2018 Shareholder Resolution
DowDuPont Inc.
Request: Report on Sustainability Metrics Tied to Executive Pay Incentives

WHEREAS: Numerous studies suggest that companies that integrate environmental, social, and governance (ESG) factors into business strategy reduce reputational, legal, and regulatory risks and improve long-term performance.

A large, diverse group of companies has integrated sustainability metrics into executive pay incentive plans, among them Unilever, Walmart, and Mead Johnson. Guidance issued by the United Nations Principles for Responsible Investment (2012) stated that including ESG factors in executive incentive schemes can help protect long-term shareholder value.

As a result of the DowDuPont merger, there are new opportunities from the perspective of long-term value creation to consider establishing a more transparent and consistent relationship between sustainability, company reputation and executive bonuses.

The company is certainly trying to improve its reputation, despite a lasting shadow cast by the 1984 Bhopal chemical disaster, the marketing of napalm in the Vietnam War, and the continued production and marketing of controversial pesticides such as chlorpyrifos.

In the Harvard Business Review, Dow Chemical CEO Andrew Liveris asserted that this is “no longer the company that gave you napalm during the Vietnam War.” He discussed how the company is trying to transform itself through environmental initiatives and a commitment to sustainability, for instance, substituting more environmentally friendly materials for petrochemicals:

And our new goals have us delivering two billion dollars of new value through 2025 by managing inputs for less outputs, by managing ourselves on emissions and on waste so we impact the environment less. These sorts of metrics, which we now track for ourselves, we can articulate to the investment community.

The denominator goals actually became the simplest to talk about to investors and to the financial community, which is look, there’s a license to operate, there’s a regulatory environment that comes through either federal or state or even local authorities, and those regulatory environments are born from inputs that are garnered from everywhere, and we need to be one of those that provide that input.

Although some executives within the company may have performance awards that include elements of sustainability, and sets performance goals for the CEO and Chairman, there is as yet no clearly articulated company policy that applies sustainability metrics to senior executive bonuses across the board.

BE IT RESOLVED: Shareholders request the Board Compensation Committee prepare a report to shareholders, at reasonable expense and excluding proprietary information, assessing the feasibility of integrating the company’s sustainability metrics consistently to performance based pay incentives for senior executive staff under the Company’s compensation incentive plans. For the purposes of this proposal, “sustainability” is defined as how environmental and social considerations, and related financial, performance and reputation metrics, are integrated into long-term corporate strategy.

SUPPORTING STATEMENT: Examples of potential metrics to integrate to senior executive compensation could include: reductions in the total volume of persistent bio-accumulative toxic substances sold by the company annually, number of new products introduced, objective metrics of company reputation among community stakeholders, effective resolution of legacy issues, and metrics regarding the company's reputation for reducing its environmental and social impact.