until 2 July 2019. This cash award, with no performance conditions attached is highly inappropriate. Time-based stock units and stock options vest annually over four years which is not considered sufficiently long-term. Earnings per share is a performance metric for the long-term incentives and short-term incentives. Replication of a performance metric in two different plans raises concerns that executives are being rewarded twice for the same performance. The Company uses adjusted performance metrics for most elements of compensation. The use of non-GAAP metrics prevents shareholders from being able to assess fully whether the performance targets are sufficiently challenging. Awards under the annual-incentive plans are tied to multiple performance conditions, which is considered best practice. Executive compensation is not aligned with peer group averages. The Company included non-financial metrics into the annual bonus structure, which is considered best practice. For the year under review, annual bonus payouts are considered to be excessive as they represent more than 200% of base salary. PSUs vest after a three year performance period. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. Performance metrics are replicated under different incentive plans, raising concerns that executives are being rewarded twice for the same performance.

Contract: E - Cash severance is considered excessive. A provision of 'good reason' is the reduction in the named executive officer's annual target bonus opportunity, which is not considered appropriate. The Company maintains a supplemental executive retirement plan for the benefit of certain officers; which is not in line with best practice. Change-in-control payments are subject to double-trigger provisions. Equity awards are not subject to pro-rata vesting, which is not line with best practice. The claw-back policy is considered appropriate as it applies to short- and long-term incentives, and is not limited to cases of financial misstatement. Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary The Company does not appear to have double-trigger provisions in place, which is a concern as single-trigger vesting allows for awards to automatically vest in the event of a change-of-control. 'Good reason' is not defined appropriately, such that the Remuneration Committee is able to apply discretion when determining the status of a departing executive. The Compensation Committee has full discretion to accelerate the vesting of awards upon a change of control, which is a concern.

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