

Steven J. Milloy

January 18, 2022

U.S. Securities & Exchange Commission
Office of Chief Counsel
Division of Corporate Finance
100 F Street, N.E.
Washington, D.C. 20549

Re: Verizon Communications Inc. – Shareholder Proposal Submitted by Steven J. Milloy

Ladies and Gentlemen:

I am responding to the letter from Verizon Communications Inc (Verizon) dated January 6, 2022 requesting permission from the Staff of the Division of Corporation Finance (Staff) to exclude my shareholder proposal (Proposal) from Verizon’s 2022 proxy materials.

Verizon’s request is without (1) factual and/or legal basis; and (2) is contradictory, false and/or misleading in parts, and should be denied.

1. The Proposal does NOT attempt to manage Verizon’s ordinary business operations.

The Proposal requests a report on the extent to which Verizon’s business operations “involve” or “depend” on Communist China.

A shareholder request to produce a report about a significant social policy issue is not an effort to manage ordinary business operations. There is much Staff precedent supporting this reality.

China is a well-known major violator of human rights (e.g., the Uyghur concentration and slave labor camps in the Xinjiang region). Human rights violations, by themselves, are clearly a significant social policy issue per Staff precedent. *See e.g., Exelon Corp. (avail. March 2, 2021).*

So the Proposal, on its face, is not impermissible.

Verizon claims that it has an “insignificant presence in China” but then claims the Proposal may be excluded because it relates to the location of Verizon’s operations.

But the Proposal cannot possibly interfere with Verizon’s business operations since Verizon, as it admits, has an “insignificant presence in China.” So Verizon’s claim is a self-contradictory red herring.

Verizon next claims that the proposal impermissibly relates to its supplier relationships. This is also false.

First, the Proposal requests merely a report on the “general nature and extent” of Verizon’s involvement or dependence on China. The Proposal specifically excludes any confidential business information from the requested report.

Next, although the Proposal does not specifically address Verizon’s supply chain in China, it should be noted that the Staff has previously indicated human rights violations in a company’s supply chain are a permissible subject for shareholder proposals. *See e.g., Exelon Corp. (avail. March 2, 2021).*

Verizon next claims that doing business in China is not a significant social policy issue related to Verizon. This is also incorrect.

First, China is a significant and controversial U.S. social policy issue for a variety of reasons, as detailed for example in the *New York Times* report, [“Taiwan, Trade, Tech and More: A Tense Era in U.S. China Ties”](#) (December 8, 2021) or the Bloomberg News report, [“Blacklists, Trade and More U.S.-China Flashpoints”](#) (December 24, 2021).

Both the Biden and Trump administrations declared that China is committing genocide against the Uyghurs in Xinjiang, including human rights abuses like forced labor, sterilization, and mass internment. In response, the U.S. government has taken action to ban products made with forced labor from China.

And China just happens to be a significant social policy issue with potentially significant ramifications to Verizon.

For example, in response to the Biden administration decision to impose a diplomatic boycott on the 2022 Beijing Olympics because of China’s human rights abuses toward the Uyghurs, the *New York Times* reported:

It was a diplomatic snub that officials in China angrily vowed to revenge.

If the U.S.-China relationship worsens and/or China takes its promised “revenge,” Verizon’s business could very well be significantly impacted even though Verizon has an “insignificant presence in China.”

Verizon’s business depends to a great extent, for example, on smartphone use by its customers. Most smartphones in the US are made in China. If China were to stop exporting smartphones to the US as retaliation or “revenge” for whatever reason, that could obviously and significantly impact Verizon and its shareholders. Smartphones are just one example of the technology Verizon depends on that is dominated by China.

As pointed out in the Proposal, China has even already passed a law empowering the government to ban exports of strategic materials and advanced technologies. See [“China passes export control law with potential for rare-earths ban: Legislation empowers government to cast wide net on foreign companies”](#) (Nikkei Asia, October 19, 2020).

The possibility of Chinese retaliation or revenge against American interests that may impact Verizon is not an idle, empty or hypothetical threat. In response to Australian criticism of China’s handling of COVID, for example, China shut down imports of Australian coal. See [“China needs more coal to avert a power crisis — but it’s not likely to turn to Australia for supply”](#) (CNBC.com, October 25, 2021). In retaliation for Lithuania establishing diplomatic and economic ties with Taiwan, China is taking economic actions against Lithuania. See [“U.S., Lithuania Agree to Address China’s ‘Economic Coercion’”](#) (Bloomberg News, January 6, 2022). In retaliation to US actions against China, China will cut purchases of US farm goods. See [“China to Curb Purchases of US Farm Good, Fitch Solutions Says”](#) (Bloomberg News, January 18, 2022).

2. The Proposal is not impermissibly ‘vague.’

Verizon claims, for example, it doesn’t understand what is meant by the Proposal term, “Communist China.” This is disingenuous at best as Verizon certainly understood the term well enough to assert that it has only an “insignificant presence” there.

Verizon also claims not to understand what is meant by the term “involve or depend on” China. Once again, Verizon understood the term well enough to claim an “insignificant presence” in China. That Verizon pretends not to recognize that its cellphone business, for example, relies on smartphones made in China is more a reflection on sincerity Verizon’s request than of any vagueness in the Proposal.

There is only one China. It is run in a totalitarian manner by a communist government. Everyone commonly understands what is meant by “corporate operations involv[ing] or depend[ing] on Communist China.” It is not reasonable to claim otherwise.

Verizon doesn’t have to directly conduct operations in Communist China to depend on Communist China to some extent. Given the significant social policy issue that Communist China is, shareholders have a right to understand Verizon’s vulnerabilities. That is a key point of the disclosure provisions of the federal securities laws. It is a wonder that Verizon hasn’t already made the disclosures requested by the Proposal.

Conclusion

Based on the foregoing analysis, I respectfully request that the Staff reject Verizon's bid to exclude the Proposal from its 2022 proxy materials.

A copy of this response has been provided to Verizon and its counsel.

Please feel free to contact me should you have any questions or require and more information.

Sincerely,

Steven J. Milloy

Cc: Jeffrey D. Karpf, Cleary, Gottlieb Steen & Hamilton LLP
Brandon Egren, Verizon