



## CWA REVIEW AND RECOMMENDATIONS:

# VOTING ITEMS ON VERIZON PROXY STATEMENT

### INTRODUCTION

Verizon is #16 on the list of Fortune 500 companies which measures the largest U.S. companies by revenues. It has the largest customer base in the wireless market and is poised to tap into 5G technology. It has invested in digital media with the acquisition of AOL and Yahoo! In 2018, Verizon had revenues of \$130.9 billion and net income of \$15.5 billion with capital investment of \$16.7 billion. Each worker generated on average \$905,626 of revenues.

This company is growing, and frontline workers are the foundation upon which Verizon's future is being built. CWA members are a crucial part of Verizon's growth, laying fiber, maintaining plant, installing and maintaining equipment, and staffing stores. The workers of Verizon Wireless who are seeking to organize and improve their workplaces are also critical to the company's continued success, and their voices should be heard in the boardroom.

For these reasons, CWA members should take the opportunity to exercise their votes as shareholders, helping to shape the direction of the company and to establish principles that will govern the company. CWA has prepared this shareholders voting guide to offer some insight into the shareholder proposals in Verizon's 2019 proxy statement. We encourage you to exercise your right to vote on this company's future.

### MANAGEMENT PROPOSALS

#### ITEM 1. ELECTION OF DIRECTORS

The Board of Directors consists of 10 individuals, all of whom are independent, except for Hans Vestberg, Verizon's CEO. The entire Board has been nominated for re-election.

**RECOMMENDATION FOR ITEM 1: VOTE YOUR CONSCIENCE.**

## ITEM 2. RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS INDEPENDENT AUDITOR

Ernst & Young has been the auditor for Verizon since 2001. The Board's Audit Committee has re-appointed the firm for another fiscal year, through December 31, 2018. With this vote, shareholders are asked to affirm the Committee's decision. Corporate governance experts believe that such lengthy relationships can compromise the independent perspective necessary for an unbiased review of financial results.

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RECOMMENDATION FOR ITEM 2: VOTE AGAINST.

## ITEM 3. ADVISORY APPROVAL OF EXECUTIVE COMPENSATION

The proposal asks shareholders to approve a compensation program already in place. The vote is only advisory and would not be binding on the company. The proxy statement includes principles for setting pay and a detailed discussion of all aspects of executive pay. Of particular interest to CWA members will be the compensation of Verizon CEOs. Lowell McAdam retired from Verizon in August 2018, yet received \$18.6 million in total compensation for the year. Meanwhile, current CEO Hans Vestberg had a compensation package of \$22.2 million in 2018.

According to the proxy statement, the ratio between Mr. Vestberg's compensation and the median salary was 198:1. Combining the two CEO compensation packages the ratio between Verizon CEOs to the median salary was 339:1.

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RECOMMENDATION FOR ITEM 3: VOTE AGAINST.

## STOCKHOLDER PROPOSALS

### ITEM 4. NONQUALIFIED SAVINGS PLAN

This proposal from the Association of BellTel Retirees asks the Board to develop rules to limit the use of savings plans for top executives. Many large companies have developed savings plans in addition to standard 401(k) plans because the IRS limits the amounts that employers may contribute to 401(k) plans. These "nonqualified" savings plans (nonqualified because contributions are not tax exempt for the employer) are designed to channel more money into executives' retirements. In addition, in contrast to most Fortune 500 companies, Verizon pays above-market rates of interest on balances in its

executive savings plans. The plan serves to widen income disparities within the company. This proposal received 28% of the yes-no votes in 2018.

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RECOMMENDATION FOR ITEM 4: VOTE FOR.

#### ITEM 5. INDEPENDENT CHAIR

This proposal from the AFL-CIO Reserve Fund requests that the Chair of Verizon’s Board of Directors be independent – that is, not employed by Verizon. This type of proposal is supported by many institutional shareholders because it is a structure designed to assure greater board oversight of management. Both the Council of Institutional Investors and CalPERS (the California Public Employee Retirement System) recommend independent Board Chairs. Currently Hans Vestberg is both Chair of the Board and Chief Executive Officer of the corporation, and before August 2018 Lowell McAdam held both positions. The company argues that “because its present leadership structure includes a strong independent Lead Director role, this addresses any concerns about the Board’s ability to provide objective feedback and guidance.” CWA believes that a lead director is not an adequate substitute for an independent chair because it is the chair who exercises authority over board business and oversight of management. This proposal received 47.6% of the yes-no vote in 2018.

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RECOMMENDATION FOR ITEM 5: VOTE FOR.

#### ITEM 6. REPORT ON ONLINE CHILD EXPLOITATION

This proposal from the United Catholic Investment Trust requests that the Board of Directors issue a report on the potential sexual exploitation of children through the company’s products and services by March 2020. The goal is to assess whether Verizon’s oversight, policies and practices are sufficient to prevent material impacts to the company’s brand reputation, product demand or social license. The proponent is the Catholic United Investment Trust. CWA believes that the concerns are real and the solution recommended is workable. The company claims that it is already involved in the prevention of child exploitation and it cites numerous corporate practices. While CWA encourages the company to continue those practices, a public report is useful in identifying potential problems, remedying them faster, and ultimately protecting the brand and reputation of the company.

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RECOMMENDATION FOR ITEM 6: VOTE FOR.

## ITEM 7. CYBER SECURITY AND DATA PRIVACY

This proposal from the Trillium P21 Global Equity Fund asks the Board to author a report on the feasibility of integrating company success in protecting data privacy into the executive compensation process. Verizon has expanded its digital media capacity with the acquisitions of AOL and Yahoo! These purchases have brought increased risk for Verizon. The company also admitted in July 2017 that 14 million Verizon customer data their data exposed by a vendor. In October 2017, the company admitted that three billion accounts in Yahoo! had been breached before its acquisition by Verizon. The company states that it takes data privacy seriously. The proposal, however, seeks to incentivize management to devote more resources to cyber security by tying data privacy to executive compensation. This proposal received 11.6% of the yes-no votes in 2018.

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RECOMMENDATION FOR ITEM 7: VOTE FOR.

## ITEM 8. SEVERANCE APPROVAL

This proposal by shareholder Jack and Ilene Cohen requests that any severance for executives in excess of 2.99 times salary plus short-term bonus receive shareholder approval in advance. It points out that former executive Marni Walden was entitled to receive more than six times her 2017 base salary plus short-term bonus when she left the company in 2018. Tim Armstrong, who retired effective December 31, 2018, received an exit package more than ten times his 2018 salary and non-equity incentive plan compensation.

This is a good governance proposal. Verizon already has a policy in which shareholder approval is required for golden parachutes in excess of 2.99 times salary and bonus. However, it excludes stock options, performance stock units (PSUs) and restricted stock units (RSUs) whose vesting is accelerated with the termination of a senior executive. The proposal updates previous policy by accounting for the total cost to the company of termination of senior executives.

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RECOMMENDATION FOR ITEM 8: VOTE FOR.