# CWA

## Lumen Technologies Proxy Voting Recommendations

**Item 1. Election of Directors**
**Recommendation**: Vote your conscience
**Background**: The Board of Directors consists of 11 individuals, 10 of whom are independent. The non-independent director is Jeffrey K. Storey (current Lumen Technologies CEO).

**Item 2. Ratification of the Appointment of KPMG as Independent Auditor**
**Recommendation**: Vote against
**Background**: KPMG LLP has been the auditor for Lumen (and its predecessor companies) since at least 1977. The Board's Audit Committee has re-appointed the firm for another fiscal year, through December 31, 2021. With this vote, shareholders are asked to affirm the Committee's decision. The wisdom in corporate governance circles is that such lengthy relationships can blur the independent perspective necessary for an uncompromised review of financial results.[1]

**Item 3. Proposal to Amend the nol rights plan**
**Recommendation**: Vote your conscience
**Background**: This management proposal seeks to extend the Net Operating Loss (NOL) Rights plan from December 1, 2021 to December 31, 2023 limit future ownership changes that could impair Lumen's ability to use its net operating losses (NOLs). These NOL's offset future taxable income, which can result in significant tax savings. (Lumen had $5.1 billion of NOL's on the books at the end of 2020.) According to Section 382 of the Internal Revenue Code, a company may be limited in its ability to utilize its NOLs if the company experiences an "ownership change." That change is generally interpreted to mean that if shareholders holding 5% or more of the company's shares increase their holdings by more than 50 percent in a three-year period, it would constitute an "ownership change" for purposes of Section 382. As a result, NOL rights plans contain lower threshold triggers, usually at 4.99%. The company set the threshold at 4.9%. The company negotiated with the IRS a plan to use the NOLs to defray future tax liabilities. If shareholders vote down this proposal, that plan expires December 1, 2021.

This plan has the effect of protecting the company from a hostile takeover and is thus considered a "poison pill." It may have a depressive effect on share prices. As of April 13, 2021, the Lumen share price had declined 32% since its merger with Level 3. This should be a concern for workers whose individual holdings and pension funds contain Lumen stock. However, the likely takeover companies in the telecom universe are private equity and hedge fund companies who have no interest in the well-being of other stakeholders, including workers.

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[1] See, for example, Council of Institutional Investors, "Policies on Corporate Governance," last updated March 10, 2020. CII recommends "a fact specific explanation for not changing the company's auditor if the committee chooses to renew the engagement of an auditor with more than 10 consecutive years of service." https://www.cii.org/corp_gov_policies

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**Item 4. Advisory Approval of Executive Compensation**

**Recommendation**: Vote Against

**Background**: The proposal asks shareholders to approve a compensation program already in place. The vote is only advisory and would not be binding on the company. The proxy statement includes principles for setting pay and a detailed discussion of all aspects of executive pay. Of particular interest to CWA members will be the compensation of CEO Jeffrey K. Storey. In 2020, according to the Summary Compensation Table in this year's proxy statement, Mr. Storey received total compensation of $16,959,233.

Public companies must report the relationship between CEO pay and the median compensation at the company (see pp. 86 of the proxy statement). In 2021, the median employee was identified as a transmission equipment person, located in the U.S. and with the company for twenty-nine years and earns $73,091. At Lumen, the ratio of CEO pay to median compensation was 232 to 1.