

CLEARY GOTTLIB STEEN & HAMILTON LLP

One Liberty Plaza
New York, NY 10006-1470

T: +1 212 225 2000

F: +1 212 225 3999

clearygottlieb.com

WASHINGTON, D.C. • PARIS • BRUSSELS • LONDON • MOSCOW
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January 6, 2022

VIA ELECTRONIC MAIL (*shareholderproposals@sec.gov*)

U.S. Securities and Exchange Commission
Division of Corporation Finance
Office of Chief Counsel
100 F Street, NE
Washington, DC 20549

**Re: Verizon Communications Inc.
Exclusion of Shareholder Proposal Submitted by Steven Milloy**

Ladies and Gentlemen:

Pursuant to Rule 14a-8(j) under the Securities Exchange Act of 1934 (as amended, the “Exchange Act”), we are writing to respectfully notify the U.S. Securities and Exchange Commission (the “Commission”) that our client, Verizon Communications Inc., a Delaware corporation (the “Company”), intends to exclude from its proxy materials (the “2022 Proxy Materials”) for its 2022 annual meeting of shareholders (the “2022 Annual Meeting”) a shareholder proposal (the “Proposal”) submitted to the Company by Steven Milloy (the “Proponent”) by an email dated November 29, 2021.

We request confirmation that the staff of the Division of Corporation Finance (the “Staff”) of the Commission will not recommend to the Commission that any enforcement action be taken against the Company if the Company excludes the Proposal from its 2022 Proxy Materials pursuant to Rules 14a-8(i)(7) and 14a-8(i)(3) under the Exchange Act on the basis that the Proposal (i) deals with matters relating to the Company’s ordinary business operations, and (ii) is impermissibly vague, indefinite and susceptible to various interpretations so as to be inherently misleading in violation of the proxy rules, including Rule 14a-9.

Pursuant to Rule 14a-8(j), we are submitting electronically to the Commission this letter and a copy of the Proposal, together with the supporting statement included in the Proposal (the “Supporting Statement”), attached as Exhibit A hereto, on behalf of the Company, and are concurrently sending a copy to the Proponent no later than eighty (80) calendar days before the Company intends to file its definitive 2022 Proxy Materials with the Commission.

Rule 14a-8(k) and *SEC Staff Legal Bulletin No. 14D* (Nov. 7, 2008) (“SLB 14D”) provide that shareholder proponents are required to send companies a copy of any correspondence that the proponents elect to submit to the Commission or the Staff. Accordingly, we are taking this opportunity to inform the Proponent that if the Proponent elects to submit additional correspondence to the Commission or the Staff with respect to the Proposal, a copy of that correspondence should be furnished concurrently to us and the Company pursuant to Rule 14a-8(k) and SLB 14D.

THE PROPOSAL

On November 29, 2021, the Company received the following Proposal and Supporting Statement from the Proponent, for inclusion in the 2022 Proxy Materials:

“Communist China Audit

Resolved:

Shareholders request that, beginning in 2022, Verizon report to shareholders on the general nature and extent to which corporate operations involve or depend on Communist China, which is a serial human rights violator and a geopolitical threat and adversary to the US. The report should exclude confidential business information but provide shareholders with a basic sense of Verizon’s reliance on activities conducted within, and under control of the Communist Chinese government.

Supporting Statement:

American companies doing business in Communist China is a controversial public policy issue. See, e.g., “Doing business in China is difficult. A clash over human rights is making it harder,” April 2, 2021, <https://www.cnn.com/2021/04/02/business/nike-china-western-business-intl-hnk/index.html>.

Verizon does business in, and likely relies on parts, raw materials and/or services from entities in Communist China.

Communist China is a well-known serial violator of human and political rights.

Communist China may also possibly become a hostile adversary of the US for a variety of reasons, including:

- Communist China intends to displace the US as the lone global superpower by 2049.
- The US has committed to defending Taiwan, which Communist China may attempt to seize by force.
- US-China relations are tense over a number of issues including Communist China’s military expansion, egregious human rights violations, actions related to the COVID pandemic, intellectual property theft, elimination of political freedom in Hong Kong, and environmental pollution.

Communist China has also publicly indicated that it would use its industrial capabilities for strategic purposes against adversaries. Communist China has already taken action against Australia, for example, for COVID-related criticism.

Given the controversial, if not dangerous nature of doing business in China, shareholders have the right to know the general nature and extent [sic] to which Verizon's business operations are involved with or depend on Communist China."

A copy of the Proposal and the accompanying Supporting Statement is attached to this letter as Exhibit A.

On December 7, 2021, within fourteen (14) days of the Company's receipt of the Proposal, the Company sent to the Proponent via email a notification of eligibility and procedural deficiencies with respect to the Proposal (the "Deficiency Letter"). The Proponent provided additional documentation in response to the Deficiency Letter on December 8, 2021.

BASES FOR EXCLUSION

The Company hereby respectfully requests that the Staff concur with the Company's view that the Proposal may be excluded from the 2022 Proxy Materials in reliance on the following:

- A. Rule 14a-8(i)(7), because the Proposal deals with matters relating to the Company's ordinary business operations; and
- B. Rule 14a-8(i)(3), because the Proposal is impermissibly vague, indefinite and susceptible to various interpretations so as to be inherently misleading in violation of the proxy rules, including Rule 14a-9.

ANALYSIS

A. THE PROPOSAL MAY BE EXCLUDED UNDER RULE 14A-8(I)(7) BECAUSE IT DEALS WITH MATTERS RELATING TO THE COMPANY'S ORDINARY BUSINESS OPERATIONS.

1. Company Background

The Company is a publicly traded holding company that, acting through its subsidiaries, is one of the world's leading providers of communications, technology, information and entertainment products and services to consumers, businesses and government entities. While the Company's operations are primarily domestic, the Company provides products and services in over one hundred fifty (150) countries around the world, offering data, video and voice services and solutions on the Company's networks and platforms. Despite its global reach, we note at the outset that the Company has an insignificant presence in China. While the Company obtains products and services from some suppliers operating in China, these suppliers consistently represent a very small portion of the Company's total annual supplier spend.

As a reporting Company for the purposes of the Exchange Act, the Company is already subject to comprehensive and ongoing business-related reporting requirements, including, for example, under Regulation S-K of the U.S. Securities Act of 1933, as amended, and is required to disclose a broad range of information relating to the Company's operations, including, among others, a description of its business, its properties and material risk factors. To the extent that the Company considers its operations in China to be material, the Company would be required to make the prescribed disclosures in respect of such operations. The fact that the Company does not make disclosures in respect of its operations in China demonstrates that it does not consider its operations in China to be material.

2. Rule 14a-8(i)(7) Background

Rule 14a-8(i)(7) permits a company to exclude a shareholder proposal if it “deals with a matter relating to the company’s ordinary business operations.” According to the Commission’s *Exchange Act Release No. 34-40018* (May 21, 1998) (the “1998 Release”) accompanying the 1998 amendments to Rule 14a-8, the term “ordinary business” refers to matters that are not necessarily “ordinary” in the common meaning of the word, but instead the term “is rooted in the corporate law concept [of] providing management with flexibility in directing certain core matters involving the company’s business and operations.”

In the 1998 Release, the Commission explained that the underlying policy of the ordinary business exclusion is “to confine the resolution of ordinary business problems to management and the board of directors, since it is impracticable for shareholders to decide how to solve such problems at an annual shareholders meeting.” The Commission identified two (2) central considerations that underlie this policy. The first is that “[c]ertain tasks are so fundamental to management’s ability to run a company on a day-to-day basis that they could not, as a practical matter, be subject to direct shareholder oversight.” The Commission enumerates a few examples of this central consideration, including “the management of the workforce, such as the hiring, promotion, and termination of employees, decisions on production quality and quantity, and the retention of suppliers.” The second consideration relates to “the degree to which the proposal seeks to ‘micro-manage’ the company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment.” (citing *Exchange Act Release No. 12999* (Nov. 22, 1976)). In *SEC Staff Legal Bulletin No. 14L* (November 3, 2021) (“SLB 14L”), the Staff also stated that “in order to assess whether a proposal probes matters ‘too complex’ for shareholders, as a group, to make an informed judgment, [the Staff] may consider the sophistication of investors generally on the matter, the availability of data, and the robustness of public discussion and analysis on the topic.”

A shareholder proposal being framed in the form of a request for a report does not change the nature of the proposal. The Commission has indicated that the relevant inquiry is whether the *subject matter* of the report relates to the Company’s ordinary business. The Staff repeatedly endorsed a substance-over-form approach with respect to its analysis of requests for exclusion under Rule 14a-8(i)(7). In *Exchange Act Release No. 20091* (Aug. 16, 1983), the Staff indicated that it “will consider whether the *subject matter* of the special report or the committee involves a matter of ordinary business” and “where it does, the proposal will be excludable under Rule 14a-8(c)(7).” (emphasis added). The Staff reiterated this position in *SEC Staff Legal Bulletin No. 14E* (Oct. 27, 2009) when discussing proposals relating to an evaluation of risk by the Company, stating that “similar to the way in which [it] analyze[s] proposals asking for the preparation of a report, the formation of a committee or the inclusion of disclosure in a Commission-prescribed document — where [the Staff] look[s] to the underlying subject matter of the report, committee or disclosure to determine whether the proposal relates to ordinary business — [the Staff] will consider whether the underlying subject matter of the risk evaluation involves a matter of ordinary business to the company.” (emphasis added). See also *Johnson Controls, Inc.* (avail. Oct. 26, 1999).

3. The Proposal may be Excluded Under Exchange Act Rule 14a-8(i)(7) Because it Deals with Matters so Fundamental to Management’s Ability to Run the Company on a Day-to-Day Basis that they could not, as a Practical Matter, be Subject to Direct Shareholder Oversight

For the reasons addressed below, the Proposal is excludable under Rule 14a-8(i)(7) because (a) it deals with matters relating to the Company’s ordinary business operations that are fundamental to management’s ability to run the Company on a day-to-day basis, namely (i) the location of the Company’s operations, and (ii) the Company’s supplier relationships, (b) it does not focus on a significant social policy issue that transcends the Company’s ordinary business operations, and (c) even if the Staff believes that some of the issues raised by Proposal touch upon significant social policy issues, the focus of the Proposal remains squarely on matters relating to the Company’s ordinary business operations.

a. The Proposal may be Excluded Under Rule 14a-8(i)(7) Because it Deals with Matters so Fundamental to Management’s Ability to Run the Company on a Day-to-Day Basis that they could not, as a Practical Matter, be Subject to Direct Shareholder Oversight.

i. The Proposal may be Excluded Under Rule 14a-8(i)(7) Because it Relates to the Location of the Company’s Operations.

The Proposal requests that the Company report “on the general nature and extent to which [the Company’s] corporate operations involve or depend on” the People’s Republic of China (“China”), and provide shareholders with a sense of the Company’s “reliance on activities conducted within, and under control of[,] the” Chinese government. Stating that “[the Company] does business in, and likely relies on parts, raw materials and/or services from entities in[, China]”, the Supporting Statement then qualifies doing business in that country as being “controversial, if not dangerous”, alleging that China is a “well-known serial violator of human and political rights,” and pointing to China’s potential to become a geopolitical “threat” and “hostile adversary” to the United States. In essence, the Proposal focuses on considerations related to the location of the Company’s operations, a topic that has long been held to implicate ordinary business considerations, and thus, to be excludable under Rule 14a-8(i)(7).

Recognizing that decisions regarding the location of company operations involve numerous detailed operational considerations that implicate management’s ability to run the company on a day-to-day basis, the Staff has consistently concurred with the exclusion of shareholder proposals that, like the Proposal, involve considerations related to the location of a company’s operations. For example, the Staff’s rulings in *International Business Machines Corporation* (avail. Jan. 9, 2008) and *General Electric Company* (avail. Jan. 9, 2007) are particularly instructive. In both cases, the proponent requested that the company establish an independent committee to report on the potential damage to the company’s name and reputation as a result of its operations in China, and make the report available to shareholders. In both cases, the company argued that the proponent’s proposal was properly excludable under Rule 14a-8(i)(7) because, among other things, the proposal implicated business decisions the company makes in its day-to-day operations in China (including decisions relating to the location of its operations in that country), which decisions were integral to management’s ability to run the company in the ordinary course of business. In both cases, the Staff permitted the company to exclude the proponent’s proposal under Rule 14a-8(i)(7) as relating to the company’s ordinary business operations. In *Sempra Energy* (avail. Jan. 12, 2012, recon. denied Jan. 23, 2012), the Staff concurred in the exclusion of a proposal requesting that the board review and report on the company’s management of political, legal, and financial risks posed by the company’s operations in “any country that may pose an elevated risk of corrupt practices.” In *The Hershey Co.* (avail. Feb. 2, 2009), the proponent was concerned that the company’s decision to locate manufacturing facilities in Mexico instead of the United States and Canada could harm the company’s reputation. The Staff concurred that the proposal could be excluded under Rule 14a-8(i)(7) “as relating to [the company’s] ordinary business operations (i.e., decisions relating to the location of its manufacturing operations).” See also *The Boeing Company (Gladstein)* (avail. Jan 9, 2018, recon. denied Mar. 9, 2018) (concurring in the exclusion of a proposal requesting that the board “include certain criteria in the [company’s] process for selecting new or expanding existing sites for the [company’s] new models of aircraft production locations.”). See also *Tim Hortons Inc.* (avail. Jan. 4, 2008); *Minnesota Corn Processors, LLC* (avail. Apr. 3, 2002); *The Allstate Corp.* (avail. Feb. 19, 2002); *AT&T Corp.* (avail. Mar. 6, 2001); *MCI Worldcom, Inc.* (avail. Apr. 20, 2000).

A company’s decisions and actions regarding the location of its operations are a fundamental part of its ordinary business operations. As previously noted, the Company provides products and services to customers in over one hundred fifty (150) countries around the world. As a large global organization, the Company’s management routinely makes decisions regarding whether to operate in particular countries and

such decisions are integral to its ability to run the Company's business. In making decisions regarding whether and where to maintain and expand operations, the Company's management necessarily considers a multitude of factors, which may include proximity to key customers or suppliers, availability of applicable expertise and labor force, legal and regulatory environment, costs and other financial and nonfinancial considerations. Decisions regarding the location of the Company's operations are the same types of decisions that the Commission described in the 1998 Release as "fundamental to management's ability to run a company on a day-to-day basis." The Staff's consistent concurrence in the exclusion of proposals implicating the location of company operations, as cited in the above, supports the exclusion of the Proposal. By noting that the Company does business in China, emphasizing the potential risks of doing business in China and requesting that the Company disclose information regarding the nature and extent of its operations in that country, the Proponent makes clear that he seeks to second-guess the Company's decision to do business with customers in that country.

ii. The Proposal may be Excluded Under Rule 14a-8(i)(7) Because it Relates to the Company's Supplier Relationships.

The Proponent requests that the Company report on the nature and extent of its operations in China, and provide shareholders with a sense of the Company's "reliance on activities conducted within, and under control of the" Chinese government. The Proposal is thus excludable on the grounds that it implicates the Company's ordinary business operations as it relates to the Company's relationships with its suppliers.

As noted above, in the 1998 Release, the Commission expressly listed "decisions regarding [...] the retention of suppliers" as falling within the category of tasks that "are so fundamental to management's ability to run a company on a day-to-day basis that they could not, as a practical matter, be subject to direct shareholder oversight." In numerous instances, the Staff has concurred with the exclusion of proposals under Rule 14a-8(i)(7) on the grounds that they concerned decisions relating to supplier relationships. For example, in *Foot Locker, Inc.* (avail. Mar. 3, 2017) ("[Foot Locker 2017](#)"), the Staff concurred with the exclusion of a proposal seeking a report on steps taken by the company to monitor overseas apparel suppliers' use of subcontractors as relating "broadly to the manner in which the company monitors the conduct of its suppliers and their subcontractors." Additionally, in *Kraft Foods Inc.* (avail. Feb. 23, 2012), the Staff concurred with the exclusion of a proposal under Rule 14a-8(i)(7) that sought a report detailing the ways the company "is assessing water risk to its agricultural supply chain and action it intends to take to mitigate the impact on long-term shareholder value," noting that the "proposal relates to decisions relating to supplier relationships" and that "[p]roposals concerning decisions relating to supplier relationships are generally excludable under rule 14a-8(i)(7)." See also *Walmart Inc.* (avail. Mar. 8, 2018) (concurring with the exclusion of a proposal requesting a report on the requirements suppliers must follow regarding engineering ownership and liability); *PetSmart, Inc.* (avail. Mar. 24, 2011) ("[PetSmart 2011](#)") (concurring with the exclusion of a proposal regarding the compliance of the company's suppliers with certain animal rights statutes as relating to the company's ordinary business operations).

The Proposal directly addresses the Company's day-to-day decisions regarding the sourcing of products and services, including products and services provided by the Company's third-party suppliers. In the Supporting Statement, the Proponent notes that the Company "likely relies on parts, raw materials and/or services from entities in[, China]." It is thus apparent that the Proponent seeks information on the Company's use of suppliers in China, which relates to the Company's ordinary business operations of managing its relationships with suppliers, and is a core function of the Company's management. The Proponent's attempt to second-guess the Company's decision-making cannot survive scrutiny under Rule 14a-8(i)(7).

Suppliers are critical to the success of the Company's business and the customers it supports and, as such, the procurement and monitoring of high quality suppliers wherever situated constitutes an

important and integral part of the Company's day-to-day business operations. The Company develops and maintains relationships with thousands of suppliers located around the world. Decisions regarding the selection and monitoring of suppliers, the management of the Company's supplier network and relationships, and the identification of factors to consider in developing and maintaining these relationships, are some of management's most fundamental day-to-day responsibilities. The Company awards business to suppliers based on a competitive and selective procurement process, focusing on continuous improvement in technologies, practices, quality, service and total cost.¹ A significant aspect of developing and managing the Company's supplier relationships is screening and monitoring potential human rights issues, managing supply chain-related risks, ensuring responsible business conduct throughout its supply chain, and holding its suppliers to high standards of behavior.

For example, the Company expects its suppliers to comply with the Company's *Supplier Code of Conduct* (the "Supplier Code")², which sets forth the Company's expectation for its suppliers with respect to human rights. The Company monitors its suppliers' compliance with the Supplier Code and incorporates ongoing compliance into the Company's business relationships and procurement decisions. As stated in the Company's *Environmental, Social and Governance (ESG) Report 2020*,³ the Company also uses EcoVadis' assessment tool to evaluate its suppliers' responsible performance by monitoring and assessing supplier performance in four (4) areas, including, labor and human rights and ethics. When weaknesses are identified, the Company works with the supplier to create a corrective action plan to improve their current activities. The Company is also a member of the Joint Audit Cooperation, an association of telecom operators that collaboratively audits common vendors and looks for opportunities to improve supplier responsibility across the Company's industry. Finally, the Company's Supplier Risk Management Program, managed by the Company's Supplier Risk Office (the "SRO"), supports the Company's overall commitment to responsible sourcing by enabling the Company to identify, assess, monitor and manage a range of supply chain-related risks, including those that may be associated with the social and environmental impacts of supplier activity. The SRO works to implement a risk management framework that allows the Company to continually assess and manage supplier-related risks. This work happens throughout the supplier life cycle, including planning, due diligence, contracting, ongoing monitoring and termination.

The initiatives described herein simultaneously underscore the importance that the Company attributes to responsible sourcing across its supply chain, but also illustrate the extent to which the management of supplier relationships falls squarely within the ambit of ordinary business operations of the Company. The Company's decisions related to the selection and subsequent monitoring of its suppliers involve numerous factors, including price, capacity, support, reliability, and safety. As a result of the number, variety and complexity of issues related to managing the Company's relationships with its suppliers, the selection and monitoring of suppliers requires the expertise of the Company's management, and it cannot, "as a practical matter, be subject to direct shareholder oversight." The Proposal would impermissibly have Company shareholders second-guess the ability of management to make the day-to-day supplier selection and related vendor procurement decisions which are fundamental to operating the Company's business effectively and efficiently. Consequently, as in the precedents cited above, the Proposal may be excluded pursuant to Rule 14a-8(i)(7) because it relates to the Company's ordinary business operations, specifically, decisions relating to the Company's supplier relationships.

¹ Further information respecting the Company's procurement processes, including guidelines and contractual requirements for suppliers, are available on, or accessible from, the Company's website at <https://www.verizon.com/suppliers/>.

² The Company's *Supplier Code of Conduct* is available on the Company's website at <https://www.verizon.com/about/our-company/supplier-diversity/supplier-code-of-conduct>.

³ The Company's *Environmental, Social and Governance (ESG) Report 2020* is available on the Company's website at <https://www.verizon.com/about/sites/default/files/esg-report/2020/index.html>.

b. The Proposal Does Not Transcend the Company's Ordinary Business Operations.

The Proposal does not *focus* on having the Company *address* any significant social policy issue. Instead, the submission merely seeks to have the Company disclose information about the “general nature and extent to which corporate operations involve or depend on [...] China,” and thus implicates a host of ordinary business matters articulated above. While the Proponent attempts to reframe the scope of the Proposal by making topical references to China-related controversies, characterizing doing business in China as a “controversial public policy issue” and including references to “human rights” and “political rights” violations, and “geopolitical threat” and “adversary”, these references do not shift the underlying thrust and focus of the Proposal such that it transcends the Company's ordinary business operations.

In fact, beyond the mere assertion that the Company has operations in that country, neither the Proposal nor the Supporting Statement demonstrates a nexus between the Proponent's concerns regarding China and the Company or its actions, on the one hand, or between the subject matter of the Proposal (*i.e.*, a request for information regarding the “nature and extent” of the Company's operations in China) and the “public policy issues” that it purportedly raises, on the other. In *TJX Companies, Inc.* (*avail.* Apr. 9, 2021), the Staff concurred with the exclusion of a proposal requesting the company produce a report to shareholders evaluating whether the company was supporting systemic racism through undetected supply chain prison labor. The company argued that while the proposal referred to “systemic racism,” it was squarely focused “on how the [c]ompany manage[d] its supplier relationships, including how it monitor[ed] its suppliers' compliance with existing [c]ompany business and ethics standards and policies.” The company argued that the proposal did not focus on a significant policy issue that transcends the company's ordinary business operations. In support for this argument, the company noted that there was nothing in the proposal that tied the proponent's concerns regarding “systemic racism” to the company or its actions, that the company was already “committed to taking purposeful action to support racial justice and equity” and that the proponent's attempt to “reframe the scope of the [p]roposal by including limited references to ‘systemic racism’ [...] neither shift[ed] the underlying thrust and focus of the [p]roposal nor [did it] transcend the [c]ompany's ordinary business operations.” The Staff concurred with the exclusion of the proposal, noting that “although the [p]roposal refers to systemic racism through undetected supply chain prison labor, the [p]roposal acknowledges that the [c]ompany already prohibits prison labor *and does not otherwise explain how its compliance program raises a significant issue for the [c]ompany.*” (emphasis added)

In the present case, the Proponent, first, fails to establish that what he calls “public policy issues” truly constitute a “significant” social policy issue that transcends the Company's ordinary business operations. In fact, the Proponent fails altogether to establish a link between the alleged human and political rights abuses in China, and China's potential status as a geopolitical threat to the United States, on the one hand, and the Company, its actions or its industry, on the other hand. Beyond asserting that the Company has operations in China and making vague insinuations regarding the potential implications based on the Company's location of operations and activities in that country, neither the Proposal nor the Supporting Statement directly alleges or supports the existences of human or political rights abuse within the Company's supply chain or that the Company's doing business or managing employees in China somehow creates a significant social policy issue. Second, the Proponent fails to establish a connection between what is sought by the Proposal, namely, general information regarding the nature and extent of the Company's operations in China, and the “public policy issues” purportedly raised by the Proposal. Indeed, nothing in the Proposal or the Supporting Statement impugns the Company's existing policies, processes and initiatives pertaining to the management of supply chain- and business operations-related risks, or allege or support the existence of any deficiencies in the Company's management and monitoring of its supplier network and operations. The Commission's recent guidance on the “significant policy” exception (described herein) does not affect the conclusion that the thrust and focus of the Proposal does not transcend the Company's ordinary business operations.

At its core, the Proposal merely seeks information of a general nature regarding Company's operations in China; matters which implicate a host of ordinary business matters that fall squarely within the purview of management's responsibilities. While the Proposal mentions human and political rights, and the protection of the security of the United States, the mere mention of such social issues is insufficient to transform the Proposal, which relates to quintessential management concerns regarding the location of the Company's operations and the Company's relationship with its suppliers, into one that pertains to "high-level direction on large strategic corporate matters" that the Staff recently confirmed in SLB 14L as deserving shareholder oversight and vote.

c. Where Part of the Proposal Implicates Ordinary Business Matters, the Entire Proposal must be Excluded Under Rule 14a-8(i)(7).

Even if the Staff were to conclude *arguendo* that some of the issues raised by Proposal touch upon "significant social policy issues", the true focus and thrust of the Proposal remains the Company's day-to-day operations and activities in China encompassing a wide range of ordinary business matters, and the Staff should nevertheless exclude the *entire* Proposal under Rule 14a-8(i)(7).

Consistent with the 1998 Release, the Staff routinely concurs with the exclusion of proposals that relate to ordinary business decisions *even* where the proposal may reference a significant social policy issue. For example, in *The Walt Disney Co.* (avail. Jan. 8, 2021), the proposal requested that the company produce a report "assessing how and whether [the company] ensures [its] advertising policies are not contributing to violations of civil or human rights." Despite concerns expressed in the proposal that the company's policies were "contributing to the spread of racism, hate speech, and disinformation," the Staff concurred that the proposal was excludable under Rule 14a-8(i)(7) as relating to ordinary business matters. In *Amazon.com, Inc. (Domini Impact Equity Fund)* (avail. Mar. 28, 2019), the proposal requested that the board annually report to shareholders "its analysis of the community impacts of [the company's] operations, considering near- and long-term local economic and social outcomes." In its no-action request, the company successfully argued that "[e]ven if some of [the] issues that would be addressed in the report requested by the [p]roposal could touch upon significant policy issues within the meaning of the Staff's interpretation, the [p]roposal is not focused on those issues, but instead encompasses a wide range of issues implicating the [c]ompany's ordinary business operations within the meaning of Rule 14a-8(i)(7), and therefore may properly be excluded under Rule 14a-8(i)(7)." The Staff concurred and granted no-action relief under Rule 14a-8(i)(7) noting that "the [p]roposal relates *generally* to 'the community impacts' of the [c]ompany's operations and *does not appear to focus on an issue that transcends ordinary business matters.*" (emphasis added) Similarly, in *Peregrine Pharmaceuticals Inc.* (avail. Jul. 31, 2007), the Staff concurred with the exclusion of a proposal recommending that the board appoint committee of independent directors to evaluate the strategic direction of the company and the performance of the management team could be excluded under Rule 14a-8(i)(7) as relating to ordinary business matters. The Staff noted that the proposal appeared "to relate to *both* extraordinary transactions and non-extraordinary transactions" (emphasis added) and that it accordingly would not recommend enforcement action. Additionally, In *Wal-Mart Stores, Inc.* (avail. Mar. 15, 1999), the Staff concurred with the exclusion of a proposal that requested that the board of directors report on the company's "actions to ensure it does not purchase from suppliers who manufacture items using forced labor, convict labor, or child labor or who fail to comply with laws protecting their employees' wages, benefits, working conditions, freedom of association and other rights." In concurring with the company's request, the Staff noted "in particular that, *although the proposal appears to address matters outside the scope of ordinary business, [...]* the description of matters to be included in the report relates to ordinary business operations." (emphasis added) *See also Walmart Inc.* (avail. Apr. 8, 2019) (concurring with the exclusion of a proposal requesting that the board prepare a report evaluating the risk of discrimination that may result from the company's policies and practices for hourly workers taking absences from work for personal or family illness because it related to the company's ordinary business

operations, *i.e.*, the company’s management of its workforce, and “[did] not focus on an issue that transcends ordinary business matters”); Foot Locker 2017 (concurring with the exclusion of a proposal entitled “Supplier Labor Standards” that took issue with violations of human rights in overseas operations, child labor and “sweatshop” conditions, where two out of four recitals addressed human rights in the company’s supply chain); *JPMorgan Chase & Co.* (*avail.* Mar. 9, 2015) (concurring with the exclusion of a proposal requesting the company amend its human rights-related policies “to address the right to take part in one’s own government free from retribution” because the proposal related to “[the company’s] policies concerning its employees”); *Papa John’s International, Inc.* (*avail.* Feb. 13, 2015) (concurring with the exclusion of a proposal requesting the company to include more vegan offerings in its restaurants, despite the proponent’s assertion that the proposal would promote animal welfare—a significant policy issue); PetSmart 2011 (granting no-action relief with respect to a proposal requesting the board require suppliers to certify that they had not violated animal cruelty-related laws, finding that while animal cruelty is a significant policy issue, the scope of laws covered by the proposals was too broad); and *Apache Corp.* (*avail.* Mar. 5, 2008) (concurring with the exclusion of a proposal requesting the implementation of equal employment opportunity policies based on principles specified in the proposal prohibiting discrimination based on sexual orientation and gender identity because “some of the principles” related to the company’s ordinary business operations).

Here, the Proposal presents a compelling case for exclusion. As articulated above, despite the general allegations of human and political rights violations by the Chinese government and allusions to China’s purported status as a potential geopolitical threat or adversary of the United States contained in the Proposal and Supporting Statement, neither alleges or supports the existences of human or political rights abuse within the Company’s supply chain, argues that the Company’s doing business in China somehow poses a threat to the security of the United States, or impugns the Company’s existing policies, processes and initiatives pertaining to the management of supply chain- and business operations-related risks. As such, the focus and thrust of the instant Proposal is on the Company’s day-to-day operations and activities in China, which implicates a host of ordinary business matters, and is thus properly excludable under Rule 14a-8(i)(7).

B. THE PROPOSAL MAY BE EXCLUDED UNDER RULE 14A-8(I)(3) BECAUSE IT IS IMPERMISSIBLY VAGUE, INDEFINITE AND SUSCEPTIBLE TO VARIOUS INTERPRETATIONS SO AS TO BE INHERENTLY MISLEADING IN VIOLATION OF THE PROXY RULES, INCLUDING RULE 14A-9.

1. Rule 14a-8(i)(3) Background

Rule 14a-8(i)(3) permits the exclusion of a shareholder proposal if the proposal or supporting statement is contrary to any of the Commission’s proxy rules, including Rule 14a-9, which prohibits materially false or misleading statements in proxy soliciting materials. The Staff has taken the position that a shareholder proposal is excludable under Rule 14a-8(i)(3) if the proposal is so vague and indefinite that “neither the stockholders voting on the proposal, nor the company in implementing the proposal (if adopted), would be able to determine with any reasonable certainty exactly what actions or measures the proposal requires.” *SEC Staff Legal Bulletin No. 14B* (Sept. 15, 2004).

The Staff has consistently permitted the exclusion of shareholder proposals under Rule 14a-8(i)(3) when such proposals have failed to define key terms necessary to implement the proposal, contain only general or uninformative references regarding the steps to be taken, or where the proposals otherwise fail to provide sufficient clarity or guidance to enable either shareholders or the company to understand how the proposal would be implemented. For example, in *Apple Inc.* (*avail.* Dec. 6, 2019), the Staff concurred in the exclusion of a shareholder proposal as vague and indefinite where the proposal requested that the company “improve guiding principles of executive compensation.” The proposal did not define what it means to “improve” such guiding principles and the supporting statement did not clarify the nature of the

requested “improvements”. In its response, the Staff noted that “neither shareholders nor the [c]ompany would be able to determine with reasonable certainty how the [p]roposal seeks to ‘improve [the] guiding principles of executive compensation’” and that the proposal therefore “lack[ed] sufficient description about the changes, actions or ideas for the [c]ompany and its shareholders to consider.” Similarly, in *Berkshire Hathaway Inc.* (avail. Jan. 31, 2012), the Staff concurred in the exclusion of a shareholder proposal where the proposal requested that company personnel “sign off [by] means of an electronic key” to indicate whether they “approve or disapprove of [certain] figures and policies” because the proposal did not “sufficiently explain the meaning of ‘electronic key’ or ‘figures and policies.’” See also *AT&T Inc.* (avail. Feb. 21, 2014) (concurring in the exclusion of a proposal requesting that the board review the company’s policies and procedures relating to the “directors’ moral, ethical and legal fiduciary duties and opportunities,” where the phrase “moral, ethical and legal fiduciary” was not defined or meaningfully described); *Morgan Stanley* (avail. Mar. 12, 2013) (concurring in the exclusion of a proposal that requested the appointment of a committee to explore “extraordinary transactions” as vague and indefinite); *The Boeing Company* (avail. Mar. 2, 2011) (allowing exclusion of a proposal requesting, among other things, that senior executives relinquish certain “executive pay rights” without explaining the meaning of the phrase); *General Motors Corp.* (avail. Mar. 26, 2009) (concurring in the exclusion of a proposal to “eliminate all incentives for the CEO and the Board of Directors” that did not define “incentives”); and *Verizon Communications Inc.* (avail. Feb. 21, 2008) (concurring in the exclusion of a proposal prohibiting certain compensation unless the Company’s returns to shareholders exceeded those of its undefined “Industry Peer Group”).

The Staff has also allowed exclusion of proposals under Rule 14a-8(i)(3) where the meaning and application of key terms used in the proposal may be subject to differing interpretations, such that shareholders in voting on the proposal and the company in implementing it might be uncertain what the proposal calls for or reach different conclusions regarding the manner in which the proposal should be implemented. Ambiguities in a proposal may render the proposal materially misleading, because “any action ultimately taken by the [c]ompany upon implementation could be significantly different from the actions envisioned by shareholders voting on the proposal.” *Fuqua Industries, Inc.* (avail. Mar. 12, 1991) (allowing exclusion of a proposal to prohibit “any major shareholder [...] which currently owns 25% of the [c]ompany and has three [b]oard seats from compromising the ownership of the other stockholders,” where the meaning and application of such terms as “any major shareholder,” “assets/interest” and “obtaining control” would be subject to differing interpretations). See also *The Boeing Company* (avail. Feb. 23, 2021) (allowing exclusion of proposal seeking to require that 60% of the directors have an “aerospace/aviation/engineering executive background” where the qualification requirements were not defined and were subject to various interpretations); and *Alaska Air Group, Inc.* (avail. Mar. 10, 2016) (allowing exclusion of a proposal requesting amendment of the bylaws to require that management “strictly honor shareholders rights to disclosure identification and contact information to the fullest extent possible by technology” as “neither the shareholders nor the company would be able to determine with any reasonable certainty exactly what actions or measures the proposal requires”).

2. The Proposal is so Vague that it Would be Impossible for the Shareholders of the Company to Know What They are Voting on and for the Company to Know How to Implement the Proposal.

As in the foregoing precedents, the Proposal is excludable under Rule 14a-8(i)(3), because it fails to define key terms that are critical to understanding the type and scope of information requested by the Proposal or otherwise provide sufficient clarity or guidance to enable either shareholders or the Company to understand how the Proposal would be implemented. The most significant term that lacks definition and is critical to understanding the scope of the information requested is “Communist China.” It is unclear whether the Proposal seeks information on the Company’s business operations in China generally, or with the Chinese government specifically. This ambiguity arises because the resolution and the Supporting

Statement use the term “Communist China” interchangeably to refer to China either as a place, or the Chinese government as an actor. For example, the first sentence of the resolution refers to Communist China as “a serial human rights violator and geopolitical threat and adversary to the U.S.” suggesting that the term is meant to refer to the Chinese government. However, there are numerous references in the Supporting Statement to doing business in, or with entities located in, Communist China, suggesting that the term is meant to refer to the country of China as a place.

The ambiguous use of “Communist China” makes it impossible for the Company and its shareholders to understand the type and scope of information requested by the Proposal. This ambiguity is compounded by imprecise drafting. For example, the second sentence of the resolution, which is critical to understanding the request of the Proposal, reads:

“The report should exclude confidential business information but provide shareholders with a basic sense of Verizon’s reliance on activities conducted within, and under control of the Communist Chinese government.”

The use of the word “within,” together with the absence of a necessary comma after the words “control of,” makes it unclear whether the Proponent inadvertently omitted a reference to China as a place after the word “within” or if he intended that the report address the Company’s reliance on activities conducted within the Communist Chinese government.

The only instance in the entire Proposal where the Proponent refers to “China” without the “Communist” qualifier is in the last sentence of the Supporting Statement, which reads:

“Given the controversial, if not dangerous nature of doing business in China, shareholders have the right to know the general nature and extent extent [*sic*] to which Verizon’s business operations are involved with or depend on Communist China.”

Here, the reference to China in the first part of the sentence is clearly to the country of China as a place. However, the Proponent’s decision to refer to “Communist China” in the latter part of the sentence raises the question whether the Proponent is seeking information on the Company’s business operations in China generally or its operations that involve or depend on the Chinese government specifically.

The Proposal is also vague and ambiguous when it uses the phrase, “corporate operations [that] involve or depend on Communist China.” What it means to “involve or depend on Communist China” can vary greatly depending on whether “Communist China” refers to the country of China as a place or to the Chinese government. If we assume that “Communist China” refers to a place, it raises the following questions regarding the intended scope of the requested report:

- What does it mean for the Company’s corporate operations to “involve or depend on” China? Is the scope of the requested report limited to the Company’s direct suppliers or customers that are located in or doing business in China, or would the Company need to also report on the extent to which its operations involve or depend on suppliers and customers who are located outside of China but whose own operations “involve or depend on” suppliers and customers in China (for example, a supplier of devices that are manufactured in, or rely on parts manufactured in or raw materials sourced from, China)? If the latter, how would the Company be in a position to obtain this information? The oblique reference to reporting on the “general nature” of the involvement is hardly informative on this point.
- In the context of direct suppliers, does the Proposal seek information solely on the Company’s relationship with suppliers which are Chinese entities, such as a telecom operator that provides

interconnection services for phone calls from the Company's customers, or does it also seek information on the Company's relationship with suppliers who may have operations in China but are multinational entities, such as law firms and accounting firms?

- Is the requested report intended to cover all historical as well as ongoing and future corporate operations that "involve or depend on" China?

If we assume that "Communist China" refers to the Chinese government, it raises the following questions:

- What does it mean for corporate operations to "involve or depend on" the Chinese government? Does the Proposal seek information relating to the Company's direct involvement with the Chinese government (for example, if the Company is required to obtain licenses or franchises to operate in China or own or lease property in China)? Or is the intended scope of the requested information broader and relate to the effects of government actions on the Company's operations? For example, does the Proposal require the Company to speculate on tariffs or other restrictions that the Chinese government could impose on specific materials or goods acquired from Chinese entities?

Furthermore, the phrase "reliance on activities conducted within, and under control of the Communist Chinese government" in the second sentence of the resolution is similarly ambiguous and raises the following questions:

- What does it mean to be "[reliant] on activities conducted within, and under control of the Communist Chinese government"? Is any activity that occurs within China presumed to be "within, and under control of the Communist Chinese government," or are there certain activities that are outside of, and not considered to be under control of the Communist Chinese government? How would the Company, or its shareholders, know which activities would have to be reported?
- Similarly, are all corporate operations conducted by the Company's suppliers or customers located in China, or doing business with the Chinese government, presumed to be "within, and under control of the Communist Chinese government"? Are all corporate operations conducted by the Company's suppliers or customers located outside of China but who are dependent on their own suppliers or customers in China, or who do business with the Chinese government, presumed to be "within, and under control of the Communist Chinese government"?

It is impossible for the Company and its shareholders to comprehend precisely the depth and scope of the Proposal because of the Proposal's vague and indefinite terms and parameters. *See New York City Employees' Retirement System v. Brunswick Corp.*, 789 F. Supp. 144, 146 (S.D.N.Y. 1992) ("Shareholders are entitled to know precisely the breadth of the proposal on which they are asked to vote."). As demonstrated, the Proposal is impermissibly vague, indefinite and susceptible to various interpretations so as to be inherently misleading, and we respectfully request that the Staff concur in our view that it is excludable under Rule 14a-8(i)(3).

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CONCLUSION

For the foregoing reasons, we respectfully request, on behalf of the Company, that the Staff confirm that it will not recommend to the Commission that enforcement action be taken against the Company if it excludes the Proposal from its 2022 Proxy Materials.

If you have any questions concerning any aspect of this matter or require any additional information, please do not hesitate to contact the undersigned at +1 212 225 2864 or jkarpf@cgsh.com. If the Staff is unable to agree with our conclusions without additional information or discussions, we respectfully request the opportunity to confer with members of the Staff prior to issuance of any written response to this letter.

Sincerely,

A handwritten signature in black ink, appearing to read "JKarpf", with a long horizontal line extending to the right.

Jeffrey D. Karpf
Partner
Cleary Gottlieb Steen & Hamilton LLP

Enclosures

cc: Brandon N. Egren, *Verizon Communications Inc.*
Steven Milloy

EXHIBIT A
PROPOSAL AND SUPPORTING STATEMENT

[See Attached.]



Egren, Brandon Norman [REDACTED]

Re: [E] Shareholder proposal submission

1 message

Egren, Brandon Norman [REDACTED]

Mon, Nov 29, 2021 at 2:31 PM

To: [REDACTED]

Cc: Karen M Shipman [REDACTED]

Dear Mr. Milloy,

We acknowledge receipt of your submission.

Regards,
Brandon Egren



Brandon N. Egren

Associate General Counsel &
Assistant Secretary

O [REDACTED]
M [REDACTED]

----- Original message -----

From: **Steve Milloy** [REDACTED]
Date: Mon, Nov 29, 2021 at 1:39 PM
Subject: [E] Shareholder proposal submission
To: [REDACTED]

Dear Mr. Horton:

Attached please find my shareholder proposal submission for the 2022 meeting.

Please confirm receipt.

Let me know if you have questions.

Sincerely,

Steve Milloy
[REDACTED]

Communist China Audit

Resolved:

Shareholders request that, beginning in 2022, Verizon report to shareholders on the general nature and extent to which corporate operations involve or depend on Communist China, which is a serial human rights violator and a geopolitical threat and adversary to the US. The report should exclude confidential business information but provide shareholders with a basic sense of Verizon's reliance on activities conducted within, and under control of the Communist Chinese government.

Supporting Statement:

American companies doing business in Communist China is a controversial public policy issue. See, e.g., "Doing business in China is difficult. A clash over human rights is making it harder," April 2, 2021, <https://www.cnn.com/2021/04/02/business/nike-china-western-business-intl-hnk/index.html>.

Verizon does business in, and likely relies on parts, raw materials and/or services from entities in Communist China.

Communist China is a well-known serial violator of human and political rights.

Communist China may also possibly become a hostile adversary of the US for a variety of reasons, including:

— Communist China intends to displace the US as the lone global superpower by 2049.

— The US has committed to defending Taiwan, which Communist China may attempt to seize by force.

— US-China relations are tense over a number of issues including Communist China's military expansion, egregious human rights violations, actions related to the COVID pandemic, intellectual property theft, elimination of political freedom in Hong Kong, and environmental pollution.

Communist China has also publicly indicated that it would use its industrial capabilities for strategic purposes against adversaries. Communist China has already taken action against Australia, for example, for COVID-related criticism.

Given the controversial, if not dangerous nature of doing business in China, shareholders have the right to know the general nature and extent to which Verizon's business operations are involved with or depend on Communist China.