Triodos Investment Management

THE WALT DISNEY COMPANY

MEETING DATE	Tue, 09 Mar 2021 10:00 am	TYPE	AGM	ISSUE DATE	Fri, 19 Feb 2021
MEETING LOCATION	Virtual				
CURRENT INDICES	S&P500				
SECTOR	Cable and other pay television services				
FYE	10 Mar 2020				

	PROPOSALS	ADVICE
1.a	**Elect Susan E. Arnold - Senior Independent Director** Senior Independent Director. Not considered independent owing to a tenure of over nine years, however there is sufficient independence on the board.	**Oppose**
1.b	**Elect Mary T. Barra - Non-Executive Director** Independent Non-Executive Director.	**For**
1.c	**Elect Safra A. Catz - Non-Executive Director** Independent Non-Executive Director.	**For**
1.d	**Elect Robert A. Chapek - Chief Executive** Chief Executive. Acceptable service contract provisions.	**For**
1.e	**Elect Francis A. deSouza - Non-Executive Director** Independent Non-Executive Director.	**For**
1.f	**Elect Michael Froman - Non-Executive Director** Independent Non-Executive Director.	**For**
1.g	**Elect Robert A. Iger - Chair (Executive)** Executive Chair. It is a generally accepted norm of good practice that the Chair of the Board should act with a proper degree of independence from the company's management team when exercising his or her oversight of the functioning of the Board. Holding an executive position is incompatible with this and a vote to Oppose is recommended.	**Oppose**
1.h	**Elect Maria Elena Lagomasino - Non-Executive Director** Independent Non-Executive Director. There are concerns about this director's time commitments as she is CEO of WE Family Offices and serves as a non-executive on the board of the Coca-Cola Company, a listed company.	**Oppose**
1.i	**Elect Mark G. Parker - Non-Executive Director** Independent Non-Executive Director.	**For**
1.j	**Elect Derica W. Rice - Non-Executive Director** Independent Non-Executive Director.	**For**
2	**Appoint the Auditors** Pwc proposed. Non-audit fees represented 14.87% of audit fees during the year under review and 14.45% 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 and 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.

The company included non-financial metrics into the annual bonus structure, which is considered best practice. Awards under the annual-incentive plans are tied to multiple performance conditions, which is considered best practice. Performance shares have a three-year performance period, which is a market standard. However, a five-year performance period is considered best practice. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Executive compensation is aligned with peer group averages. Performance metrics are replicated under different incentive plans, raising concerns that executives are being rewarded twice for the same performance. The company has reversed COVID-19 related salary reductions for its executives despite laying off 28,000 employees.

The compensation rating is: ACD.

Triodos opposes this resolution.

4 Shareholder Resolution: Report on Lobbying Payments and Policy **For**

Proponent's argument: Mercy Investment Services, Inc. request 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. Description of management's decision making process and the Board's oversight for making payments described above. For purposes of this proposal, a "grassroots lobbying communication" is a communication directed to the general 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: "We encourage transparency in Disney's use of funds to lobby. Disney spent USD38,675,000 from 2010 – 2019 on federal lobbying. This does not include state lobbying expenditures, where Disney's disclosure is uneven or absent. For example, Disney spent USD3,646,885 on lobbying in California from 2010 – 2019, and Disney's lobbying in Florida over streaming service taxes has drawn attention. And Disney also lobbies abroad, spending between EUR700,000 – 799,000 on lobbying in Europe for 2019.

Company's response: The board recommends a vote against this resolution: "Following extensive shareholder engagement after the 2018 Annual Meeting, the Board enhanced the company's lobbying disclosure by expanding its scope and disclosing the expanded policy - Political Giving and Participation in the Formulation of Public Policy in the United States. Specific expansions include annual disclosure of information regarding our membership in U.S.-based industry and trade associations; the annual dues the company paid to these trade associations, and the percentage each trade association has indicated to us was used for lobbying activities. [...]These expansions are in addition to the significant disclosure regarding political and lobbying activities the company continues to provide. [...] We provide reports that 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 and the portion of any trade association payments that are used for lobbying as disclosed to the company by the trade associations, all of which are of which are readily available in filings with the U.S. House of Representatives and the U.S. Senate (http://lobbyingdisclosure.house.gov.) and in the extensive lobbying disclosure reports we file, highlighting lobbying activity for individual states."

PIRC analysis: Political spending is considered to be a different issue than lobbying expenditures. Links to public disclosures of lobbying at the state and federal level are not the same as full disclosure published on the company's website. 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.

5 **Shareholder Resolution: Adopt a Policy to Include Non-Management Employees as Prospective Director Candidates** For

Proponent's argument: James McRitchie requests the board to adopt a policy of promoting significant representation of employee perspectives among corporate decision makers by requiring the initial list of candidates from which new director nominees are chosen ('Initial List') by the Nominations and Governance Committee include (but need not be limited to) non-management employees. The Policy should provide that any third -party consultant asked to furnish an Initial List will be requested to include such candidates: "There is growing consensus that employees on corporate boards can contribute to long-term corporate sustainability. Policymakers note, having companies run exclusively to benefit shareholders contributes to 'stagnant wages, runaway executive compensation and underinvestment in research and innovation.' The Business Roundtable asks corporations to align with stakeholder interests, including employees. Employee representation grows long-term value of companies in several ways. According to the National Bureau of Economic Research, giving workers formal control rights increases female board representation and raises capital formation. Employees are also often more diverse than boards in terms of race, gender, and wealth. The German "co -determination" model of shared governance is lauded as an excellent check against short-term capital allocation practices. The 2018 UK Corporate Governance Code calls on boards to establish a method for gathering workforce views. Options include a director appointed from the workforce, a formal workforce advisory panel or designating a director to liaise with workers. Senators Baldwin and Warren have introduced legislation codifying employee representation on corporate boards, noting that modern corporate governance needs to be accountable to a wider array of interests, notably employees. Polling demonstrates bipartisan public support (over 53%) for employee representation.

Company's response: The board recommends a vote against this proposal, as the Governance and Nominating Committee's thorough process of evaluating potential director candidates already ensures a diversity of perspectives, and the addition of non-management employees would decrease the level of independence on the Board. The proposal seeks to supersede the careful judgement of the Board as to the criteria that should be reflected in a director candidate pool. As described in the section of this proxy statement titled Director Selection Process, the Governance and Nominating Committee, working closely with the full Board, develops criteria for open Board positions. In developing these criteria, the Committee takes into account a variety of factors, which may include: the current composition of the Board and expected retirements from the Board; the range of talents, experiences and skills that would best complement those already represented on the Board; the balance of management and independent Directors; and the need for financial or other specialized expertise. The proposal seeks to supersede the careful judgement of the Board as to the criteria that should be reflected in a director candidate pool. As described in the section of this proxy statement titled Director Selection Process, the Governance and

PIRC analysis: It is considered that the appointment of representatives of (non-management) employees to the board has the potential to create a positive influence in areas of decision making normally reserved for the Board and senior management. The election of employee-representative director(s) is common practice in a number of major economies, and is considered to be an effective way of ensuring that employee views and concerns are considered properly at board level.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote on Executive Compensation

Disclosure: A - The peer groups used for the purpose of pay comparison have been fully disclosed by the company. 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 grant of performance awards was based on the achievement of set levels of specific performance targets: EPS. The performance-based long term incentive is subject to quantified performance targets for TSR & ROIC.

Balance: C - The company included non-financial metrics into the annual bonus structure, which is considered best practice. Awards under the annual-incentive plans are tied to multiple performance conditions, which is considered best practice. Performance shares have a three-year performance period, which is a market standard. However, a five-year performance period is considered best practice. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Executive compensation is aligned with peer group averages. Performance metrics are replicated under different incentive plans, raising concerns that executives are being rewarded twice for the same performance. The company has reversed COVID-19 related salary reductions for its executives, despite laying off 28,000 employees.

Contract: 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 has been appropriately defined. 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.

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