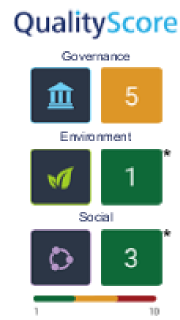
The Boeing Company

Key Takeaways



Meeting Type: Annual
Meeting Date: 27 April 2020
Record Date: 27 February 2020
Meeting ID: 1407738

New York Stock Exchange: BA
Index: S&P 500
Sector: Aerospace & Defense
GICS: 20101010

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A vote against longtime directors Collins, Giambastiani, Schwab and Williams is warranted due to the board's failure to exercise sufficient oversight of management strategy and corporate culture. Notwithstanding his long tenure on the board, a vote for newly-named CEO Calhoun is warranted, with caution, as he will need to demonstrate that he can be an effective leader of cultural change at Boeing.

Support is warranted for the proposed policy to require an independent board chair, notwithstanding that the current chair is independent, as shareholders would benefit from continuing the most robust form of independent oversight of management as the company undergoes a cultural transformation and rebuilds credibility with regulators, customers and other key stakeholders.

Support for the lobbying disclosure shareholder resolution is warranted, as additional disclosure of the company's direct and indirect lobbying-related expenditures and oversight mechanisms would aid investors in assessing the company's management of related risks and benefits.

Agenda & Recommendations

Policy: United States
Incorporated: Delaware, USA

Item	Code	Proposal	Board Rec.	ISS Rec.
MANAGEMENT PROPOSALS				
1a	M0201	Elect Director Robert A. Bradway	FOR	FOR
▶1b	M0201	Elect Director David L. Calhoun	FOR	FOR
1c	M0201	Elect Director Arthur D. Collins, Jr.	FOR	AGAINST
1d	M0201	Elect Director Edmund P. Giambastiani, Jr.	FOR	AGAINST
1e	M0201	Elect Director Lynn J. Good	FOR	FOR
1f	M0201	Elect Director Nikki R. Haley - Withdrawn Resolution	NONE	NONE
1g	M0201	Elect Director Akhil Johri	FOR	FOR
1h	M0201	Elect Director Lawrence W. Kellner	FOR	FOR
1i	M0201	Elect Director Caroline B. Kennedy	FOR	FOR
1j	M0201	Elect Director Steven M. Mollenkopf	FOR	FOR
1k	M0201	Elect Director John M. Richardson	FOR	FOR
1l	M0201	Elect Director Susan C. Schwab	FOR	AGAINST
1m	M0201	Elect Director Ronald A. Williams	FOR	AGAINST
2	M0550	Advisory Vote to Ratify Named Executive Officers' Compensation	FOR	FOR
3	M0101	Ratify Deloitte & Touche LLP as Auditors	FOR	FOR

Report Contents

* ISS Environmental and Social QualityScore is newly introduced for 2018 and is based on company disclosure and transparency practices.

SHAREHOLDER PROPOSALS

4	S0913	Require Director Nominee Qualifications	AGAINST	AGAINST
5	S0808	Report on Lobbying Payments and Policy	AGAINST	FOR
6	S0107	Require Independent Board Chairman	AGAINST	FOR
7	S0238	Provide Right to Act by Written Consent	AGAINST	FOR
8	S0500	Adopt Share Retention Policy For Senior Executives	AGAINST	FOR
9	S0503	Increase Disclosure of Compensation Adjustments	AGAINST	FOR

Shading indicates that ISS recommendation differs from Board recommendation
▶ Items deserving attention due to contentious issues or controversy

ISS-Company Dialogue

Dates	Topics	Initiated By	Notes
Feb 26, 2020	Board Composition and Leadership, Executive Transitions, Compensation, Other	Issuer	The company discussed recent changes to the board and management team, the context of recent compensation decisions for current and former executives, and the board's actions following the 737 MAX grounding.
March 27, 2020	Draft Review	ISS	The company was given the opportunity to review a draft of this analysis for fact-checking purposes.

Note: ISS engages in ongoing dialogue with issuers in order to ask for additional information or clarification, but not to engage on behalf of its clients. Any draft review which may occur as part of this process is done for purposes of data verification only. All ISS recommendations are based solely upon publicly disclosed information.

Material Company Updates

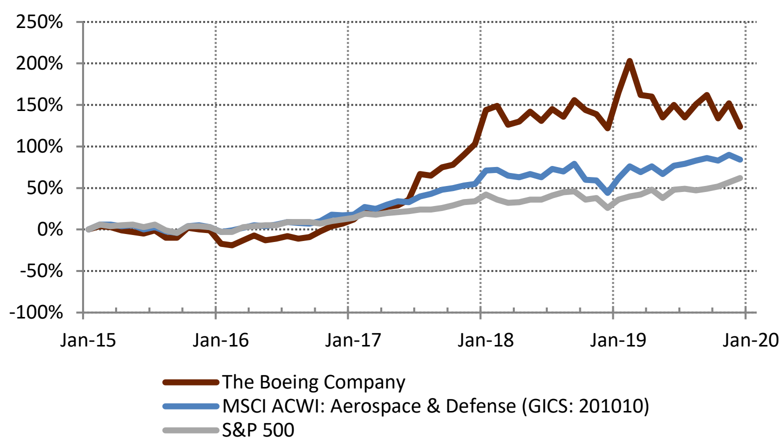
Item	Summary
Grounding of 737 MAX	As discussed in the company's most recent Form 10-K, dated Jan. 31, 2020, on March 13, 2019 the Federal Aviation Administration (FAA) issued an order – supported by the company – to suspend operations of all 737 MAX aircraft in the U.S. and by U.S. aircraft operators following two fatal 737 MAX accidents. Non-U.S. civil aviation authorities have issued directives to the same effect. Boeing states that it is working closely with the relevant government authorities to support both accident investigations, and is also fully cooperating with other U.S. government investigations, including by the Department of Justice and Securities and Exchange Commission, related to the accidents. Deliveries of the 737 MAX have been suspended until clearance is granted by the appropriate regulatory authorities, and production of the MAX was suspended in January 2020. Multiple legal actions have been filed against the company as a result of the Oct. 29, 2018 accident of Lion Air Flight 610 and the March 10, 2019 accident of Ethiopian Airlines Flight 302, and Boeing has "experienced claims and/or assertions from customers and suppliers in connection with the grounding." The company states that it cannot reasonably estimate a range of loss, if any, not covered by available insurance that may result given the ongoing status of these lawsuits, investigations, and inquiries. For further details regarding the board's actions since the grounding, see the discussion in the director election analysis below.
COVID-19 Countermeasures	On March 20, 2020 Boeing announced that as actions to navigate the COVID-19 crisis, it would suspend dividend payments until further notice and had terminated its share repurchase program. In addition, CEO David Calhoun and Chairman Lawrence Kellner will forego all pay until the end of the year. On March 23, 2020 the company switched the format of its annual meeting to a "virtual-only" meeting, and also announced a 14-day shutdown of operations at its Puget Sound area facilities, from March 25, in light of the state of emergency in Washington state.

Changes to Board and Management	On Oct. 11, 2019 the board separated the roles of chairman and CEO. Dennis Muilenburg continued to serve as President and CEO, while David Calhoun, previously lead independent director, was appointed to serve as non-executive chairman. On Dec. 22, 2019, Muilenburg resigned as President and CEO and from the board. The board elected Calhoun to serve as President and CEO effective Jan. 13, 2020 (with Gregory Smith serving as interim CEO until that date), while independent director Lawrence Kellner was appointed non-executive chairman effective Dec. 22, 2019. Kevin McAllister ceased to serve as EVP of Boeing and President and CEO of Boeing Commercial Airplanes on Oct. 22, 2019. McAllister was replaced by Stan Deal, formerly CEO of Boeing Global Services. John Richardson was appointed to the board on Oct. 25, 2019. On Feb. 24, 2020 the company announced that Steven Mollenkopf and Akhil Johri were nominated for election to the board at the 2020 annual meeting, and that current directors Edward Liddy and Mike Zafirovski will not stand for reelection. On March 16, 2020 Nikki Haley resigned from the board due to her opposition to the company's effort to seek federal government assistance.

Financial Highlights

Company Description: The Boeing Company and its subsidiaries design, develop, manufacture, sell, service, and support commercial jetliners, military aircraft, satellites, missile defense, human space flight and launch systems, and services worldwide.

STOCK PRICE PERFORMANCE



TOTAL SHAREHOLDER RETURNS

	1 Yr	3 Yr	5 Yr
Company TSR (%)	3.25	30.83	23.26
GICS 2010 TSR (%)	33.65	11.97	9.06
S&P500 TSR (%)	31.49	15.27	11.70

Source: Compustat. As of last day of company FY end month: 12/31/2019

COMPANY SNAPSHOT

Market Cap (M)	162,052.6
Closing Price	287.76
Annual Dividend	8.22
52-Week High	446.01
52-Week Low	284.29
Shares Outstanding (M)	563.15
Average daily trading volume (prior mo)*	5,987.55

As of February 27, 2020 (All currency in USD)
* Trading Volume in thousands of shares

FINANCIAL & OPERATIONAL PERFORMANCE

	Historical Performance (FY ending)					Compared to Peers (Compustat FY*) – **2019**				
All currency in USD	**12/2015**	**12/2016**	**12/2017**	**12/2018**	**12/2019**	**CVX**	**VZ**	**T**	**PG**	**IBM**
Earnings						Chevron Corporation	Verizon Communications Inc.	AT&T Inc.	The Procter & Gamble Company	International Business Machines Corporation
Revenue (M)	96,114	94,571	93,392	101,127	84,818	139,865	131,868	181,265	67,684	77,147
Net Income (M)	5,176	5,034	8,458	10,460	-636	2,924	19,265	13,903	3,897	9,431
EBITDA (M)	8,815	8,470	11,911	13,698	7,850	29,318	46,985	59,286	17,390	16,908
EPS (USD)	7.52	7.70	13.60	18.05	-1.12	1.55	4.66	1.90	1.45	10.63
EPS Y/Y Growth (%)	1	2	77	33	N/A	-80	24	-33	-61	11
Profitability										
Pretax Net Margin (%)	7	6	11	12	-3	4	17	10	9	13
EBITDA Margin (%)	9	9	13	14	9	21	36	33	26	22
Return on Equity (%)	82	599	2,309	3,086	N/A	2	31	8	8	45
Return on Assets (%)	6	5	9	9	-1	1	7	3	3	6
ROIC (%)	34	47	80	95	-5	2	11	4	5	12
Leverage										
Debt/Assets	11	11	12	12	21	13	46	34	26	45
Debt/Equity	157	1,218	3,132	4,085	-331	21	217	102	64	327
Cash Flows										
Operating (M)	9,363	10,499	13,344	15,322	-2,446	27,314	35,746	48,668	15,242	14,770
Investing (M)	-1,846	-3,380	-2,062	-4,621	-1,530	-11,458	-17,581	-16,690	-3,490	-26,936
Financing (M)	-7,920	-9,587	-11,350	-11,722	5,739	-19,758	-18,164	-25,083	-9,994	9,042
Net Change (M)	-431	-2,501	12	-1,074	1,758	-3,570	1	6,895	1,670	-3,290
Valuation & Performance										
Price/Earnings	19.20	20.20	21.70	17.90	N/A	77.70	13.20	20.60	75.60	12.60
Annual TSR (%)	14.13	11.32	94.50	11.50	3.25	15.35	13.94	45.57	44.93	23.70

Source: Compustat. *Note: Compustat standardizes financial data and fiscal year designations to allow for meaningful comparison across companies. Compustat data may differ from companies' disclosed financials and does not incorporate non-trading equity units. Peers shown here represent closest industry peers drawn from those peers used in ISS' pay-for-performance analysis. See www.issgovernance.com/policy-gateway/company-financials-faq/ for more information.

Corporate Governance Profile

BOARD SUMMARY

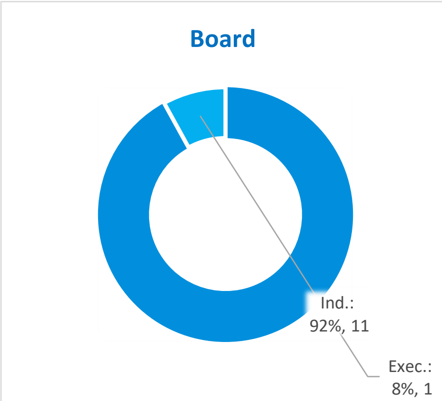
Chairman classification	Independent
Separate chair/CEO	Yes
Independent lead director	N/A
Voting standard	Majority
Plurality carveout for contested elections	Yes
Resignation policy	Yes
Total director ownership (000 shares)	190
Total director ownership (%)	< 1
Percentage of directors owning stock	91.7%
Number of directors attending < 75% of meetings	0
Average director age	62 years
Average director tenure	6 years
Percentage of women on board	25%

SHAREHOLDER RIGHTS SUMMARY

Controlled company	No
Classified board	No
Dual-class stock	No
Vote standard for mergers/acquisitions	Majority
Vote standard for charter amendment	Majority
Vote standard for bylaw amendment	Majority
Shareholder right to call special meetings	Yes, 25%
Material restrictions on right to call special meetings	No
Shareholder right to act by written consent	No
Cumulative voting	No
Board authorized to issue blank-check preferred stock	Yes
Poison pill	No
Proxy Access	Yes
- Ownership requirement (%)	3
- Time requirement (years)	3
- Nomination limit (% of seats)	20
- Nomination limit (# of nominees)	2
- Aggregation cap (# of nominators)	20

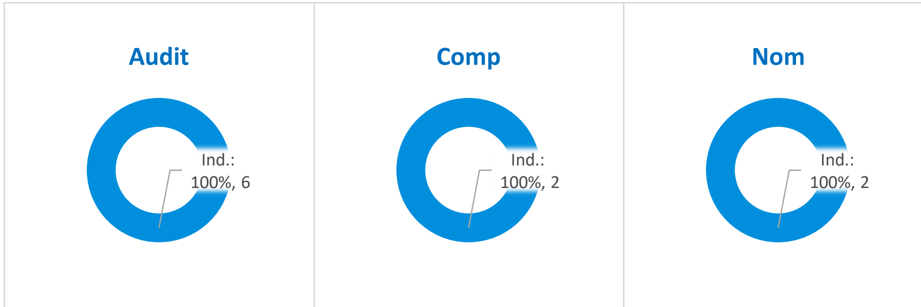
Board & Committee Composition

The information provided in the charts and tables below is based on ISS data records, which rely on disclosures in proxy materials and other public sources available as of the date set forth below (for the general meeting under review) and, with respect to information from prior years, information that was available ahead of each year's annual general meeting at the time of ISS' report for that meeting. As such, these charts and tables might not reflect changes to the board composition and/or other covered elements subsequently disclosed by the issuer after ISS' publications or between general meetings.
Independence values refer to ISS Independence classifications ("Exec": Executive Director; "N-Ind.": Non-Independent Director; "Ind.": Independent Director).



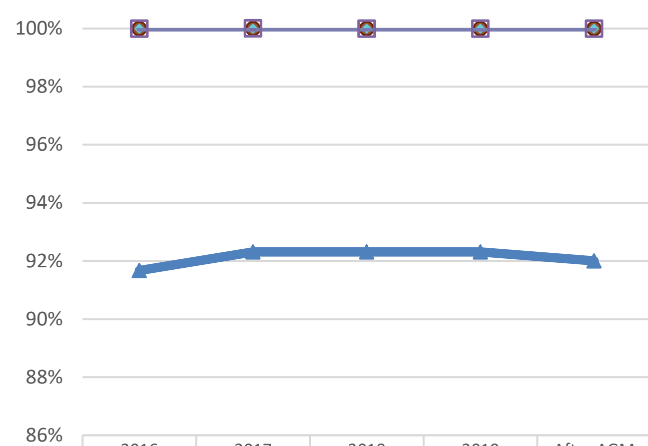
Meetings last FY:10

as of April 27, 2020



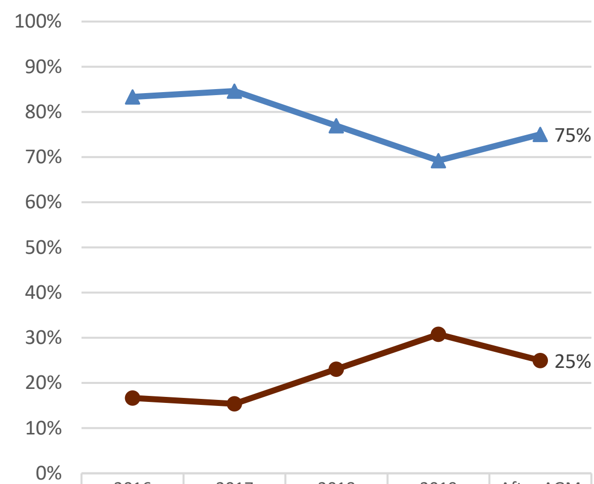
Meetings last FY:11 Meetings last FY:8 Meetings last FY:6

Independence History



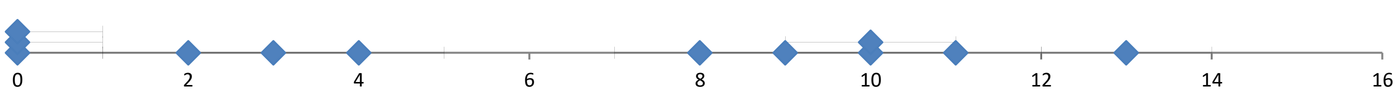
	2016	2017	2018	2019	After AGM
Board	92%	92%	92%	92%	92%
Audit Com	100%	100%	100%	100%	100%
Comp Com	100%	100%	100%	100%	100%
Nom Com	100%	100%	100%	100%	100%

Gender Diversity Trend



	2016	2017	2018	2019	After AGM
male	83%	85%	77%	69%	75%
female	17%	15%	23%	31%	25%

Director tenure



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Board Profile (after upcoming meeting)

Item #	Executive Directors	Affiliation	Independence		Leadership	Gender	Age	Tenure	Term Ends	Committee			
			Co.	ISS						Audit	Comp	Nom	Gov
1b	**David Calhoun**		Exec	Exec	CEO	M	62	11	2021				
	Non-Executive Directors												
1h	**Lawrence Kellner**		Ind.	Ind.	Chair	M	61	8	2021	F			
1a	**Robert Bradway**		Ind.	Ind.		M	57	3	2021	F			
1c	**Arthur Collins Jr.**		Ind.	Ind.		M	72	13	2021		C	M	M
1d	**Edmund Giambastiani Jr.**		Ind.	Ind.		M	71	10	2021	M			
1e	**Lynn Good**		Ind.	Ind.		F	60	4	2021	C F			
1g	**Akhil Johri**		Ind.	Ind.		M	58	NEW	2021				
1i	**Caroline Kennedy**		Ind.	Ind.		F	62	2	2021	M			
1j	**Steven (Steve) Mollenkopf**		Ind.	Ind.		M	51	NEW	2021				
1k	**John Richardson**		Ind.	Ind.		M	59	0*	2021				
1l	**Susan Schwab**		Ind.	Ind.		F	64	10	2021		M	M	M
1m	**Ronald (Ron) Williams**		Ind.	Ind.		M	70	9	2021	F			
			92% Ind.	92% Ind.		25% F	Ave: 62	Ave: 6	Ave: 1	100% Ind.	100% Ind.	100% Ind.	100% Ind.

Committee Membership: M = Member | C = Chair | **F = Financial Expert**
*Indicates director not previously submitted to shareholders for election.
Edmund Giambastiani joined the board on Oct. 7, 2009. Ronald Williams joined the board on Dec. 2, 2010.

DIRECTOR NOTES

1e	Lynn Good	OTHER INFORMATION Deloitte & Touche LLP serves as the company's independent registered public accounting firm and was paid $31.7 million for serving in such capacity during fiscal 2019. Lynn Good served as an audit partner of Deloitte prior to joining Duke Energy in 2003. (Source(s): DEF14A, 3/13/20, pp. 13, 64.)

COMMITMENTS AT PUBLIC COMPANIES

Item #	Director Name	# of boards	Company Name**	Mandate Type	CEO	Board Chair	Committee			Ownership		
							Audit	Comp	Nom	#	% stock	% votes
1b	David Calhoun	2	*The Boeing Company*	Executive Director	✓					65,198	<0.1	<0.1
			Caterpillar Inc.	Non-Executive Director					C			
1h	Lawrence Kellner	2	*The Boeing Company*	Non-Executive Director		✓	F			13,432	<0.1	<0.1
			Marriott International, Inc.	Non-Executive Director					C			
1a	Robert Bradway	2	*The Boeing Company*	Non-Executive Director			F			4,187	<0.1	0
			Amgen, Inc.	Executive Director	✓	✓						
1c	Arthur Collins Jr.	1	*The Boeing Company*	Non-Executive Director				C	M	43,117	<0.1	0
1d	Edmund Giambastiani Jr.	3	*The Boeing Company*	Non-Executive Director			M			16,321	<0.1	0
			THL Credit, Inc.	Non-Executive Director				M	M			
			Invesco Actively Managed Exchange Traded Commodity Fund Tr	Non-Executive Director					M			
			Invesco Ltd. (Funds, 6)	Non-Executive Director					M			
1e	Lynn Good	2	*The Boeing Company*	Non-Executive Director			C F			5,610	<0.1	<0.1
			Duke Energy Corporation	Executive Director	✓	✓						
1g	Akhil Johri	2	*The Boeing Company*	Non-Executive Director						150	<0.1	<0.1
			Cardinal Health, Inc.	Non-Executive Director			F					
1i	Caroline Kennedy	1	*The Boeing Company*	Non-Executive Director			M			1,571	<0.1	0
1j	Steven (Steve) Mollenkopf	2	*The Boeing Company*	Non-Executive Director						0	0	0
			QUALCOMM Incorporated	Executive Director	✓							

1k	John Richardson	2	*The Boeing Company*	Non-Executive Director						264	<0.1	0
			Exelon Corporation	Non-Executive Director								
1l	Susan Schwab	4	*The Boeing Company*	Non-Executive Director				M	M	17,496	<0.1	<0.1
			FedEx Corporation	Non-Executive Director				M				
			Marriott International, Inc.	Non-Executive Director				M				
			Caterpillar Inc.	Non-Executive Director					M			
1m	Ronald (Ron) Williams	3	*The Boeing Company*	Non-Executive Director			F			22,487	<0.1	<0.1
			American Express Company	Non-Executive Director				C	M			
			Johnson & Johnson	Non-Executive Director				C	M			

Companies highlighted in blue are considered belonging to the same group and count as 1 for ISS board count calculations.
Ownership values take into account Deferred Share Units where applicable, but do not include unexercised stock options or unvested restricted stock awards.
**For mandates held at funds, the table shows the name of the ultimate management company and, based on ISS coverage, the number of mandates at funds or sub-funds managed by that company.

DIRECTOR PAY AND ATTENDANCE OVERVIEW MOST RECENT FY

Item #	Director Name	Board Position	Attendance (in %)	Total Compensation
1b	**David Calhoun**	ED, CEO	≥75%	**
1h	**Lawrence Kellner**	**NED, Chair, Audit (M)**	**≥75%**	**392,111**
1a	**Robert Bradway**	NED, Audit (M)	≥75%	353,611
1c	**Arthur Collins Jr.**	NED, Comp (C), Nom (M)	≥75%	387,111
1d	**Edmund Giambastiani Jr.**	NED, Audit (M)	≥75%	393,908
1e	**Lynn Good**	NED, Audit (C)	≥75%	367,111
1g	**Akhil Johri**	NED	N/A	N/A
1i	**Caroline Kennedy**	NED, Audit (M)	≥75%	338,211
1j	**Steven (Steve) Mollenkopf**	NED	N/A	N/A
1k	**John Richardson**	NED	≥75%	21,151
1l	**Susan Schwab**	NED, Comp (M), Nom (M)	≥75%	357,175
1m	**Ronald (Ron) Williams**	NED, Audit (M)	≥75%	377,390
Total				3,410,169

Attendance rates take into account board and committee meetings.
Pay in local currency
ED for Executive Directors, NED for Non-Executive Directors
**For executive director data, please refer to Executive Pay Overview.

Compensation Profile

EXECUTIVE PAY OVERVIEW

Executive	Title	Base Salary	Change in Pension, Deferred Comp, All Other Comp	Bonus & Non-equity Incentives	Restricted Stock	Option Grant	Total
D. Muilenburg	Former President and CEO	2,014	4,990	0	6,930	0	13,934
J. Luttig	Former EVP, Counselor and Advisor to the Board	984	4,390	0	1,846	0	7,221
G. Smith	CFO and EVP, Enterprise Performance and Strategy	1,129	956	0	2,325	0	4,410
T. Keating	EVP, Government Operations	695	659	0	2,954	0	4,308
S. Deal	EVP, President and CEO, Commercial Airplanes	934	1,538	0	1,657	0	4,130

Median CEO Pay	ISS Selected Peer Group	1,600	2,054	4,449	10,994	0	22,262
	Company Defined Peers	1,582	1,782	4,449	10,802	0	**22,206**

Source: ISS. Pay in $thousands. Total pay is sum of all reported pay elements, using ISS' Black-Scholes estimate for option grant-date values. Note: Median total pay will not equal sum of pay elements medians. Company Defined Peers are as disclosed. More information on ISS' peer group methodology at www.issgovernance.com/policy-gateway/us-compensation-policy-guidance/.

OPTION VALUATION ASSUMPTIONS

For CEO's last FY Grant	Company	ISS
Volatility (%)	N/A	N/A
Dividend Yield (%)	N/A	N/A
Term (yrs)	N/A	N/A
Risk-free Rate (%)	N/A	N/A
Grant date fair value per option	N/A	N/A
Grant Date Fair Value ($ in 000)	N/A	N/A

The CEO did not receive stock options in the most recent fiscal year.

CEO PAY MULTIPLES

Compared to	Multiple
2nd highest active executive	1.93
Average active NEO	2.78
ISS peer median	0.63
Company peer median	0.63
Median employee/CEO Pay Ratio* (FY19, FY18)	90, 184

*As disclosed by the company. The company disclosed the median compensation of all employees to be $158,869.

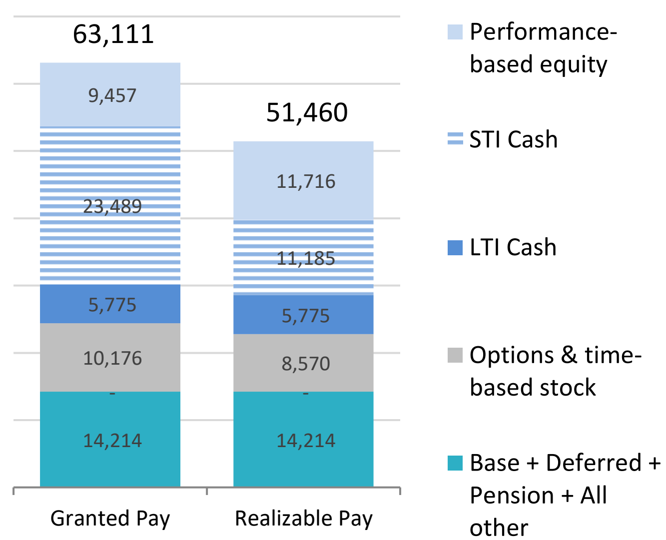
CEO TALLY SHEET

CEO	D. Muilenburg
CEO tenure at FYE:	4.5 years*
Present value of all accumulated pension:	$14,862,367
Value of CEO stock owned (excluding options):	N/A
Potential Termination Payments	
Involuntary termination without cause:	N/A
Termination after a change in control:	N/A

Source: DEF14A
*Muilenburg retired as president and CEO on Dec. 22, 2019.

3-YEAR GRANTED VS. REALIZABLE CEO PAY

3-year TSR: 30.83%



Source: DEF14A and ISS ($ in thousands)

Granted pay equals the sum of all CEO pay, as disclosed in the proxy statement for the applicable fiscal years, except that equity grant values may be based on ISS' valuation. Realizable pay equals the sum of all cash paid (as disclosed) during the same period, plus the value of all equity grants at the end of the period (based on earned value, if applicable, or re-calculated FV of target level equity awards not yet earned/vested). For additional information, please visit www.issgovernance.com/policy-gateway/us-compensation-policy-guidance/

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Dilution & Burn Rate

DILUTION

	Dilution (%)
The Boeing Company	3.43
Peer group median	4.83
Peer group weighted average	2.50
Peer group 75th percentile	10.10

Dilution is the sum of the total amount of shares available for grant and outstanding under options and other equity awards (vested and unvested) expressed as a percentage of total basic common shares outstanding as of the record date. The dilution figure typically excludes employee stock purchase plans (ESPPs) and 401(k) shares. The underlying information for the company is based on the company's equity compensation table in the most recent proxy statement or 10-K.

BURN RATE

	Non-Adjusted (%)	Adjusted (%)
1-year	0.23	0.57
3-year average	0.25	0.63

Burn rate equals the number of shares granted in each fiscal year, including stock options, restricted stock (units), actual performance shares delivered under the long-term incentive plan or earned deferred shares, to employees and directors divided by weighted average common shares outstanding. The adjusted burn rate places a premium on grants of full-value awards using a multiplier based on the company's annual volatility.

QualityScore

Governance	5	Environment	1	Social	3
Lower Risk — Higher Risk		Higher Disclosure — Lower Disclosure		Higher Disclosure — Lower Disclosure	
Board Structure	6	Management of Environmental Risks and Opportunities	1	Human Rights	3
Compensation	6	Carbon and Climate	1	Labor, Health, and Safety	5
Shareholder Rights	4	Natural Resources	1	Stakeholders and Society	4
Audit & Risk Oversight	5	Waste and Toxicity	3	Product Safety, Quality, and Brand	1

Governance Scores As Of: April 2, 2020
Last Data Profile Update: April 2, 2020

Environmental and Social Scores As Of: April 2, 2020
Last Data Profile Update: Nov. 18, 2019

ISS Governance QualityScore is derived from publicly disclosed data and reporting on company governance disclosure, risk and performance. ISS Environmental and Social QualityScore is based on company disclosure and transparency practices. Scores indicate decile rank among relative index, region (Governance QualityScore), or industry group (Environmental and Social QualityScore). Scores are calculated at each pillar by summing the factor scores in that pillar. Not all factors and not all subcategories have equal weight.

For more information on ISS QualityScore, visit www.issgovernance.com/solutions/qualityscore. For questions, visit ISS Help Center.

Climate Awareness Scorecard

Climate Risk Exposure

CARBON RISK CLASSIFICATION

Risk Level	High

The Carbon Risk Classification identifies a company's individual exposure to carbon risks based on industry assignment and business activities, taking into account the greenhouse gas emissions of production processes, products and services along the value chain. Risk exposure is classified as high, medium or low, as well as positively contributing companies.

INCIDENT-BASED RISK EXPOSURE

Norms Violation	No Allegation

The Paris Agreement and other universally accepted climate norms set "do no harm" standards for a corporate climate practice. Certain companies, however, might be violating such norms. ISS Norm-Based Research differentiates between the level of failure to respect norms. The Norms violations categories are assigned according to the degree of verification, severity and remediation, if any.

Climate Performance

CURRENT CLIMATE PERFORMANCE

Greenhouse Gas Emissions	Total
Total Emissions (Scope 1&2)	1,399,000 tCO_2e
Total Emissions (Scope 3)	3,731,662 tCO_2e
Emission Intensity (Scope 1&2 /m$ revenue)	14 tCO_2e
Average Peer Emission Intensity (Scope 1&2 /m$ revenue)	29.8 tCO_2e

FORWARD-LOOKING CLIMATE PERFORMANCE

Carbon Risk Rating	Total
Category	Climate Medium Performer
Rating (0-100)	36

To meet climate targets and avoid climate risks, the current and future performance on climate challenges matters. Current direct and indirect greenhouse gas emissions, normalized by revenue, provide an indicator for the climate efficiency of a company. This can be contrasted to the average emission intensity of industry peers with a similar emission profile. Greenhouse gas emissions are sourced from company disclosure or the CDP and are updated by 31 December of each year for the previous business year. For non- or poorly reporting companies, emissions will be estimated. The Carbon Risk Rating provides a future-oriented analysis of carbon-related risks through an assessment of climate-related performance indicators and the company specific carbon risk classification. It differentiates between leaders, outperformers, medium performers and laggards on a scale from 0 (worst) to 100 (best).

Climate Disclosure

CLIMATE RISK DISCLOSURE

Climate Disclosure Pillars	Disclosure Alignment
Governance	PARTIAL ALIGNMENT
Strategy	PARTIAL ALIGNMENT
Risk Management	EXEMPLIFIES STANDARD
Metrics & Targets	MEETS STANDARD

A key indicator of a robust strategy to address the risks and opportunities of climate change is a company's disclosure of its activities. The Climate Disclosure assessment follows the nomenclature of the Task Force on Climate-related Financial Disclosures (TCFD) to score a company on disclosure regarding climate governance, strategy, risk management, and metrics and targets with the classifications: Standard Unmet, Partial Alignment, Meets Standard, and Exemplifies Standard.

The ISS Climate Awareness Scorecard reflects publicly disclosed data and reporting on the company's climate change-related disclosures and performance. The Scorecard uses a range of climate-related factors to indicate a company's disclosure practices and performance record including its carbon risk classification. Companies are evaluated on overall disclosure (Governance, Strategy, Risk Management, Metrics & Targets) and performance factors (Norms Violations, GHG Emissions, Performance Ratings). For more information or questions regarding ISS Climate Awareness Scorecard, please contact: ISS Help Center.

Vote Results

ANNUAL MEETING 29 APRIL 2019

Proposal	Board Rec	ISS Rec	Disclosed Result	Support Including Abstains (%)[1]	Support Excluding Abstains (%)[2]
1a Elect Director Robert A. Bradway	For	For	Pass	97.3	98.4
1b Elect Director David L. Calhoun	For	For	Pass	96.5	97.9
1c Elect Director Arthur D. Collins, Jr.	For	For	Pass	96.6	97.4
1d Elect Director Edmund P. Giambastiani, Jr.	For	For	Pass	97.1	98.2
1e Elect Director Lynn J. Good	For	For	Pass	97.3	98.4
1f Elect Director Nikki R. Haley	For	For	Pass	97.5	98.1
1g Elect Director Lawrence W. Kellner	For	For	Pass	92.8	93.9
1h Elect Director Caroline B. Kennedy	For	For	Pass	96.5	97.6
1i Elect Director Edward M. Liddy	For	For	Pass	96.4	97.2
1j Elect Director Dennis A. Muilenburg	For	For	Pass	97.1	97.8
1k Elect Director Susan C. Schwab	For	For	Pass	96.1	97.2
1l Elect Director Ronald A. Williams	For	For	Pass	96.8	98.0
1m Elect Director Mike S. Zafirovski	For	For	Pass	96.6	97.4
2 Advisory Vote to Ratify Named Executive Officers' Compensation	For	For	Pass	92.0	93.2
3 Ratify Deloitte & Touche LLP as Auditors	For	For	Pass	96.1	96.6
4 Report on Lobbying Payments and Policy	Against	For	Fail	32.2	32.6
5 Adjust Executive Compensation Metrics for Share Buybacks	Against	Against	Fail	6.7	6.8
6 Require Independent Board Chairman	Against	For	Fail	34.4	34.8
7 Amend Proxy Access Right	Against	For	Fail	23.7	24.0
8 Adopt Share Retention Policy For Senior Executives	Against	For	Fail	24.5	24.8

Shaded results reflect a majority of votes cast FOR shareholder proposal or AGAINST management proposal or director election
[1]Support Including Abstains is defined as %FOR/(For + Against + Abstain), as expressed as a percentage.
[2]Support Excluding Abstains is defined as %FOR/(For + Against), as expressed as a percentage, provided if different from For + Against + Abstain.

Meeting Agenda & Proposals

Items 1a-1m. Elect Directors — SPLIT

VOTE RECOMMENDATION

Votes AGAINST longtime directors Collins, Giambastiani, Schwab and Williams are warranted due to the board's failure to exercise sufficient oversight of management strategy and corporate culture. A vote FOR new CEO Calhoun is warranted, with caution, as he will need to demonstrate that he can be an effective agent of cultural change at Boeing.

A vote FOR the remaining directors is warranted.

Nikki Haley resigned from the board on March 16 and is not seeking reelection.

BACKGROUND INFORMATION

Policies: Board Accountability | Board Responsiveness | Director Competence | Director Independence | Election of Directors | ISS Categorization of Directors | Vote No campaigns

Vote Requirement: The company has adopted a majority vote standard (of shares cast) for the election of directors with a plurality carve-out for contested elections, and has a director resignation policy in its governance guidelines.

Discussion

Please see the Board Profile section above for more information on director nominees.

ELECTION SUMMARY

The company proposes the following (re)elections:

Type of election	Nominees
Incumbent board members to be reelected	Lawrence Kellner, David Calhoun, Robert Bradway, Arthur Collins Jr., Edmund Giambastiani Jr., Lynn Good, Caroline Kennedy, Susan Schwab, and Ronald (Ron) Williams
New board nominees to be elected by shareholders	Akhil Johri, Steven (Steve) Mollenkopf, and John Richardson
Terms of candidates	**Nominees**
One-year term	All nominees

INFORMATION ON NEW NOMINEES

	Akhil Johri	Steven (Steve) Mollenkopf
# Shares held	150	0
Voting power	Less than 1%	0
CEO or Chair positions	N/A	CEO of QUALCOMM Incorporated
	John Richardson	
# Shares held	264	
Voting power	Less than 1%	
CEO or Chair positions	N/A	

ISS POLICY COMPLIANCE TABLE

	Company-level	Nominee impact
Disclosure		
Names of new nominee(s)	Disclosed	
Biographies of new nominee(s)	Disclosed	
Independence		
Board	92%	
Audit committee	100%	
Compensation committee	100%	
Nominating committee	100%	
Composition		
Poor attendance	No concerns	
Overboarding	No concerns	
Executive on a key committee	No concerns	
Combined Chair/CEO	N/A	
Length of term	N/A	

N/A in this market | No concerns | No impacted nominees | Impacted nominees are on ballot

Consequences of 737 MAX Grounding and Implications for Director Elections

Development and certification of the 737 MAX

Boeing's best-selling airliner, the 737 MAX family, has been grounded worldwide for more than 12 months, following the crashes of 737 MAX 8 planes operated by Lion Air, in October 2018, and Ethiopian Airlines, in March 2019, that killed a total of 346 people. Boeing is currently expecting that the planes will be cleared to fly by midyear but there is no firm timeline either for the resumption of flights, or the resumption of production of the MAX, which was suspended in January 2020.

Facing a serious competitive threat in the form of the Airbus A320neo, a more fuel-efficient version of Airbus' mainstay jet launched in December 2010, Boeing was presented with a choice: design an entirely new narrow-body aircraft, or develop an updated, more efficient version of the 737, which first entered service in 1968 and which had been successfully updated multiple times. Boeing, whose previous clean-sheet design (the 787) had experienced significant delays and cost overruns, made the fateful decision to update the 737. This allowed the company both to respond to the A320neo much more quickly – the 737 MAX was publicly announced in August 2011 – and to offer greater compatibility with customers' existing fleets, reducing their training and other costs. However, what may have seemed at the time to be the less risky option created new risks of its own. Because of the relatively lower height of the 737 compared to most current passenger airliners, the larger, more efficient engines (compared to earlier versions of the 737) had to be mounted further forward and higher than was the case with the engines on previous versions. This affected the flight characteristics of the MAX, in what Boeing characterizes as unusual flight conditions at elevated angles of attack not normally encountered on commercial flights. (Some commentators have described the revised engine placement as causing an increased pitch rate, especially in a climbing turn.) To counteract this tendency, and make the MAX handle more similarly to earlier 737s in these conditions, Boeing employed the now-infamous Maneuvering Characteristics Augmentation System (MCAS) software, which adjusts the horizontal stabilizer trim when it detects an elevated angle of attack (AoA) to provide a constant increase in force on the pilot's control column as the AoA increases. The MCAS was designed to increase the airplane nose-down pitching moment and resulting aft column force when it detects the aircraft may be in danger of stalling. However, although the 737 MAX has two AoA sensors, the MCAS was designed to activate based on input from only one sensor, meaning that a single faulty or damaged sensor could improperly trigger the MCAS, with potentially catastrophic results. Flight manuals and training materials for the MAX did not mention the MCAS, meaning that many pilots were unaware of its existence until after the Lion Air crash. Moreover, an AoA disagree light, which would have alerted pilots to a discrepancy between the readings of the two AoA sensors, was not operational on most MAX aircraft because – contrary to intentions and allegedly in violation of Federal Aviation Administration (FAA) regulations – it only functioned when an optional AoA indicator display was installed. Boeing has been accused of having been aware of the issue of inoperable AoA disagree alerts prior to the Lion Air crash, but did not inform impacted customers, and delayed (with FAA approval) implementing a fix.

A report of preliminary investigative findings issued by Democratic staff members of the U.S. House Committee on Transportation and Infrastructure (House Report) on March 6, 2020 called the MCAS a "key contributing factor" to the two fatal accidents. The report identified five "central themes" present through the Committee's investigative findings: (1) financial pressure to compete with the A320neo, which "resulted in extensive efforts to cut costs, maintain the 737 MAX program schedule, and not slow down the 737 MAX production line"; (2) faulty assumptions by Boeing about pilots' ability to mitigate any malfunction of the MCAS, resulting in a failure to classify MCAS as a safety-critical system, which would have entailed greater scrutiny during the certification process; (3) a "culture of concealment" that led Boeing to withhold crucial information from the FAA, airlines and pilots; (4) conflicts of interests created by the FAA's oversight structure, in which Boeing employees were authorized to act on the agency's behalf in validating aircraft systems and designs' compliance with FAA requirements; and (5) excessive influence by Boeing over the FAA's oversight, including cases (not limited to the MAX program) where FAA management overruled the determinations of FAA technical experts at the behest of Boeing. The House Report alleges that "Boeing's business objective for the 737 MAX from the start was to build an airplane that required no simulator training for pilots who were already flying the 737 NG" (the previous version of the 737), and that "this program directive played a pivotal role in shaping Boeing's focus on costs and competitiveness and undermined safety." As of this writing, no final report has been issued by the Committee, whose investigation is continuing. Two Republican members of the Committee issued a statement in response to the Democratic staff members' report, emphasizing that no expert reviews or investigations had come to the conclusion that the U.S. safety certification system is "broken or in need of wholesale dismantlement." The statement by the Republican members did not address any actions or decisions by Boeing.

The report of a non-partisan special committee to review the FAA's aircraft certification process concluded that the FAA's certification process is rigorous, robust, and overseen by individuals "committed to the primacy of safety;" though it recommended certain specific enhancements to FAA procedures. The special committee heard from experts that seeking certification of the 737 MAX 8 via a new FAA type certificate would not have produced a safer airplane, but concluded that "additional consideration of the interface between the changed item and the rest of the system, as well [as] the impact of multiple changes over time, should be required." The special committee further concluded that "the FAA acted appropriately in determining its level of involvement for each element of the certification plan," but that there is "opportunity for improvement" in areas including internal communication and communication between Boeing and the FAA. An analysis of the background or motivations for specific decisions made by Boeing was outside the scope of the special committee's review, and the committee emphasized that its mandate was to "collect and analyze information, not find fault" and that its findings are not the product of an official investigation.

It has been reported that key Boeing customers expressed a strong preference for the MAX to not require simulator training and that Boeing would have had to compensate those customers if such training had been required. Aside from these considerations, Boeing Chairman Lawrence Kellner emphasized to ISS that reducing differences between different aircraft promotes safety, because pilots will be able to rely on muscle memory in operating the controls and not have to stop to think about which plane they are flying; and that it was therefore understandable for airlines to want new aircraft to be as similar as possible to the existing planes in their fleets. Yet the consequences of the overriding emphasis on avoiding a need for simulator training, according to the House Report, were that Boeing decided not to add certain equipment used on newer aircraft but not on previous editions of the 737, such as a synthetic air speed indicator; and that Boeing downplayed the significance of the MCAS and chose not to include any mention of it in the Flight Crew Operations Manual, leaving pilots unaware of its existence, even though Boeing knew that pilots would have only seconds to react to an erroneous triggering of the MCAS.

Boeing and its partner, Collins Aerospace, have updated the MCAS software, and the company is currently awaiting regulatory approval for the return to service. The MCAS will no longer activate based on input from a single AoA sensor, will limit repeat stabilizer trim commands in response to an erroneous AoA reading, and will provide a maximum limit to the stabilizer command. The AoA disagree light will be functional on all MAX aircraft. Most significantly, Boeing is recommending that MAX pilots undergo simulator training before airlines return it to service. The company has also said that to anticipate the needs of future pilot populations, it will re-examine assumptions around flight deck design and operation in partnership with airline customers and industry members.

Boeing's financial condition and potential government assistance

The grounding of the 737 MAX, and the decline in orders, pushed Boeing to a net loss in 2019 for the first time in more than 20 years, and forced the company to borrow $13.8 billion from a group of banks in February 2020. Although the financing was expected to last the company until the end of the year, the company announced on March 17 that it had fully drawn on the credit agreement as of March 13, after the COVID-19 pandemic caused a global collapse in demand for air travel, and caused airlines to postpone taking delivery of aircraft other than the MAX. In a March 17 press release, the company called for an assistance package for the aerospace manufacturing industry of at least $60 billion, in the form of "access to public and private liquidity, including loan guarantees," noting that the industry supports 2.5 million jobs and is America's largest exporter. As of this writing, it appears that some form of government assistance is likely. Although it was the pandemic, not the grounding of the MAX, that prompted the request for assistance, the company has nevertheless come in for severe criticism, both because its problems with the MAX are seen by many as self-inflicted, and because the company had spent tens of billions of dollars on share buybacks when its shares were trading far higher than their current levels. It is likely that any federal assistance will come with strings attached, either in the form of restrictions on future buybacks and dividend payouts, or mandates regarding the company's executive compensation or its business and employment practices. Following its plea for industry assistance, the company in fact announced that it was suspending its dividend until further notice, and that the board had terminated its authorization to repurchase shares (the buyback program had been paused since April 2019). The company stated further that CEO Calhoun and Chairman Kellner would "forgo all pay until the end of the year." These moves were presented as "actions to navigate [the] COVID-19 crisis", but they are also likely to make it easier to win public acceptance for any government assistance to the company.

Board, management and organizational changes

Since the MAX was grounded in March 2019, Boeing's board and management have undergone significant change, starting with the appointment of former South Carolina Governor and former UN Ambassador Nikki Haley, who joined the board at the 2019 annual meeting (though she resigned on March 16, 2020 citing philosophical differences over the company's request for Federal assistance), and continuing with the appointment of former Chief of Naval Operations John Richardson in October, and the upcoming addition of Qualcomm CEO Steve Mollenkopf and former United Technologies CFO Akhil Johri, both of whom will join at the 2020 annual meeting. Mollenkopf and Johri are replacing Edward Liddy, who is reaching Boeing's mandatory director retirement age, and Mike Zafirovski, the longest-tenured director, who chose to retire.

As most shareholders are aware, the board stripped then-CEO Dennis Muilenburg of the chairmanship on Oct. 11, 2019, appointing David Calhoun as independent chair, and then appointed Calhoun as CEO effective Jan. 13, 2020. Director Kellner became independent chair effective Dec. 22, 2019. The former CEO of Boeing's Commercial Airplanes unit, Kevin McAllister, was terminated on Oct. 22, 2019; and was replaced by Stanley Deal, who previously led Boeing Global Services.

The board also established a temporary Committee on Airplane Policies and Processes after the grounding of the MAX, to review Boeing's policies and processes for airplane design and development. The board then established a permanent Aerospace Safety Committee in August 2019, to "oversee safe design, development, manufacture, production, operation, maintenance and delivery of products and services." The board has also driven a realignment of the company's engineering function around a single Chief Engineer, to whom engineers across Boeing now report, and who himself reports directly to the CEO. Additional steps taken by the company at the direction of the board, following "in-depth consultation with Boeing engineers as well as outside experts from aerospace and other industries where safety is of paramount importance," include the creation of a product and services safety organization which reports directly to the Chief Engineer and the board's Aerospace Safety Committee; the establishment of a "Design Requirements Program" to "reinforce [Boeing's] commitment to continuous improvement"; and the enhancement of the company's Continued Operation Safety Program, which requires the Chief Engineer's review of all reports on safety and potential safety issues. Additional details of these and other actions to strengthen safety can be found on page 2 of the proxy statement.

In a conversation with ISS, Chairman Kellner admitted that Boeing under the previous leadership team had not always been good about listening, to regulators or other constituencies. He pledged that the company would listen more and be more transparent, and emphasized that the board understands that when it comes to restoring public confidence in the MAX, PR campaigns would not be effective: confidence will be rebuilt one safe flight at a time.

In response to criticism that the board had had too many financial and accounting experts and directors with a political or military background, and too few members with engineering or safety expertise, Kellner stated that the board's first lens when choosing a new member is whether that individual would make a good director, and that the board will then delve into an evaluation of the skills that person will bring to the board. Kellner pointed out that Richardson has an engineering degree from MIT and that former Vice Chairman of the Joint Chiefs of Staff Edmund Giambastiani had relevant experience through his role purchasing aircraft for the US Navy. Of the newest additions to the board, Kellner observed that Mollenkopf, an electrical engineer by training, had software as well as hardware experience through his work at Qualcomm, while Johri brings to the board the perspective of a key Boeing supplier. Kellner also said that the board intends to continue to look for software expertise as it continues to refresh.

Implications for voting on directors

The top executives who served at the time the MAX was approved, developed and put into service are no longer with the company, but many of the directors who served on the board during that period remain. The question now facing shareholders is whether Boeing's board failed in its oversight responsibilities, such that adverse votes on directors are warranted now.

In an interview with The New York Times published on March 5, 2020, new CEO Calhoun effectively admitted that the prior management team under CEO Muilenburg had taken excessive risks in pursuit of a higher stock price, including by ramping up production before the supply chain was ready; and that the board had trusted Muilenburg to understand and manage the risks. According to the Times, "Mr. Calhoun and the rest of Boeing's board never seriously questioned that strategy, in part because before the first Max crash off the coast of Indonesia in October 2018, the company was enjoying its best run in years." Although Calhoun immediately came in for criticism for his statements to the Times, they are consistent with one of the preliminary findings of the House Transportation Committee, that "in June and July 2018, senior Boeing leadership rebuffed concerns made by a Renton Washington, Boeing plant supervisor about production pressures at the 737 MAX production plant and their potential effects on safety. The employee who raised those concerns recommended temporarily halting production at the plant to address safety concerns. Despite those warnings, Boeing ramped up production instead." Calhoun's comments were also consistent with the reality that since resuming share buybacks in 2013, Boeing has spent far more on share repurchases than on commercial airplane R&D.

In the same Times interview, as well as on a January earnings call, Calhoun dismissed claims that internal e-mails widely reported in the media reflected problems with Boeing's corporate culture; characterizing the employees involved as part of a "micro-culture" that did not represent the company as a whole, and telling the Times "I see a couple of people who wrote horrible emails." However, the House Committee reported that "a Boeing internal survey conducted in 2016 at the height of the 737 MAX's certification activities, and provided to the Committee from a whistleblower, found that 39 percent of Boeing employees that responded perceived 'undue pressure' and 29 percent were concerned about consequences if they reported potential undue pressure, painting a disturbing picture of cultural issues at Boeing that can undermine safety and oversight." Moreover, manufacturing problems at Boeing, including allegations of supervisors ignoring concerns raised by workers, were not limited to the 737 MAX: an April 2019 New York Times article detailed numerous concerns with Boeing's North Charleston, South Carolina factory, where the 787 Dreamliner is built, including allegations of a "culture that often valued production speed over quality." Various kinds of "foreign object debris" have reportedly been found in 787s built in South Carolina, as well as in many of the currently-grounded 737 MAX planes.

Multiple commentators have traced Boeing's cultural problems back to the 1997 acquisition of one-time arch-rival McDonnell Douglas, whose weaker financial condition had forced it to place a greater emphasis on cost-savings and repeated upgrades of older airframes. McDonnell Douglas CEO Harry Stonecipher later held the top job at Boeing, where he deliberately set out to change Boeing's culture so that it would be "run like a business rather than a great engineering firm" – which in practice meant that far less money would be allocated for developing new planes. However, even if one does not fully believe the narrative that the merger resulted in the triumph of McDonnell Douglas' supposed ethos of cost-cutting and financial engineering over Boeing's historic engineering primacy, there is ample evidence of cultural problems that go far beyond "a couple of people who wrote horrible emails," and reason to question whether Calhoun – who like former Boeing CEOs Stonecipher and James McNerney is an alumnus of General Electric, and who has served on the board for 11 years, encompassing the entire history of the MAX program – is ultimately the best person to lead a transformation of that entrenched culture. Calhoun, who had been the board's lead independent director prior to being named independent chairman, and who described himself as having had a "front-row seat" to what went on at Boeing, has attributed problems at the company to the "weaknesses of our leadership," but does not seem to include the board of directors in that indictment, seemingly portraying the board as passive observers of events and in Calhoun's words "invested in" the CEO. Calhoun has been quoted as denying that the board had seen evidence of a "trade of safety for something else," but there is evidence that more than a few Boeing employees felt otherwise, and the board can neither disclaim responsibility for the priorities that were set nor escape accountability by pleading ignorance of problems that were a foreseeable result of those priorities.

Boeing's board and management – and shareholders – were richly rewarded by the market for many years for (among other things) the apparent success of the MAX – and by extension, of the strategy of prioritizing shareholder returns over spending money on developing new "clean sheet" aircraft – until two fatal crashes in five months demonstrated that this strategy was not sustainable. The financial impact of the crashes and the long-term grounding of the MAX – which in turn left the company in a weaker position to withstand the financial impact of the COVID-19 pandemic – will seriously limit the company's ability both to return cash to shareholders and to develop new aircraft – whether a 737 replacement or a so-called "new mid-market airplane" (757 replacement) – thereby giving Airbus an opportunity to gain market share at Boeing's expense. The board is now faced with the task of convincing the market that transforming the company's culture and priorities is the best way to create sustainable value over the long term.

When Boeing's board decided last year to replace the CEO, Calhoun was the obvious candidate to replace him, due to his familiarity with the company through his board service at Boeing and executive experience at key Boeing supplier GE, and because it would have been difficult for Boeing at that moment to have chosen an internal candidate for the CEO role or to have conducted a lengthy external search. Calhoun has made statements such as "Safety first. Without it, there is no shareholder value," that indicate that he does understand that shareholder value cannot be created through buybacks alone. Removing Calhoun from office at this critical moment in the company's history, with no obvious successor, is unlikely to be beneficial to shareholders. Yet for the reasons outlined above, our endorsement of Calhoun is qualified, as we believe he needs to demonstrate that he can be an effective agent of cultural change. A vote for Calhoun is warranted, with caution.

With respect to the independent directors, it would be difficult to conclude that the board has done an adequate job of overseeing Boeing management and setting the right tone for the company, in light of the evidence – even before the Lion Air crash – of flaws in the design of the 737 MAX and of pressure on employees to prioritize production volume or speed over quality and safety; and in light of the House Committee's finding that the company had exhibited a "lack of transparency with both regulators and customers." Although some of these issues are not exclusive to the MAX, it is that program that has caused an existential crisis for the company and demonstrated the need for vigorous board oversight of management's strategy and priorities. Accordingly, votes against directors Arthur Collins, Jr., Edmund Giambastiani, Jr., Susan Schwab and Ronald Williams are warranted, as each has served on the board during the time frame in which the MAX was conceived, developed and brought to market.

Item 2. Advisory Vote to Ratify Named Executive Officers' Compensation — FOR

VOTE RECOMMENDATION

A vote FOR this proposal is warranted. Incentive programs remained majority performance-based and both annual and long-term cash awards were forfeited, given failure to achieve the respective performance goals. CEO pay declined substantially year-over-year following a challenging financial and operational FY2019. Moreover, pay and performance were reasonably aligned for the year in review. However, given the recent CEO transition and continued operational challenges into early 2020, investors should closely monitor pay levels next year.

BACKGROUND INFORMATION

Policies: Advisory Votes on Executive Compensation

Vote Requirement: Majority of shares present in person or by proxy and entitled to vote (abstentions count against; broker non-votes have no effect)

Executive Compensation Analysis

COMPONENTS OF PAY

($ in thousands)	CEO				CEO Peer Median	Other NEOs
	D. Muilenburg		D. Muilenburg	D. Muilenburg		
	2019	**Change**	**2018**	**2017**	**2019**	**2019**
Base salary	2,014	18.5%*	1,700	1,691	1,600	3,743
Deferred comp & pension	2,790		0	1,549	1,153	5,405
All other comp	2,200	71.2%	1,285	985	577	2,138
Bonus	0		0	0	0	0
Non-equity incentives	0	-100.0%	13,076	8,450	3,878	0
Restricted stock	6,930	-2.4%	7,103	5,624	10,994	8,782
Option grant	0		0	0	0	0
Total	**13,934**	**-39.8%**	**23,164**	**18,299**	**22,262**	**20,069**
% of Net Income	N/A					N/A
% of Revenue	N/A					N/A

*Muilenburg's base pay was elevated for 2019 due to a payout for unused vacation time which was made upon his retirement.

Non-Performance-Based Pay Elements (CEO)

Key perquisites ($)	Personal aircraft use: 235,825; Life Insurance: 4,590; CEO Aggregate Other Perks: 74,592
Key tax gross-ups on perks ($)	None
Value of accumulated NQDC ($)*	16,728,888
Present value of all pensions ($)	14,862,367
Years of actual plan service	30.0
Additional years credited service	None

*Non-qualified Deferred Compensation

Disclosed Benchmarking Targets

Base salary	None Disclosed
Target short-term incentive	None Disclosed
Target long-term incentive (equity)	None Disclosed
Target total compensation	None Disclosed

Severance/Change-in-Control Arrangements (CEO unless noted)

Contractual severance arrangement	None
Non-CIC estimated severance ($)	N/A

Change-in-Control Severance Arrangement

*Cash severance trigger**	Double trigger
Cash severance multiple	1 times
Cash severance basis	Base Salary + Most Recent Bonus
Treatment of equity	Vest only upon employment termination
*Excise tax gross-up**	No

Estimated CIC severance ($)	Not disclosed

*All NEOs considered

Compensation Committee Communication & Responsiveness

Disclosure of Metrics/Goals

Annual incentives	Yes
Long-term incentives	Yes

Pay Riskiness Discussion

Process discussed?	Yes
Material risks found?	No

Risk Mitigators

*Clawback policy**	Yes
CEO stock ownership guideline	6X
Stock holding period requirements	Stock options/Restricted stock: Until stock ownership guidelines are met

*Must apply to cash as well as equity incentives and at least all NEOs.

Pledging/Hedging of Shares

Anti-hedging policy	Company has a robust policy
Anti-pledging policy	Company has a robust policy

Compensation Committee Responsiveness

MSOP vote results (F/F+A)	2019: 93.2%; 2018: 93.9%; 2017: 95.9%
Frequency approved by shareholders	Annual with 89.9% support
Frequency adopted by company	Annual (most recent frequency vote: 2017)

Repricing History

Repriced/exchanged underwater options last FY?	No

Pay for Performance Evaluation

PAY-FOR-PERFORMANCE QUANTITATIVE SCREEN

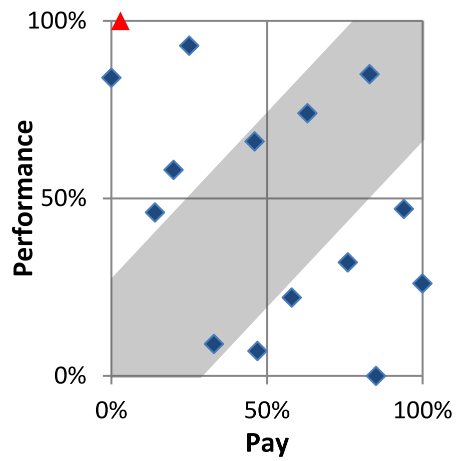
The pay-for-performance quantitative screen uses four measures that together evaluate the alignment of CEO pay and company performance. The screen measures alignment over multiple time horizons, on both an absolute and relative basis, using multiple performance measures. The screen is designed to identify outlier companies that demonstrate a significant quantitative misalignment over time.

Measure	Result
Relative Degree of Alignment	**96.86**
Multiple of Median	**0.63**
Absolute Pay-TSR Alignment	**17.72**
Initial Quantitative Concern	Low
Financial Performance Assessment	**73.04**
Overall Quantitative Concern	**Low**

P4P Run # 202003200122

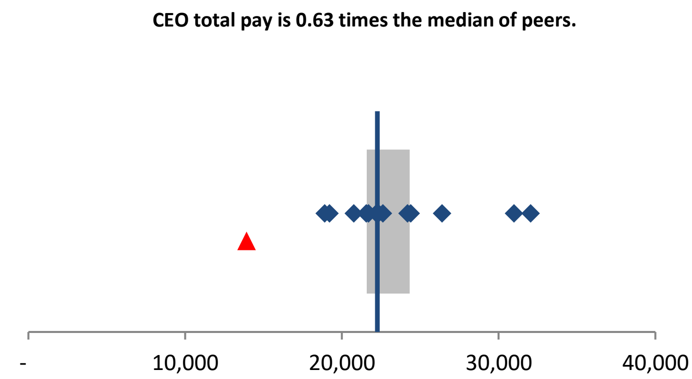
RELATIVE DEGREE OF ALIGNMENT

The chart plots percentiles of the annualized 3-year performance and pay rankings for the company (▲) and ISS' derived peers (◆). The gray band generally indicates alignment



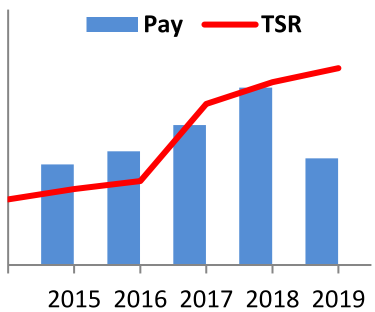
MULTIPLE OF MEDIAN

Pay in $thousands. The gray band represents 25th to 75th percentile of CEO pay of ISS' selected peer group, and the blue line represents the 50th percentile.



ABSOLUTE PAY-TSR ALIGNMENT

CEO granted pay trends versus value of a $100 investment made on the first day of the five-year period.



	2015	2016	2017	2018	2019
Pay($000)	13,155	14,872	18,299	23,164	13,934
Indexed TSR	115.8	128.1	245.4	278.7	300
CEO	Dennis Muilenburg	Dennis Muilenburg	Dennis Muilenburg	Dennis Muilenburg	Dennis Muilenburg

FINANCIAL PERFORMANCE ASSESSMENT

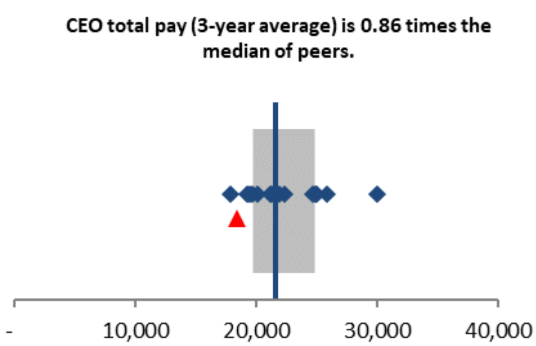
Blue boxes indicate the company's quartile rankings compared to ISS' selected peer group in the applicable measure/metric, measured over three years. The leftmost box indicates bottom quartile and rightmost box indicates top quartile.

Measure		Quartile Ranking vs. Peers
Pay		
Weighted Performance		
Metrics	**Long-Term Performance**	**Quartile Ranking vs. Peers**
EVA Margin	4.52	
EVA Spread	11.19	
EVA Momentum (Sales)	0.64	
EVA Momentum (Capital)	1.57	

EVA Metrics are calculated by ISS EVA, and are based on audited financial data reported in 10-K and 10-Q filings. For more information on the EVA methodology and metrics, visit https://www.issgovernance.com/solutions/iss-analytics/iss-eva-resource-center/

3-YEAR MULTIPLE OF MEDIAN

Pay in $ thousands. The gray band represents 25th to 75th percentile of CEO pay of ISS' selected peer group, and the blue line represents the 50th percentile.



CEO total pay (3-year average): $18,465,869
CEO total pay (3-year cumulative): $55,397,607

GAAP FINANCIAL PERFORMANCE

The below GAAP financial performance information is provided for informational purposes. It does not affect the pay-for performance quantitative screens.

Measure		Quartile Ranking vs. Peers
Pay		
Weighted Performance		
Metrics (ranked by weight)	**Long-Term Performance**	**Quartile Ranking vs. Peers**
ROIC	65.1	
Return on Assets	6.4	
Return on Equity	Insufficient Data	
EBITDA Growth	56.5	

154173

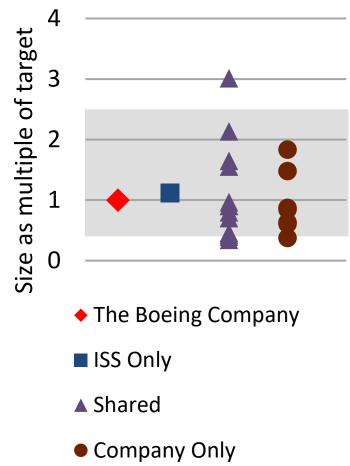
ISS AND COMPANY PEER GROUPS

ISS Selected (1)	General Electric Company	
Shared (13)	AT&T Inc. Exxon Mobil Corporation Honeywell International Inc. Johnson & Johnson Northrop Grumman Corporation The Procter & Gamble Company Verizon Communications Inc.	Chevron Corporation General Dynamics Corporation International Business Machines Corporation Lockheed Martin Corporation Raytheon Company United Technologies Corporation
Company-Disclosed (7)	3M Company Cisco Systems, Inc. Intel Corporation United Parcel Service, Inc.	Caterpillar Inc. Ford Motor Company Microsoft Corporation

The shaded area represents the overlap group of companies that are in both ISS' comparison group and the company's disclosed CEO compensation benchmarking peer group. Excludes private or foreign companies, or companies for which financial data is unavailable. For more information on the ISS peer group methodology, visit https://www.issgovernance.com/policy-gateway/voting-policies/

PEER GROUP SIZE

Size (by revenue) of the ISS, company and overlap peer groups. The gray area represents 0.4 - 2.5 times the company's revenue.



Data for ISS' pay-for-performance tests are sourced from proxy disclosures for pay and from Compustat for TSR and financial performance. For more information on ISS' quantitative pay-for-performance evaluation, visit https://www.issgovernance.com/policy-gateway/voting-policies/

Short-Term Cash Incentives

CEO STI Opportunities	**FY 2019 (D. Muilenburg)**		**FY 2018 (D. Muilenburg)**	
	Target	**Maximum**	**Target**	**Maximum**
STI targets ($)	3,060,000	6,120,000	2,975,000	5,950,000
STI targets (calculated)	152% of base salary	304% of base salary	175% of base salary	350% of base salary
STI targets (as disclosed)	180% of base salary			
ISS peer median	175% of base salary			
Company peer median	175% of base salary			

Actual Payouts ($)	**FY 2019 (D. Muilenburg)**		**FY 2018 (D. Muilenburg)**	
	Amount	% of base salary	Amount	% of base salary
Bonus	0	0	0	0
Non-equity incentive	0	0	5,432,350	320
Total Bonus + Non-equity	0	0	5,432,350	320

STI performance metrics/goals

Metric	**Form**	**Weight**	**Threshold**	**Target**	**Maximum**	**Actual**
Core EPS	Absolute	ND	ND	$20.10	ND	$(3.47)
Free cash flow	Absolute	ND	ND	$15.0B	ND	$(4.3)B
Individual performance	Absolute	ND	ND	ND	ND	ND

Revenue	Absolute	ND	ND	$111.0B	ND	$76.6B

*FCF, Core EPS and Revenue account for 50%, 25% and 25%, respectively, of the company performance score. The company performance score is then adjusted by the individual performance score to determine the payout.

Other Short-Term Incentive Factors

Performance results adjusted?	Core EPS excludes the net impact of unallocated pension and other postretirement benefit expenses.
Discretionary component?	Yes, individual performance scores included in payout decisions.
*Discretionary bonus paid?**	No
Future performance metrics	Corporate Core EPS, Corporate Free Cash Flow, Business Unit Free Cash Flow, Business Unit Operating Earnings, Business Unit Revenue

*Based on the Bonus column in the SCT; per SEC rules, amounts disclosed in this column were not based on pre-set goals.

Long-Term Incentives

CEO's last FY LTI target (%)	None disclosed
NEOs' last FY award type(s)	Performance-based cash award, Performance-based stock, Time-based stock

Last FY performance metrics/goals

Metric	Threshold	Target	Maximum
3-yr TSR vs. peer group plus Airbus (LTI equity)	21st percentile	Between the 51st and 60th percentile	91st percentile and above
3-yr core EPS (LTI cash)	ND	ND	ND
3-yr revenue (LTI cash)	ND	ND	ND
3-yr free cash flow (LTI cash)	ND	ND	ND

*Long-Term Cash Performance Awards**

CEO Cash Award Opportunities	**FY 2019**			**FY 2018**		
	Threshold	**Target**	**Maximum**	**Threshold**	**Target**	**Maximum**
Long-term cash ($)	0	7,246,300	14,492,600	0	7,331,300	14,662,600
LTI cash paid in last fiscal year ($)	0 for performance period FY 2017 – 2019					

*Awards may be settled in cash, stock, or a combination.

Long-Term Equity Grants

CEO Equity Awards	**FY 2019**				**FY 2018**			
	Shares (#)	**% shares***	**Value ($)***	**% value**	**Shares (#)**	**% shares***	**Value ($)***	**% value**
Time-based shares	8,461	52	3,611,747	52	10,150	52	3,689,322	52
Time-based options	0	0	0	0	0	0	0	0
Performance shares	7,774	48	3,318,487	48	9,392	48	3,413,804	48
Performance options	0	0	0	0	0	0	0	0
Total equity	16,235		6,930,234		19,542		7,103,126	
Time-based equity vesting	RSUs: Cliff vest after three years							

Perf. measurement period	Three years (FY2020-22)
CEO one-time equity award	N/A
*CEO equity pay mix (by value)**	Performance-conditioned: 47.9%; Time-based: 52.1%

*Performance shares, if any, are counted and valued at target.

Other Long-Term Incentive Factors

Performance results adjusted?	Core EPS excludes the net impact of unallocated pension and other postretirement benefit expenses.
Discretionary component?	The proxy states awards made under the long-term incentive plan are "directly impacted by each executive's individual performance score."

Executive Summary

Evaluation Component	Level of Concern	Key Reason
Non-Performance-Based Pay Elements	**Medium**	Significant Perks
Peer Group Benchmarking	**Low**	
Severance/CIC Arrangements	**Low**	
Comp Committee Communication/Responsiveness	**Low**	
Pay for Performance Evaluation	**Low**	
***ISS Recommendation:* FOR**		

Analysis

OVERVIEW

Boeing faced operational and financial challenges in 2019. As noted in the Material Company Updates and the director election analysis earlier in this report, Boeing faced several challenges in FY2019 including the worldwide grounding of the 737 MAX aircraft following two fatal accidents. Accordingly, annual TSR substantially lagged both the Aerospace & Defense GICS industry and the broader S&P 500 Index. Three- and five-year shareholder returns outperformed both comparator groups. Year-over-year GAAP financial performance also showed the impact, as revenue was down, the company reported a GAAP net loss, and operating cash flows were negative.

CEO Muilenburg left the company in late December. After four and a half years as Boeing's CEO, Muilenburg retired on Dec. 22, 2019. In connection with his departure, he was not paid cash severance but did receive the distribution of his pension and non-qualified deferred compensation which was valued in total at $28.5 million (which included employee contributions; Muilenburg had worked for Boeing for more than 30 years). He forfeited certain equity and long-term cash awards, but others will be pro-rated. The company estimated the value of the forfeited shares/cash at approximately $14.6 million and the value of the vested portion to be approximately $29.4 million, in each case based on a Jan. 9, 2020 stock price and assuming target performance for performance-based awards.

CEO transition occurred after the end of the fiscal year. Muilenburg was replaced with one of the company's independent directors, David Calhoun, on Jan. 13, 2020. Calhoun will receive a base salary of $1.4 million, a target annual incentive of 180 percent of salary (with a guaranteed target payout for 2020), and a long-term incentive award with a target value of 500 percent of salary. Calhoun also received two equity grants in connection with his hire: RSUs with a grant date value of $10 million, meant to compensate him for pay forfeited from his prior employer, and a performance-based award valued by the company at approximately $7 million which may vest based on certain qualitative performance milestones. As Calhoun was not appointed CEO until after the end of fiscal 2019, the analysis below primarily focuses on pay arrangements with former CEO Muilenburg. Calhoun's pay package will be fully analyzed next year, when it is reported in pay tables. Additionally, according to a press release from March 20, 2020, Calhoun will "forgo all pay until the end of the year" though the company did not detail which pay elements this would include.

ANNUAL COMPENSATION

Annual incentives were not paid after financial performance thresholds were not achieved. Muilenburg's annual incentive target was set at 180 percent of base salary or just over $3 million, up from his 2018 target of 175 percent of salary. Annual incentives remained primarily based on three financial metrics, free cash flow (weighted 50 percent), core EPS, and revenue (each weighted 25 percent). The committee also considers individual performance when determining payouts. All financial performance targets were set above FY2018 actual performance; however, none of the financial thresholds were met, resulting in no annual incentives paid for the year in review.

Changes for 2020 include removing corporate revenue goal. The proxy states that the 2020 annual incentive plan will be based 50 percent on corporate-level performance, with 75 percent of that component determined based on a free cash flow goal and 25 percent based on core EPS. The other half of annual incentive payouts will be based on business unit performance, which for corporate-level NEOs, will be an average of the three business unit scores. Business unit performance will be measured using the free cash flow, operating earnings, and revenue of that business unit. Individual performance, including new safety metrics, will still be considered in determining an NEO's ultimate payout.

LONG-TERM COMPENSATION

Long-term incentives delivered in performance- and time-based equity as well as cash. Long-term incentives are awarded as performance awards (long-term cash program which represents approximately 50 percent of each NEO's total long-term incentive opportunity), performance-based equity (25 percent), and RSUs (25 percent). RSUs cliff vest at the end of three years and performance equity may be earned at the end of a three-year performance period, based on the company's TSR relative to a peer group. Performance equity is earned at target for relative TSR performance between the 51st and 60th percentile of the peer group, though the proxy does not disclose a vesting cap in the event absolute TSR is negative. Performance awards may ultimately be delivered as cash, stock, or a combination of the two; however, recently these awards have been paid in cash. This portion of the long-term incentive may be earned based on free cash flow (50 percent), revenue, and EPS (each weighted 25 percent). Targets for these metrics are not disclosed until the end of the performance period.

Many of the former CEO's equity awards were forfeited or pro-rated. Former CEO Muilenburg's total long-term incentive awards for FY2019 were targeted at just over $14 million (as valued by ISS). However, as noted above, many of Muilenburg's outstanding equity awards were forfeited or pro-rated, following his retirement at the end of 2019. The proxy estimates the pro-rated grant date value of his FY2019 performance equity at $2 million (assuming maximum performance) and the pro-rated value of RSUs to be $1 million.

Reductions to maximum scores for 2020 awards. While Boeing will not make changes to the structure of long-term incentives for 2020, the proxy did note that the maximum opportunity for each metric will be lowered from 200 percent of target to 150 percent. The total maximum award opportunity will also decrease from 200 percent to 150 percent of target. Threshold will be set at 50 percent of target.

FY17-19 performance awards were not earned but performance equity over the same period vested at 175 percent of target. FY2017-2019 performance awards were based on the same goals as the 2019 award described above (free cash flow, revenue, and EPS). None of the three performance targets were reached, and performance awards were not earned for the period. However, performance equity awards based on relative TSR were earned at 175 percent of target after Boeing' three-year TSR finished 3rd out of 22 peer companies.

Other Notable Factors

Large aircraft and other perquisites. The company provided a large corporate aircraft perquisite to the CEO ($235,825 to Muilenburg in FY2019). The proxy states the CEO is required to use the corporate aircraft for business and personal travel for security reasons. The value of this perquisite, which in 2019 was provided by only 40 percent of companies in the S&P 500 Index, significantly exceeded the index median. Further, the company also reported approximately $74,600 in other personal benefits to the CEO. The amount of compensation related to these perquisites in the aggregate was also relatively large compared to companies in the same index.

Conclusion

Support for this proposal is warranted. Incentive programs remained majority performance-based and both annual and long-term cash incentives went unpaid in 2019, after the company failed to achieve the respective performance goals. CEO pay also declined year-over-year and pay and performance were reasonably aligned for the year in review. Further, the outgoing CEO did not receive any cash severance beyond payment of his pension and deferred compensation. While he received certain accelerated equity and other long-term incentives, other awards will continue to vest and many were pro-rated based on his actual service period. However, given the CEO transition in early 2020 and continued operational challenges to the company, including continued grounding of the 737 MAX and the coronavirus pandemic, investors should continue to monitor pay levels next year.

Item 3. Ratify Deloitte & Touche LLP as Auditors — FOR

VOTE RECOMMENDATION

A vote FOR this proposal to ratify the auditor is warranted.

BACKGROUND INFORMATION

Policies: Auditor Ratification

Vote Requirement: Majority of votes cast (abstentions count as votes against)

Discussion

AUDIT FIRM INFORMATION

The board recommends that Deloitte & Touche LLP be reappointed as the company's independent audit firm.

Audit firm name	**Deloitte & Touche LLP**
Audit firm since (as disclosed)	1934
Audit opinion for the last fiscal year	Unqualified
Term to serve if reappointed	1 year

FEES PAID DURING THE LAST FISCAL YEAR

Audit firm name	**Deloitte & Touche LLP**
Fees currency	USD
Total fees paid to the audit firm	31,700,000
Audit fees	**31,100,000**
Audit-related fees	**500,000**
Total transaction-related fees	0
Total tax fees	0
Other fees	100,000

Total non-audit fees*	**100,000**
Total non-audit fees as a percentage of total fees	0.32%

*Total non-audit fees include other fees, tax advice fees, and certain transaction-related fees. Non-audit fees will also include any tax-related fees not identified as tax compliance or tax preparation.

The auditor's report contained in the annual report is unqualified, meaning that in the opinion of the auditor, the company's financial statements are fairly presented in accordance with generally accepted accounting principles.

Analysis

This request to ratify the auditor does not raise any exceptional issues, as the auditor is independent, non-audit fees are reasonable relative to total fees, and there is no reason to believe the auditor has rendered an inaccurate opinion or engaged in poor accounting practices.

Item 4. Require Director Nominee Qualifications

AGAINST

VOTE RECOMMENDATION

A vote AGAINST this resolution is warranted for the following reasons:

- Boeing provides information regarding the experience and qualifications of director nominees; and
- The practice of disclosing ideological perspectives is not an appropriate topic of inquiry in the nomination or selection process because political ideology should play no role in the execution of board responsibilities.

BACKGROUND INFORMATION

Policies: Establish/Amend Nominee Qualifications

Vote Requirement: Majority of votes cast (abstentions count against; broker non-votes not counted)

Discussion

PROPOSAL

A shareholder has filed a precatory proposal requesting that Boeing adopt a policy to disclose skills, ideological perspectives and experience of each nominee for the board of directors.

The "resolved clause" of the resolution specifically reads:

"Resolved, that the shareholders of The Boeing Company (the "Company") request the Board adopt a policy to disclose to shareholders the following:

1. A description of the specific minimum qualifications that the Board's nominating committee believes must be met by a nominee to be on the board of directors; and
2. Each nominee's skills, ideological perspectives, and experience presented in a chart or matrix form.

The disclosure shall be presented to the shareholders through the annual proxy statement and the Company's website within six (6) months of the date of the annual meeting and updated on an annual basis."

PROPONENT'S STATEMENT

In its supporting statement, the proponent asserts that boards that have a diversity of perspectives are better at thinking critically and overseeing corporate management. The proponent points out that SEC regulation requires companies to identify the minimum skills, experience, and attributes that all board candidates are expected to possess. The statement argues that with "meaningful disclosure about potential Board members," shareholders will be better able to determine how well-suited board nominees are for the company, and if their listed skills, experience and attributes are appropriate for the company's business strategy. The proponent asserts that "true diversity comes from diversity of thought" and that there is a good deal of evidence that "many companies operate in ideological hegemony that eschews conservative people, thoughts, and values." The filer further argues that such an "ideological echo chamber" can result in "groupthink that is the antithesis of diversity," and could be a significant risk factor. The proponent believes that a diverse board is a sign of good corporate governance and can best be achieved through "highly qualified candidates with a wide range of skills, experience, beliefs and board independence from management."

BOARD'S STATEMENT

In its opposing response, the board states that the company is committed to transparency regarding the skills and backgrounds of its board director nominees. It states that diversity is a core component of how potential director nominees are assessed and the company's existing disclosures regarding the skills and qualifications are already "comprehensive." The company lists skills and qualifications that it seeks in its Corporate Governance Principles and in the Proxy Statement. Attributes include integrity, honesty, and adherence to high ethical standards. The Governance, Organization and Nominating Committee also seeks diversity with respect to industry experience, gender, and tenure. The Proxy Statement contains information about the skills and experience of director nominees. The statement goes on to say that the board conducts regular self-assessments to make sure that it is functioning effectively. The Board performs director evaluations and maintains a refreshment strategy to ensure that it is diverse and effective. The board states that the Governance, Organization and Nominating Committee, in consultation with the Chairman of the Board, "evaluates the ongoing contributions, qualifications, and skills of each director in light of the Board's composition, evolving business requirements, and the long-term interests of the Company and its stakeholders." Given its disclosures and guidelines for selecting new directors, the Board states that it believes adoption of the proposal would be unnecessary and not beneficial to shareholders.

BACKGROUND AND RECENT SHAREHOLDER ACTIVISM

For more information on board diversity, see ISS' Environmental and Social Background Report. For an update on the most recent shareholder activism around this issue, see ISS' 2019 U.S. Environmental and Social Shareholder Proposal Post Season Review (requires login to ISS Link).

This is the first year that Boeing has received this proposal.

Analysis

BOEING'S DISCLOSURE

Governance, Organization and Nominating Committee

In the Corporate Governance Principles, the company explains its criteria for selection of new directors (which is the same as what was stated in the Board Opposition statement, summarized above). Specifically, the Governance, Organization and Nominating Committee is instructed to ensure that candidates are highly ethical with the right expertise to balance the composition of the board as a whole for the long-term interests of the shareholders. It also is directed to seek "diversity of background, experience, skills, and perspectives among its members."

Board membership criteria that the committee is directed to follow is listed as the following:

> This assessment includes consideration of experience in areas that are relevant to Boeing's global activities, such as operations, international business, manufacturing, safety, risk management, finance, government, marketing, technology and public policy, as well as other factors such as independence, absence of conflicts of interest, diversity and age. Any person who is an employee or director of a significant competitor of Boeing is not eligible for nomination for election as a director. Directors should have a reputation for personal and professional integrity, honesty and adherence to the highest ethical standards, and be committed to acting in the long-term interests of all shareholders. Boeing recognizes the value of diversity and the Board seeks diversity of background, experience, skills, and perspectives among its members.

The committee is also given restrictions on director nomination related to director age, independence, and other directorships.

The company's Corporate Governance Principles were revised in February 2020.

The Governance, Organization and Nominating Committee charter lists the first responsibility of the committee to "Review and make recommendations to the Board with respect to the general responsibilities and functions of the Board and its members." The committee is specifically instructed to identify candidates qualified to become board membership under the Corporate Governance Principles criteria and evaluate, in consultation with the board chairman, the ongoing contributions of each director eligible for re-election.

Proxy Statement

Boeing's Proxy Statement states that in the wake of the Lion Air and Ethiopian Airlines accidents, the board sought shareholder feedback. One of the key themes that shareholders frequently raised was about board composition. Shareholders reportedly were "focused in particular on the need to ensure that the Board has the skills and experience needed to exercise adequate oversight of the Company's commitment to safety and its engineering function."

The Proxy Statement provides a table with experience and number of board directors with that skill. It also presents a graph on board nominee tenure and one showing that 46 percent (at the time of printing) of director nominees were diverse in terms of ethnicity/race or gender.

The key factors that the Proxy Statement lists for the Governance, Operation and Nominating Committee (GON) to consider when assessing the qualifications of incumbent directors and other candidates for nomination on an ongoing basis are:

- Experience
- Industry expertise
- Diversity (including background experience, skills and perspectives)
- Safety
- Outside board memberships
- Independence
- Professional reputation
- Length of service
- Regulatory compliance; and
- Prior contributions to the board

The Proxy Statement provides a short biography of each board nominees, with his/her age, term and committees. It includes professional highlights, prior directorships, and information on skills and expertise, and other public company board experience.

It also describes the responsibilities of the Governance, Operations and Nominating Committee, similar to the information provided in the committee's charter.

The GON Committee oversees the board's self-evaluation, which is "designed to enhance the Board's effectiveness and identify areas of potential improvement." One of the topics covered by the self-evaluation is "the extent to which the mix of skills, attributes, and qualifications of the individual directors enable the Board to perform effectively."

PEER COMPARISON

The company's key peers do not disclose a nominee's ideological perspectives as part of the attributes they evaluate in a potential candidate, and this practice does not appear to be a standard industry procedure.

CONCLUSION

The proponent asks Boeing to adopt a policy to disclose a director nominee's ideological perspectives. The company discloses its considerations in evaluating director nominees in its corporate governance documents and in its proxy statement. The company provides a list of the factors that it considers, including relevant experience, personal and professional integrity, independence, lack of conflict of interest, diversity, and age. The proxy statement provides the biographies for each director, including information on skills and expertise, and other public company board experience.

The company appears to provide sufficient information for shareholders to be able to assess how well-suited director nominees are for the board and whether there are any gaps in skills, experiences or other attributes. None of the company's key peers disclose nominees' ideological perspectives, and this practice does not appear to be a standard industry procedure. As a fiduciary, a board member is required to act in the best interests of the company and its shareholders without regard to personal ideological views. Since political ideology should play no role in the execution of board member responsibilities, it is not an appropriate topic of inquiry in the nomination or selection process. As such, support for this resolution is not warranted.

Item 5. Report on Lobbying Payments and Policy — FOR

VOTE RECOMMENDATION

A vote FOR this proposal is warranted as additional disclosure of the company's lobbying-related oversight mechanisms and trade association payments would help shareholders better assess the risks and benefits associated with the company's participation in the public policy process.

Vote Requirement: Majority of shares present in person or by proxy and entitled to vote (abstentions count against; broker non-votes have no effect).

Discussion

PROPOSAL

Undisclosed shareholders have submitted a precatory proposal requesting a report on the company's lobbying activities that discloses its lobbying-related oversight, policies, and expenditures.

The resolution reads:

"Resolved, the shareholders of Boeing 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 Boeing 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. Boeing's membership in and payments to any tax-exempt organization that writes and endorses model legislation.
4. Description of management's and the Board's decision-making process and 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 Boeing is a member. Both 'direct and indirect lobbying' and 'grassroots lobbying communications' include efforts at the local, state and federal levels.

The report shall be presented to the Audit Committee or other relevant oversight committees and posted on Boeing's website."

PROPONENT'S STATEMENT

In its supporting statement, the proponents advocate for transparency and accountability in the use of corporate funds to influence legislation or regulation. The proponents state that Boeing spent $152.795 million from 2010 to 2018 on federal lobbying, and that this amount does not include lobbying expenditures to influence state legislation, where disclosure is uneven or absent. In the wake of the two 737 MAX jet crashes, the filer points to questions raised by The New York Times related to whether Boeing's lobbying led to relaxed Federal Aviation Administration (FAA) oversight, and notes that in 2019, CNN labeled Boeing "one of the biggest players in the Washington influence game." The proponents state that Boeing belongs to the Business Roundtable and the National Association of Manufacturers, which have together spent $68 million dollars on lobbying for 2017 and 2018, and which are both lobbying against shareholder rights to file resolutions. The filer claims that Boeing does not disclose its memberships in, or payments to, trade associations, or the amounts used for lobbying. According to the proponents, investors participating in the Climate Action 100+ representing $34 trillion in assets are asking companies to align their lobbying with Paris Agreement goals. The proponents are concerned that in the wake of reputational damage caused by the 737 MAX crashes, and with the increased pressure from investors for companies to act on climate change, Boeing's lack of lobbying disclosure creates reputational risks and harm to long-term value creation. Thus, the proponents urge shareholders to vote for expanded lobbying disclosure.

BOARD'S STATEMENT

In its opposing statement, the board reiterates the company's commitment to transparency regarding its political advocacy. Boeing reports that it "regularly engages in policy debates at the federal, state and local levels." The board says that such activities "comply with applicable laws and regulations and Boeing's standards of ethical conduct." The board also reports that Boeing works with trade, industry, and civic groups on matters critical to the company's long-term success. The company states that it has instituted full transparency and extensive oversight of company political expenditures and has implemented additional policies and procedures with respect to lobbying and advocacy activities; it also began to provide information on its website about key trade associations to which the company contributes. The board notes that Boeing files publicly-available federal Lobbying Disclosure Act reports with Congress that detail, "all Boeing lobbying expenditures, issues lobbied on, government entities lobbied, Company lobbyists, and expenditures of the Boeing Political Action Committee, or BPAC, a voluntary, non-partisan, employee-sponsored political action committee." The filer states that Boeing's Executive Vice president of Government Operations reports regularly to the board on Boeing's lobbying and other advocacy activities, and that Boeing "has not made any contributions from corporate funds to federal, state, or local candidates or political parties or ballot initiatives in the last eight years." The board points out that Boeing was listed as a "trendsetter" in the 2019 CPA-Zicklin Index of Corporate Political Disclosure and Accountability, which gauges the transparency of S&P 500 companies around political contributions; however, it does not address spending on lobbying. The board believes that the company's current policies, procedures, and level of disclosure sufficiently address the proponent's request, and therefore urges shareholders to vote against this proposal.

BACKGROUND AND RECENT SHAREHOLDER ACTIVISM

For more information on lobbying disclosures, see ISS' Environmental and Social Background Report. For an update on the most recent shareholder activism around this issue, refer to ISS' 2019 U.S. Environmental and Social Shareholder Proposal Post Season Review (requires login to ISS Link).

This is the seventh year in a row that Boeing has received this proposal. The proposal averaged 24.2 percent shareholder support in the six previous years. Last year, the proposal received 32.6 percent shareholder support.

Analysis

BOEING'S LOBBYING DISCLOSURE

Public Policy Positions

Boeing's Government Operations web page reports that the company works with government officials, public policy groups, think tanks, trade associations, and international organizations, "protecting and advancing the company's interests, competitiveness, and reputation; winning support for Boeing programs; and shaping public policy issues that impact the company." The company also says that its efforts focus on making sure that the U.S. regulatory and political climate is, "conducive to global aerospace and defense leadership and supports long-term American manufacturing competitiveness and innovation."

In previous years, Boeing has listed advocacy priorities, including "Federal Aviation Administration (FAA) certification reform," but that reference has been removed.

In the Proxy Statement, the company says that it has "implemented additional policies and procedures with respect to its lobbying and advocacy activities." Specifically, it says it complies with the federal Lobbying Disclosure Act, posts information about its political contributions, and it provides additional information about key trade associations to which it contributes. It also says Boeing's Executive Vice President, Government Operations, reports regularly to the Board on Boeing's lobbying and other advocacy activities.

The company also says that it has regular engagement with shareholder proponents and related stakeholders regarding the topics of political activities.

Political Expenditures

The company's Government Operations website has a Political Expenditures section which states that Boeing uses corporate resources in order to support the company's viewpoint on important public policy issues, "including expenditures for external entities who advocate on Boeing's behalf."

Boeing says that any such advocacy conducted by the company requires the prior approval of the company's Executive Vice President of Government Operations and is overseen and managed by the company's Government Operations organization. Boeing states that it files lobbying disclosure reports that are housed in the United States' House and Senate websites, which the company includes links to. The company says that it files similar reports, as required, at the state level, and that lobbying activities are defined and tracked internally.

Trade Associations

Boeing states on its Political Expenditures webpage that it is company policy to prohibit external organizations, such as trade associations, from using its funds for any election-related political expenditures, however there are no such restrictions on using funds for lobbying. The company says that it regularly reviews its external affiliations to ensure alignment with Boeing's business interests and business strategy. Boeing states that "any continued support for such organizations must be approved by the Senior Vice President, Government Operations, on at least an annual basis."

POTENTIAL LOBBYING-RELATED CONTROVERSY

On March 6, 2020, the House Transportation Committee released its preliminary investigative findings on the design, development and certification of the Boeing 737 MAX, which was the aircraft involved in two fatal crashes within five months of each other that killed 346 people. The report cited 2019 Senate testimony from Daniel Elwell, the current Deputy Administrator of the FAA, revealed that the FAA Reauthorization Act of 2018 specifically directed the FAA to delegate matters related to aircraft certification to qualified private professionals. The House Transportation Committee's investigation found that this created "inherent conflicts of interest"; the committee "documented several instances where Boeing authorized representatives (ARs) … failed to take appropriate actions to represent the interests of the FAA and to protect the flying public." Boeing's 2018, 2019, and other years lobbying reports—the fourth quarters referenced here from the United States Senate Lobbying Disclosure Act Database—show that Boeing lobbied on H.R. 302 - the FAA Reauthorization Act of 2018.

The House committee's preliminary investigation further states that, "The fact that multiple technical design missteps or certification blunders were deemed 'compliant' by the FAA points to a critical need for legislative and regulatory reforms. Developing a transport category commercial aircraft that is compliant with FAA regulations but fundamentally flawed and unsafe highlights an aviation oversight system in desperate need of repair." In general, Boeing's influence over the FAA's oversight was listed as a key-factor that led to the fatal crashes, as the committee documented examples "where FAA management overruled the determination of the FAA's own technical experts at the behest of Boeing."

The New York Times alleges that based on "interviews with more than 50 regulators, industry executives, congressional staff members and lobbyists, as well as drafts of the bill and federal documents … Boeing and its allies helped craft the legislation to their liking, shaping the language of the law and overcoming criticism from regulators." The New York Times also alleges that the reauthorization act allows manufacturers, "to challenge regulators over safety disputes and [make] it difficult for the government to usurp companies' authority."

SCORECARD

Boeing's Lobbying Disclosure	
Disclosure of Board oversight of direct & indirect lobbying	Average
Disclosure of Management oversight of direct & indirect lobbying	Transparent
Disclosure of lobbying priorities	Average
Disclosure of direct and indirect, federal & state lobbying payments	Opaque
Disclosure of trade association affiliation	Average
Lobbying Controversy	Yes
Overall lobbying-related disclosure	**Insufficient Transparency**

CONCLUSION

Boeing articulates a rationale for its engagement in the public policy process and has established a Government Operations division to oversee and manage the company's advocacy activities. Further, it notes that the Executive Vice President of Government Operations "reports regularly" to the board on the company's lobbying activities. Boeing's total federal lobbying expenditures are disclosed on the U.S. Senate or the U.S. House of Representatives websites, which the company provides links to on its website. Boeing prohibits payments to trade associations from being used for election-related political expenditures, although it does not have the same prohibition against payments being used for lobbying. The company's website lists the trade organizations to which Boeing pays dues of $50,000 or more.

However, the company does not disclose any other policies or procedures it may have implemented to manage its direct and indirect lobbying activities, nor does it provide a complete or comprehensive disclosure of its trade association memberships or the dues paid to these associations and other tax-exempt organizations that may engage in lobbying. There may be instances where lobbying for changes in legislation or regulation may provide the company short-term value but may not be in the public's best interest, exposing the company to regulatory and reputational risk. The company is currently facing scrutiny for its documented government influence in the events that led up to the Boeing 737 MAX airplane crashes. Greater disclosure of the company's lobbying-related oversight, policies, and expenditures would allow shareholders to better assess Boeing's management of its comprehensive political and advocacy activities. Thus, this resolution warrants shareholder support.

Item 6. Require Independent Board Chairman

FOR

VOTE RECOMMENDATION

A vote FOR this proposal is considered warranted, as concerns about corporate culture and management priorities, as well as the extent of board oversight of management in the past, are serious enough to suggest that shareholders would benefit from the most robust form of independent board oversight, in the form of an independent board chair; continuing the practice adopted by the company last year.

BACKGROUND INFORMATION

Policies: Independent Chair (Separate Chair/CEO)

Vote Requirement: Majority of votes cast (abstentions count as votes against; broker non-votes have no effect)

Discussion

PROPOSAL

A shareholder has submitted a precatory resolution to request that the company adopt a policy that the chair of the board be an independent director. The resolution reads:

"Shareholders request our Board of Directors to adopt as policy, and amend our governing documents as necessary, to require that the Chairman of the Board be an independent member of the Board whenever possible.

If the Board determines that an independent Chairman is no longer independent, the Board shall select a new Chairman who satisfies the requirements of the policy within a reasonable amount of time. Compliance with this policy is waived in the unlikely event that no independent director is available and willing to serve as Chairman."

PROPONENT'S STATEMENT

The proponent appears to have submitted this proposal in the fall of 2019, when David Calhoun had been named independent chair and before he was appointed as CEO. (In fact, the deadline for submitting proposals for the 2020 annual meeting was Nov. 16, 2019.) The proponent acknowledged that Boeing did in fact have an independent chair, "adopted on a temporary basis," but questioned whether Calhoun might have had "too much on his plate given the current 737 MAX crisis," considering Calhoun's "day job" as a top executive of Blackstone Group and his other public board commitments. The proponent pointed out that Calhoun served together with Boeing's then-CEO Muilenburg on the board of Caterpillar Inc., suggesting the possibility of a quid pro quo where Calhoun might "go easy on Mr. Muilenburg at Boeing if Mr. Muilenburg will side with him at Caterpillar." Finally, the proponent argued that Boeing's board was longer on connections to Washington DC than on "experience in the airline business."

BOARD'S STATEMENT

The board responds by pointing out that it currently has an independent chairman – now Lawrence Kellner, who succeeded Calhoun as independent chairman in December – and states that it has a "demonstrated record of adjusting its leadership structure in a thoughtful manner depending on circumstances," so that it would be "inappropriate to impose irrevocable limits on the board's future flexibility." The board states that "the independent directors reevaluate the board's leadership structure in executive session on at least an annual basis. In each case, the independent directors select the leadership structure that would best enable Boeing to oversee management and help execute [its] long-term business strategy." The board notes that shareholders with whom it discusses this issue "have a variety of views, but most tell [the board] they prefer to defer to particular boards' judgment rather than rely on a 'one-size-fits-all' policy." The board observes that shareholders have "consistently held that boards where a non-independent director serves as Chairman must ensure effective oversight of management through, among other things, a strong independent lead director;" and points out that if it were to once again elect a non-independent chair, company policy requires the election of a lead independent director. The board notes certain other practices which it believes help to ensure effective oversight, including the fact that only independent directors serve on the board's six standing committees; directors' extensive involvement in executive succession planning; each independent director's direct access to management; the executive sessions of independent directors held in connection with every stated board meeting; and independent oversight of all executive compensation matters. The board concludes that these practices as well as the "collective skills, experience, and integrity of [Boeing's] directors" ensure effective oversight of management and that therefore this proposal is unnecessary and "would only serve to limit the independent directors' ability to pursue what they believe to be shareholders' long-term best interests in each relevant circumstance."

Analysis

Although ISS recognizes that many companies maintain a non-independent board chair and perform well with this arrangement, many shareholders believe that it is preferable to separate these positions. The board is responsible for overseeing management and instilling accountability, and conflicts of interest may arise when one person holds both the chairman and CEO positions, thereby leading both the management team and the board which oversees it, or when the chairman is a former CEO who may have been intimately involved in setting the company's current strategic direction. Effective board oversight may be enhanced by independent leadership.

ISS will generally recommend in favor of shareholder proposals requiring that the chairman's position be filled by an independent director, taking into consideration the following:

- The scope of the proposal;
- The company's current board leadership structure;
- The company's governance structure and practices;
- Company performance; and
- Any other relevant factors that may be applicable.

SCOPE OF THE PROPOSAL

The proposal does not state that the independent chair requirement shall apply prospectively and not violate any contractual obligations, as is often the case with such proposals – but that simply reflects that the company already had an independent chair when the proposal was submitted. The proposal does say that compliance would be waived in the "unlikely event that no independent director is available and willing to serve as Chairman." Although the proposal itself is non-binding, its adoption would effectively require the board to maintain its current leadership structure.

BOARD AND GOVERNANCE FEATURES

Chairman classification	Independent
Separate chair/CEO	Yes
Independent lead director	No
Lead Director elected by and from Independent Directors	N/A
Board Independence	92%
100% Independent Key Committees	Yes
Disclosed Governance Guidelines	Yes
Average Board Tenure	6 years
CEO Tenure	Less than 1 year
Compensation Concerns	No
Problematic Governance Practices	No (but see discussion below)

BOARD LEADERSHIP STRUCTURE

As discussed above, under Material Company Updates and in the analysis of the director elections, Boeing has had an independent board chair since October 2019, when David Calhoun replaced then-CEO Dennis Muilenburg as chair. When Calhoun was appointed to replace Muilenburg as CEO, Lawrence Kellner replaced Calhoun as the independent chair.

When Boeing has a non-independent board chair, an independent lead director is chosen on an annual basis by the independent directors. Calhoun held that role before becoming chairman. The duties of the lead director at Boeing include presiding at board meetings at which the chairman is not present, having the authority to call meetings of the independent directors, serving as a liaison between the chairman and the independent directors, approving board meeting schedules and agendas and the type of information sent to the board, and being available for consultation and direct communication with shareholders upon request. Last year's proxy statement noted that in addition to these responsibilities, then-lead director Calhoun "speaks with the CEO before and after each stated meeting of the board to review presentation materials, address matters discussed during executive sessions of the board's independent directors, and/or discuss important strategic matters; ensures that the board's governance policies are responsive to shareholder concerns, including with respect to matters such as proxy access, succession planning, and limits on outside board memberships for directors; and meets regularly with members of senior management other than the CEO."

GOVERNANCE STRUCTURE AND PRACTICES

There are no significant concerns at this time with board or committee independence or shareholder rights. However, as discussed in Item 1 above, concerns have been raised about the corporate culture at Boeing; in particular whether the quality and safety of its products were given sufficiently high priority and whether the board exercised sufficient oversight of management to mitigate the risks of the company's business strategy.

COMPANY PERFORMANCE

TOTAL SHAREHOLDER RETURNS

	1 Yr	3 Yr	5 Yr
Company TSR (%)	3.25	30.83	23.26
GICS 2010 TSR (%)	33.65	11.97	9.06
S&P500 TSR (%)	31.49	15.27	11.70

Source: Compustat. As of last day of company FY end month: 12/31/2019

Through the end of 2019, Boeing had underperformed its four-digit GICS peer group and the S&P 500 Index over one year and outperformed both comparator groups over three- and five-year periods. However, it is more relevant to note that Boeing significantly outperformed GICS peers and the S&P 500 in the period before the 737 MAX was grounded, and significantly underperformed since the grounding, as the market absorbed a steady flow of information about the costs associated with the two fatal crashes and the grounding of the plane, and about Boeing's actions related to the development and certification of the MAX; and recalibrated Boeing's expected future financial performance. Ordinarily, an analysis of stock price performance for the purpose of an independent chair proposal would discuss the company's performance under the current leadership structure, but Boeing's share price has been unusually volatile in recent weeks due to the impact of the COVID-19 pandemic on air travel and demand for aircraft, and due to prospects for government assistance to Boeing and its airline customers. It would not be reasonable to attribute recent share price performance to the board leadership structure.

CONCLUSION

Boeing recognized the need to separate the chair and CEO roles in October 2019 "in order to enable the then-current CEO to focus full-time on managing Boeing as it works to return the 737 MAX safely to service, support its customers around the world, and sharpen its focus on product and services safety." When the board decided to replace the CEO in December 2019, it determined to maintain an independent chair. Considering the intense scrutiny the company will continue to undergo – from regulatory agencies, the U.S. Congress, shareholders and the general public – it is not realistic to think that Boeing would appoint a non-independent board chair in the near term. However, other companies that have appointed an independent chair in a crisis situation have recombined the chair and CEO roles after they deemed the crisis to have passed. Because there is evidence that the cause of Boeing's problems is a culture that will take time to transform, and suggestions that the board had been too willing in the past to defer to the combined chair and CEO, it appears prudent to adopt a policy requiring an independent board chair. Should the board believe in the future that circumstances have changed and that there are compelling reasons to appoint a non-independent chair, it would of course be free to seek shareholder approval for a change in the policy at that time. Support for this proposal is warranted.

Item 7. Provide Right to Act by Written Consent

FOR

VOTE RECOMMENDATION

A vote FOR this proposal is warranted given that the ability to act by written consent would enhance shareholder rights.

Vote Requirement: Majority of votes cast (abstentions count as votes against; broker non-votes have no effect)

Discussion

PROPOSAL

A shareholder has submitted a proposal requesting that the company provide shareholders with the right to act by written consent. The proposal reads:

"Shareholders request that our board of directors take the steps necessary to permit written consent by shareholders entitled to cast the minimum number of votes that would be necessary to authorize the action at a meeting at which all shareholders entitled to vote thereon were present and voting. This written consent is to give shareholders the fullest power to act by written consent consistent with applicable law. This includes shareholder ability to initiate any appropriate topic for written consent."

SHAREHOLDER'S SUPPORTING STATEMENT

The proponent states that the ability to act by written consent is a means that shareholders can use to raise important matters outside the normal annual meeting cycle, including the election of new directors, which the proponent believes is "important for Boeing." The proponent cites an article in Fortune magazine in which corporate governance experts raised concerns about Boeing's board, including certain directors' service together on the same outside boards, and the appointment of directors with political, rather than engineering, backgrounds.

BOARD'S STATEMENT

The board believes that adoption of a written consent right would not be shareholders' interest, because action by written consent could "circumvent the important deliberative process of a shareholder meeting" and deprive many shareholders of the chance to vote or even receive information on important pending actions. The board states that in the "limited circumstances" in which action by written consent may be in the long-term interest of shareholders – such as "rapidly-changing business requirements that mandate revisions to Boeing's certificate of incorporation on a time-sensitive basis" – Boeing's governing documents already permit shareholder action by written consent on the prior recommendation of the board.

The board goes on to argue that the company's "commitment to shareholder engagement and governance best practices, including the right of shareholders to call special meetings, already establishes board accountability." The board notes that Boeing directors are elected annually, by majority voting; that shareholders have the ability to nominate directors through proxy access; and that Boeing maintains a "robust shareholder outreach program that provides an open and constructive forum for shareholders to express and raise concerns."

Analysis

A consent solicitation is similar to a proxy solicitation, except that no meeting occurs. Shareholders vote and sign their consents and deliver them to management. If enough consents are returned, the subject of the consent is deemed ratified. By contrast, a proxy solicitation must end with a meeting because proxy cards merely authorize the indicated "proxy" to cast a vote at a meeting.

Some states require a unanimous shareholder vote for the subject of a consent solicitation to become effective. In Delaware, however, consent subjects become effective if the consent vote matches the ratification vote required at a meeting unless otherwise provided in the company's certificate of incorporation. For example, if simple majority approval is required at a meeting, then a simple majority is also required to approve action by consent.

Inability to act via written consent can block potential benefits to shareholders. Beneficial tender offers may be precluded because of a bidder's inability to act by written consent to remove certain impediments to completion of an offer, such as a poison pill or other antitakeover provisions. (A tender offer for Boeing is admittedly a remote possibility.)

However, because of the limitations of action by written consent including a relative lack of transparency and notice, and the potential for abuse at controlled companies and in certain other situations, ISS will examine the company's ownership structure, provision for enabling shareholders to call special meetings, and other key governance provisions.

According to an ISS analysis of Russell 3000 companies, 26 percent of such companies give shareholders a meaningful right to act by written consent as of Jan. 30, 2019. The breakdown of such companies is as follows:

No right to act by written consent	44.0%
Right to act by unanimous written consent	29.6%
Right to act by written consent (less than unanimous)	26.3%

GOVERNANCE PRACTICES

ISS considers the company's current governance practices when evaluating shareholder proposals to act by written consent. In this case, the company has an annually-elected board, a majority vote standard in uncontested director elections, and a right of proxy access. The company does not maintain supermajority vote requirements or a poison pill. Most pertinently, Boeing shareholders have the right to call a special meeting, but the required ownership threshold to exercise this right is 25 percent of outstanding shares. Boeing's share price has been extremely volatile in recent weeks, but even at its lowest level, the company had a market capitalization of over $40 billion; meaning that a 25 percent stake equated to an aggregate investment of $10 billion. (The market cap as of this writing is $84 billion.) At current ownership levels, it would take no fewer than five shareholders pooling their holdings – and in most cases many more – to exercise the right to call a special meeting.

OWNERSHIP STRUCTURE

According to the proxy statement, the company's largest shareholders as of Dec. 31, 2019 were

Ownership - Common Stock	% of Class
The Vanguard Group, Inc.	7.2
BlackRock, Inc.	6.1
Newport Trust Co.	5.5
T. Rowe Price Associates, Inc.	5.3

No single shareholder, or small group of shareholders, comes close to the ownership level that would allow action by written consent without broad notice to the general population of shareholders, affording them the opportunity to participate. It is indeed possible for the written consent mechanism to be abused, but the possibility of such abuse is much greater at small, closely-held companies than broadly-held large cap firms like Boeing.

PRIOR VOTE RESULTS

The last time a similar proposal was on the ballot at Boeing was in 2015, when it received the support of 33.8 percent of votes cast (excluding abstentions).

CONCLUSION

Approval of this non-binding proposal would signal to the board that it should empower investors with the right to act by written consent, a right that is generally in shareholders' best interests. ISS also notes that no shareholder or small group of shareholders (assuming current ownership levels) would have the ability to act unilaterally by written consent. Therefore, because the right to act by written consent would enhance the rights of the company's shareholders by affording them an additional means of acting in between annual meetings, a vote FOR this proposal is warranted.

Item 8. Adopt Share Retention Policy For Senior Executives — FOR

VOTE RECOMMENDATION

A vote FOR this proposal is warranted. While the company maintains stock ownership requirements and all NEOs have met them, the current guidelines are not particularly robust and the company does not disclose any further retention requirements for equity incentive awards. The request to hold at least 25 percent of after-tax shares is considered to be reasonable and shareholders may benefit from the implementation of an additional holding requirement for a reasonable portion of equity-based compensation.

BACKGROUND INFORMATION

Policies: Hold Equity Past Retirement or for a Significant Period of Time

Vote Requirement: Majority of shares present in person or by proxy and entitled to vote (abstentions count against; broker non-votes have no effect)

Discussion

PROPOSAL

A holder of The Boeing Company's common stock has proposed the adoption of the following resolution:

> RESOLVED: Shareholders of The Boeing Company ("Company") urge the Compensation Committee of the Board of Directors ("Committee") to adopt a policy, allowing for consideration of reasonable exceptions, requiring that senior executives retain a significant percentage of shares acquired through equity compensation programs until reaching normal retirement age. For the purpose of this policy, normal retirement age shall be defined by the Company's qualified retirement plan that has the largest number of plan participants.
>
> Shareholders recommend the Committee adopt a share retention percentage requirement of at least 25 percent of net after-tax shares awarded. This policy shall supplement any other share ownership requirements that have been established for senior executives, and should be implemented so as not to violate the Company's existing contractual obligations or the terms of any compensation or benefit plan currently in effect.

SHAREHOLDER'S SUPPORTING STATEMENT

The proponent recommends that the compensation committee adopt a policy to require executive hold 25 percent of net after-tax shares awarded through the company's incentive programs. Shares would be held until reaching retirement age as defined by the company's qualified retirement program. The proponent seeks to better link executive compensation with long-term performance by requiring meaningful retention of shares received through incentive programs. Requiring senior executives to hold a significant portion of stock obtained through executive pay plans would focus executives on the company's long-term success, according to the proponent. In addition, the proponent believes executives should avoid selling their shares during a buyback.

The proponent does not believe the current share ownership requirements go far enough to ensure that the executives build long-term stock ownership because executives are free to sell all additional shares after those requirements are met. The proponent uses the former CEO as an example, noting that his ownership guidelines were $10.2 million in 2018 and he received grants of $7.3 million and $5.7 million in 2018 and 2017, respectively. These grants would have allowed him to satisfy the stock ownership guidelines based on just two years of compensation, after which he would not be required to hold any additional shares received as compensation.

BOARD'S STATEMENT

The board believes the proposal is not in the best interests of shareholders. The board also notes it has discussed the subject of share retention with shareholders and those discussions have informed the company's view. The board states that executives are required to own stock of between three times base salary for SVPs up to six times salary for the CEO. The company states that many executives own stock in excess of these requirements and NEOs much hold all newly vested stock until the minimum ownership guidelines are met. Executives are also prohibited from pledging Boeing stock and from hedging. The board believes Boeing's policies are in line with peers and further, that the executive compensation program emphasizes long-term equity ownership. The board points out that most compensation to executives is in the form of long-term incentive-based equity awards and notes that time-based equity awards do not vest until the third anniversary of the grant. Performance shares pay out based on relative TSR, also over a three-year period. The board believes that executive compensation is sufficiently tied to long-term shareholder value, which makes it unnecessary to require additional holding requirements such as post-termination stock ownership.

Analysis

Significant stock ownership by company management aligns shareholder interests with that of management. When evaluating stock retention/holding period proposals, ISS takes into account the following:

- Rigorous ownership guidelines (at least 10x base salary);
- Holding period requirements coupled with significant long-term ownership requirements;
- A meaningful retention ratio;
- Actual executive stock ownership compared to the ownership/holding requirements;
- Any post-termination holding requirement policies or policies aimed at mitigating risk taking; and
- Pay practices (past and present) that may promote short-term versus long-term focus.

The retention policy requested by the proponent would require senior executives to retain at least 25 percent of shares granted under the equity compensation programs until reaching retirement age. At Boeing, the normal retirement age would be defined as 65 under the Pension Value Plan.

In this case, the company has stock ownership guidelines of six times base salary for the CEO, and three to four times base salary for other executives. ISS considers rigorous stock ownership guidelines for CEOs to be at least 10 times base salary. These must be met within five years after the executive's promotion or hire date into the role. Executive officers must hold all newly vested stock until their minimum ownership requirements have been satisfied, after which no further retention requirements apply.

According to the proxy statement, as of Dec. 31, 2019, all NEOs complied with the company's stock ownership requirements although, as described in the Material Company Updates, investors may note the company hired a new CEO in January 2020.

The company maintains a robust anti-hedging policy and anti-pledging policy, as well as a clawback policy. ISS has not identified significant concerns regarding an overly short-term focus for the executive pay program.

CONCLUSION

The hold-until-retirement-age guideline, as proposed by the proponent, is a useful tool to further align executives' interests with shareholders as it promotes long-term focus on value by requiring the executive to retain a meaningful economic stake in the company until retirement age, directly tied to shares received from incentive awards. While the company maintains stock ownership requirements, the current guidelines are not particularly robust and the company does not disclose any retention requirements for equity incentive awards. Further, the request to hold at least 25 percent of after-tax shares is considered to be reasonable. Hence, the guidelines recommended by the proponent may create a stronger link between the interests of top executives and long-term shareholder value, given that it would further enforce the alignment of executives who would be required to hold an increasing level of ownership. As such, support for this proposal is warranted.

Item 9. Increase Disclosure of Compensation Adjustments — FOR

VOTE RECOMMENDATION

A vote FOR this proposal is warranted. While the company currently discloses the adjustments made to performance metrics from GAAP and the overall net impact on results, a line-by-line reconciliation of adjustments and explanations for them would provide greater transparency around each adjustment and the underlying rationale, which would benefit shareholders.

Vote Requirement: Majority of shares present in person or by proxy and entitled to vote (abstentions count against; broker non-votes have no effect)

Discussion

PROPOSAL

A holder of The Boeing Company's common stock has proposed the adoption of the following resolution:

> RESOLVED: Shareholders of The Boeing Company (the "Company") urge the Board of Directors (the "Board") to adopt a policy that when the Company adjusts or modifies any generally accepted accounting principles ("GAAP") financial performance metric for determining senior executive compensation, the Compensation Committee's Compensation Discussion and Analysis shall include a specific explanation of the Compensation Committee's rationale for each adjustment and a reconciliation of the adjusted metrics to GAAP.

SHAREHOLDER'S SUPPORTING STATEMENT

The proponent points out that the company uses several different metrics to determine incentive compensation and that many metrics are adjusted by the compensation committee "to better reflect core operating performance." The proponent gives a few examples of adjustments the company has made to both the annual incentive and long-term incentive cash programs including an adjustment to exclude capital expenditures when calculating free cash flow. The proponent also noted several adjustments made to the economic profit metric used in the FY16-18 long-term program including to exclude the impact of discount rates on pension expense, the reclassification of early-build flight tests to R&D expense, deterioration of the air cargo market, a litigation outcome, changes in commodity price indices, and lower tax rates.

The proponent believes the explanation for adjustments from GAAP, as provided by the company in the 2019 proxy statement, were "vague and unsatisfactory." The proponent states the use of adjustments may inflate executive compensation by overstating financial performance as compared to GAAP and the proponent would like to see a specific explanation for why the adjustments were made. Lastly, the proposal points to a Council of Institutional Investors request to the SEC to require companies to provide more explanation and GAAP reconciliation.

BOARD'S STATEMENT

The board states that the proposal is unnecessary as the company already discloses adjustments made to incentive performance metrics including whether those adjustments increased or decreased payouts. The company views some adjustments as necessary in order to accurately reflect the company's core operating performance and states that adjustments are limited to address the impact of (i) significant external events outside management's control, (ii) management decisions intended to drive long-term shareholder value that general short-term financial impacts, and (iii) significant changes to market conditions that were not foreseeable at the outset of the performance period.

The board believes the proposal inaccurately implies that the company is adjusting performance metrics in order to increase executive compensation rather than to reflect actual performance. The board points to the fact that the company did not make adjustments to the 2019 annual incentive payout nor to the FY17-19 performance awards after both were deemed not earned as well as to 2018 adjustments resulting in lower payments than if the committee had relied on GAAP. Therefore, the company does not believe there is evidence to suggest the compensation committee adjusts performance in order to increase compensation. The compensation committee only makes adjustments to reflect core operating performance regardless of the effect on the magnitude of payments.

Analysis

ISS follows a case-by-case approach in evaluating compensation-related shareholder proposals requesting specific design or disclosure changes to incentive programs. Analyses of the proposals are based on the facts and circumstances at the company, such as, for example, the performance-based nature of the company's pay program, whether there has been a history of poor stewardship of pay programs, the potential benefit to shareholders, and the prescriptive nature of the proposal.

In the case of Boeing, incentive programs make significant use of non-GAAP measures. Adjusted non-GAAP metrics are used to determine performance against two of the four annual incentive metrics and two of the three Performance Award metrics (LTI cash program). Performance equity vesting is determined using TSR which, while technically not a GAAP measure, does not rely on adjustments in the same way as financial and operational metrics. A review of pay programs overall indicates they are largely performance-based, and ISS has not identified a pay-for-performance misalignment in the prior three years at the company.

Companies routinely adjust the metrics used to determine incentive program payouts. Certain investors argue that the use of non-GAAP adjustments for executive incentive programs is necessary to allow the board to account for external factors that are not indicative of management performance. Other stakeholders are concerned with the potential insulation of executive pay outcomes from certain adjustments, which can represent real costs to shareholders and which derive from strategic decisions made by company management. In this case, the proponent is not asking the company to eliminate the use of adjustments from GAAP but rather to provide enhanced disclosure regarding the compensation committee's rationale for making certain adjustments and how each adjustment specifically affects ultimate incentive program payouts.

ISS notes that the company did not provide a line-by-line reconciliation table for incentive program metrics in the 2020 proxy statement, as no payouts were made under either incentive program that used adjusted metrics. However, as the proponent states, the company adjusted metrics in both incentive programs in the 2019 proxy statement, which also did not provide a detailed reconciliation to GAAP last year, though the company did list the specific adjustments made and whether each one positively or negatively impacted the outcome. Many companies provide line-by-line reconciliation from GAAP either in the Compensation Discussion and Analysis section of the proxy statement or in a separate appendix.

CONCLUSION

ISS generally believes that the board and compensation committee are best qualified to make decisions regarding metrics and adjustments for use in incentive programs to promote long-term shareholder value creation, in the absence of identified compensation concerns. However, in this instance, the proponent is not asking the company to discontinue the use of adjustments in incentive programs, but rather to provide additional disclosure regarding the reconciliation to GAAP and the committee's rationale for making certain adjustments. Accordingly, the proposal is not viewed as overly prescriptive.

As the company has not provided detailed line-item reconciliation between GAAP and the adjusted results used to determine incentive program payouts in the proxy statement, investors would benefit from this additional disclosure as well as explanations for the committee's selected adjustments. Accordingly, support for the proposal is warranted.

Equity Ownership Profile

Type	Votes per share	Issued
Common Stock	1.00	564,225,853

Ownership - Common Stock	Number of Shares	% of Class
The Vanguard Group, Inc.	39,894,932	7.08
Newport Trust Co.	30,713,384	5.45
T. Rowe Price Associates, Inc. (Investment Management)	29,951,097	5.32
Capital Research & Management Co. (World Investors)	26,557,559	4.72
SSgA Funds Management, Inc.	26,302,874	4.67
BlackRock Fund Advisors	25,995,063	4.62
Capital Research & Management Co. (International Investors)	9,965,633	1.77
Geode Capital Management LLC	7,179,440	1.28
Northern Trust Investments, Inc.(Investment Management)	5,761,259	1.02
Janus Capital Management LLC	5,100,300	0.91
Fidelity Management & Research Co. LLC	4,756,412	0.85
Jennison Associates LLC	4,297,204	0.76
Susquehanna Financial Group LLLP	4,150,462	0.74
Capital Research & Management Co. (Global Investors)	4,118,742	0.73
Morgan Stanley Smith Barney LLC (Invt Mgmt)	4,132,538	0.73
UBS Financial Services, Inc.	3,598,002	0.64
TIAA-CREF Investment Management LLC	2,910,260	0.52
Franklin Advisers, Inc.	2,589,570	0.46
Charles Schwab Investment Management, Inc.	2,428,366	0.43
Nikko Asset Management Co., Ltd.	2,251,701	0.40

Additional Information

Meeting Location	Virtual-Only Meeting: www.virtualshareholdermeeting.com/BA2020
Meeting Time	9:00 a.m. Central Time
Shareholder Proposal Deadline	November 13, 2020
Solicitor	Morrow Sodali LLC.
Security IDs	097023105(CUSIP)

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