Triodos Investment Management

THE WALT DISNEY COMPANY

MEETING DATE	Wed, 11 Mar 2020 10:00 am	TYPE	AGM	ISSUE DATE	Mon, 09 Mar 2020
MEETING LOCATION	Duke Energy Center for the Performing Arts 2 East South Street Raleigh, North Carolina 27601				
CURRENT INDICES	S&P500				
SECTOR	Cable and other pay television services				

	PROPOSALS	ADVICE
1.a	**Elect Susan E. Arnold** Senior Independent Director. Not considered independent owing to a tenure of over nine years. Although the Senior Independent Director should be independent, in order to fulfil the responsibilities assigned to that role, in this instance it is considered that there is sufficient independent representation on the board. Triodos supports this resolution.	**For**
1.b	**Elect Mary T. Barra** Independent Non-Executive Director.	**For**
1.c	**Elect Safra A. Catz** Independent Non-Executive Director.	**For**
1.d	**Elect Francis A. deSouza** Independent Non-Executive Director.	**For**
1.e	**Elect Michael B.G. Froman** Independent Non-Executive Director.	**For**
1.f	**Elect Robert A. Iger** Chair 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. Triodos opposes this resolution.	**Oppose**
1.g	**Maria Elena Lagomasino** Independent Non-Executive Director.	**For**
1.h	**Elect Mark G. Parker** Independent Non-Executive Director.	**For**
1.i	**Elect Derica W. Rice** Independent Non-Executive Director.	**For**
2	**Appoint the Auditors** PwC proposed. Non-audit fees represented 11.73% of audit fees during the year under review and 15.95% 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. 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 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. The Company included non-financial metrics into the annual bonus structure, which is considered the best practice. For the year under review, annual bonus payouts are considered to be excessive as they represent more than 200% of base salary. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. The Company maintains a supplemental executive retirement plan for the benefit of certain officers; which is not in 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.Compensation rating is: ADD.

Triodos opposes this resolution.

4 Amend Existing Omnibus Plan **Oppose**

It is proposed to amend the 2011 stock incentive Plan. The amendment and restatement of the 2011 Plan, (i increases the number of shares of The Walt Disney Company's common stock authorized for issuance thereunder by 100 million shares, from an aggregate of 79 million shares to 179 million shares, (ii extends the termination date of the 2011 Plan from December 1, 2020 to December 4, 2029, (iii establishes limits on the discretion of the Board of Directors in setting the compensation for each or all of its members who are not also employees of the company or any of its subsidiaries, (iv adds an express ability to cancel awards or clawback certain compensation received from recently exercised or settled awards in the event of the recipient's misconduct; (v reflects the changes in the federal tax laws related to the elimination of the exception from the deduction limit contained in Section 162(m) previously available for performance based compensation and (vi reflects other changes to facilitate and clarify the administration of the 2011 Plan and awards made thereunder.

There are concerns with the Plan as it has various elements bundled together, and although parts of it can benefit the majority of employees, it can still be used as a vehicle for potentially excessive executive payments. As performance conditions may be attached to awards at the Compensation Committee's discretion, there are concerns that the Committee will have considerable flexibility in the payout of discretionary awards and as a result awards may not be subject to robust enough performance targets, and be insufficiently challenging. In addition, maximum award limits are excessive. As a result, opposition is recommended.

5 Shareholder Resolution: Lobbying **For**

Proposed by: The Congregation of Sisters of St. Agnes 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.

3. Disney's membership in and payments to any tax-exempt organization that writes and endorses model legislation.

4. Description of management's decision-making process and the Board's oversight for making payments described in sections 2 and 3 above.

The request for a report is considered reasonable and a vote for the resolution is recommended.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote on Executive Compensation

Disclosure:A The Company has failed to provide the fees it paid the Compensation Consultants. The disclosure of these fees is encouraged in the interests of greater transparency. The peer groups used for the purpose of pay comparison have been fully disclosed by the Company. The grant of performance awards was based on the achievement of set levels of specific performance targets 70% of which are financial and 30% is individual performance. Performance metrics used to award the Annual bonus have not been disclosed. The performance-based long term incentive is subject to quantified performance targets for the executives which are: adjusted segment operating income, adjusted EPS, adjusted after-tax free cash flow and adjusted return on invested capital.
Balance:D 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. The Company included non-financial metrics into the annual bonus structure, which is considered the best practice. For the year under review, annual bonus payouts are considered to be excessive as they represent more than 200% of base salary. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. Performance shares have a three-year performance period, which is a market standard. However, a five-year performance period is considered the best practice. Awards under the annual-incentive plans are tied to multiple performance conditions, which is considered the best practice. Performance measures attached to long-term incentives do not duplicate those attached to other awards, which is considered acceptable practice. Maximum long-term award opportunities are limited to 200% of base salary, which is considered as acceptable practice. Executive compensation is not aligned with peer group averages.
Contracts:D The Company maintains a supplemental executive retirement plan for the benefit of certain officers; which is not in 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 claw-back policy is considered appropriate as it applies to short- and long-term incentives, and is not limited to cases of financial misstatement.

Proposal 5 - Shareholder Resolution: Lobbying

For purposes of this proposal, a "grassroots lobbying communication" is a communication directed to the public that (a) refers to specific legislation or regulation, (b) reflects a view on the legislation or regulation and (c) encourages the recipient of the communication to take action with respect to the legislation or regulation. "Indirect lobbying" is lobbying engaged in by a trade association or other organization of which Disney is a member. Both "direct and indirect lobbying" and "grassroots lobbying communications" include efforts at the local, state, and federal levels.The report shall be presented to the Audit Committee or other relevant oversight committees and posted on Disney's website. The shareholders encourage transparency and accountability in the use of corporate funds to influence legislation and regulation. Disney spent USD 34,055,000 from 2010 through 2018 on federal lobbying. This does not include state lobbying expenditures, where Disney also lobbies but disclosure is uneven or absent. For example, Disney spent USD 3,259,090 on lobbying IN California from 2010 through 2018. Additionally, the company lobbies abroad, spending between EUR 400,000 – EUR 499,000 on lobbying in Europe for 2018 Disney serves on the board of NCTA - The Internet & Television Association, which spent USD132 million on lobbying from 2010 to 2018, and reportedly belongs to the Chamber of Commerce which spent over USD 1.5 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. We are 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 Board recommends that you vote against this proposal. This is the fifth year this proposal has been presented, and it has failed to obtain majority support in any of its prior submissions.The Company currently provides substantial disclosure regarding political activities, including extensive information regarding lobbying activities. The contributions to candidates for office are disclosed annually at the company's website at www.thewaltdisneycompany.com/citizenship/policies, and information regarding our 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.The proposal seeks the disclosure of even further detail about Company contributions to trade associations. The company supports organizations based on evaluation of whether involvement with the organization serves the interests of shareholders taking into account the broad nature of business and all the activities of the organization even though may not concur with the position of each organization on any given candidate or issue.

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 and a vote for the resolution is recommended.

Researcher: Menelaous Paloumpis
Email: pircresearch@pirc.co.uk

Pensions & Investment Research Consultants Limited
8th Floor, Suite 8.02, Exchange Tower
2 Harbour Exchange Square
E14 9GE

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

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