



Action Report

Corporate Political Activity

NextEra Energy

April 26, 2017

Ticker	Exchange	Meeting Date	Record Date	Annual Meeting Location
NEE	NYSE	5-18-2017	3-23-2017	Cedar Rapids, Iowa

Agenda	
Item	Proposal
1	MGT: Elect directors
2	MGT: Ratify selection of auditors
3	MGT: Advisory vote on executive compensation
4	MGT: Advisory vote on the frequency of future advisory votes on executive compensation
5	MGT: Approve 2017 Non- Employee Directors Stock Plan
6	SH: Review/report on political spending

Si2 Briefing [Corporate Political Activity](#)

Report Author [Robin Young](#)

Links [Proxy Statement](#); [Political Contributions Policy](#); [Code of Business Conduct and Ethics](#); [Corporate Responsibility Report](#)

Resolved Clause Resolved, that the shareholders of NextEra Energy Inc. (“NextEra” or “Company”) hereby request that the Company provide a report, updated semiannually, disclosing the Company’s:

1. Policies and procedures for making, with corporate funds or assets, contributions and expenditures (direct or indirect) to (a) participate or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office, or (b) influence the general public, or any segment thereof, with respect to an election or referendum.
2. Monetary and non-monetary contributions and expenditures (direct and indirect) used in the manner described in section 1 above, including:
 - a. The identity of the recipient as well as the amount paid to each; and
 - b. The title(s) of the person(s) in the Company responsible for decision-making.

The report shall be presented to the board of directors or relevant board committee and posted on the Company’s website within 12 months from the date of the annual meeting.

Lead Proponent New York State Common Retirement Fund

Vote History This is the third year in a row that this proposal has appeared on the NextEra Energy proxy ballot. The 2016 and 2015 proposals received 42.7 percent and 39.5 percent support, respectively.

Summary NextEra has a policy on corporate political and trade association activity but it does not provide for any board oversight or corporate political activity, full disclosure of corporate political contributions, trade association memberships, dues amounts or political and lobbying expenditures made by those associations using NextEra Energy funds.

I. NextEra Energy and Political Activity

NextEra Energy, formerly known as FPL Group, is one of the largest electric power companies in North America and has approximately 45,900 megawatts of generating capacity from facilities in 230 states and four provinces in Canada and Spain. It provides retail and wholesale electric services to over 5.4 million customers as well as owning generation, transmission and distribution facilities.

Financials			
(\$ millions)	2015	2016	% Change
Total Revenue	\$17,486	\$16,155	(7.6%)
Net Income	\$2,762	\$3,005	8.8%

NextEra is the largest generator of solar and wind-based renewable energy (based on MWh produced) in North America. The company owns and operates approximately 16 percent of U.S. wind power production capacity and owns and/or operates approximately 11 percent of U.S. utility-scale solar power production capacity. The company also owns and operates eight nuclear reactors at five sites in four states, representing approximately 6 percent of U.S. nuclear power electric generating capacity. Approximately 98 percent of power generated by NextEra comes from natural gas, nuclear and solar generation.

The company’s Florida Power & Light (FPL) subsidiary accounted for approximately 59 percent of net income in 2016. It also accounts for a majority of NextEra’s customers as well – 4.9 million.

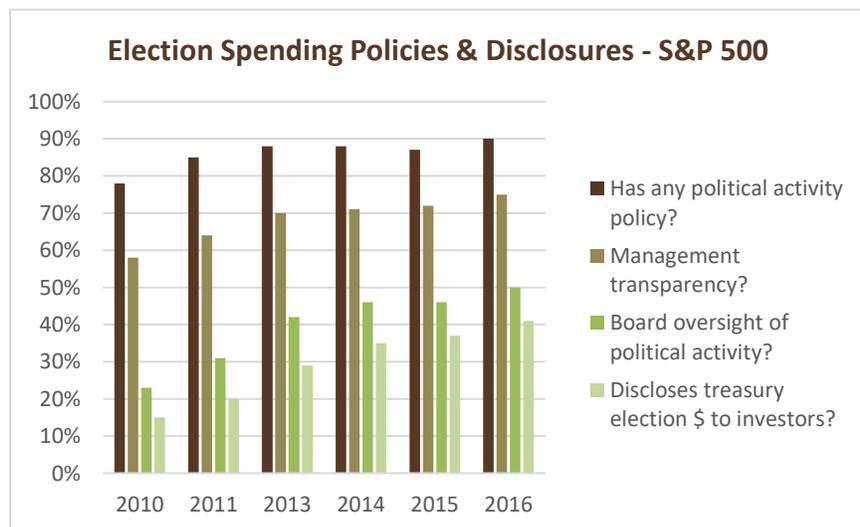
NextEra has approximately 14,200 employees.

Policies and Disclosures on Political Spending

The bar chart at right and the table below provide comparative data from Si2’s benchmarking research and show how company disclosure on corporate political spending has grown in the last several years.

Si2’s review of S&P 500 companies’ political activity governance practices in 2016 shows that 90 percent of these companies disclosed at least some form of policy on corporate political activity, up from 78 percent in 2010.

The table shows how the company’s current spending disclosure policy stacks up against sector peers and the S&P 500, and provides comparative data.



Corporate Political Spending Policies and Governance			
	NextEra Energy	Averages from 2016 Si2 Analysis	
		Energy Sector	S&P 500
Governance			
Board oversight	No	62%	50%
Management transparency*	Yes	84%	75%
Policies			
Campaign spending	Yes	97%	90%
Independent expenditures	No	22%	33%
Indirect spending			
Trade associations	Yes	65%	55%
Other non-profits	No	30%	30%
Discloses memberships	No	54%	44%
Discloses payments	No	44%	32%
Prohibits trade group use of company \$ for some types of political spending	No	5%	7%
Spending disclosure to investors			
Treasury election \$ reported	No	31%	41%

*Identifies corporate officer(s) involved in decision-making

NextEra Energy's policy on corporate political activity is in the company's [Political Contributions Policy](#) and also in the [Code of Business Conduct and Ethics](#). The company says it participates in the political process because:

Policy decisions at every level of government can impact the Company's ability to deliver clean, affordable and reliable energy to its customers. Policy decisions can also impact the Company's ability to invest in energy infrastructure that strengthens the entire electric grid. NextEra Energy has been one of the largest investors of capital in any U.S. industry over the last several years, and believes it has a responsibility to share its perspective with policymakers and to participate as an industry leader in discussions regarding the future of electric power and clean energy.

Board oversight: NextEra Energy's policy does not provide for any board oversight of corporate political activity.

Management transparency: NextEra Energy provides an extensive list of executive officers that are accountable for various types of contributions:

<u>Jurisdiction of political engagement</u>	<u>Accountable officer</u>
U.S. federal government	V.P., Governmental Affairs-Federal
State of Florida	V.P., State Legislative Affairs, FPL
Local governments in Florida	V.P., Development and External Affairs, FPL
State and local governments outside Florida	V.P., Regulatory and Political Affairs, Energy Resources
Canada and other foreign countries	V.P., and General Counsel, Energy Resources

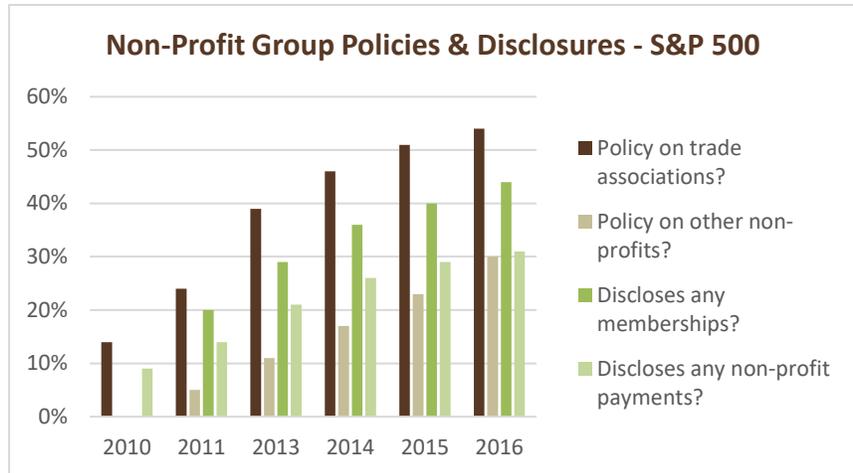
In addition, the company reports that political engagement activities and policies are periodically reviewed by internal and external legal counsel and that the Chairman and Chief Executive Officer has final authority over all corporate political contribution decisions.

Prohibited contributions: Company policy does not explicitly prohibit the use of treasury funds for any allowable contributions.

Independent expenditures: NextEra Energy does not disclose a policy on independent expenditures.

Disclosure of corporate contributions: The company does not independently disclose its corporate political contributions.

Indirect spending: The bar chart at right provides comparative data from Si2’s benchmarking research and shows how company disclosure on corporate indirect has grown in the last several years. Si2’s review of S&P 500 companies’ indirect spending governance



practices in 2016 shows that 54 percent of these companies disclosed at least some form of policy on corporate trade association activity, up from 14 percent in 2010.

Involvement with trade groups and other non-profit organizations: NextEra Energy’s policy does address the subject of trade association activity and lobbying, although in the [Corporate Responsibility Report](#), rather than the Political Contributions Policy.

Policy— NextEra’s policy on trade associations states:

At NextEra Energy, we’re also a member of several trade associations. These organizations may engage in political activities and may make political contributions. We may not necessarily agree with every position taken by each organization, but we determine if membership in each group furthers the business interests of our company. We ask each association to provide details regarding the portion of its annual dues that are used for political purposes. Each association membership is reviewed and approved by an executive officer of our company.

After 2015, the company removed all language referencing the company’s relationships with other tax-exempt groups, such as 501(c)(4)s.

Membership and payment disclosure: NextEra Energy does not disclose a list of its memberships in trade associations or any other tax-exempt organizations that may spend money on political campaigns. It does not disclose any dues or payments to those organizations or the subset of those dues and payments used for political and lobbying expenditures. Dues paid by the company help underwrite a percentage of each association’s political and lobbying expenses. *(See table for available data.)*

Company Involvement with Trade Associations						
Organization	NextEra Energy				Most Recent IRS Data	
	On Board	Member	2016 Contributions		Total Dues	Political Spending*
			Dues	Political*		
Business Roundtable		X	ND	ND	\$33.2 mil.	\$17 mil.
Edison Electric Institute		X	ND	ND	\$68.9 mil.	\$4.7 mil.
Nuclear Energy Institute		X	ND	ND	\$49.1 mil.	\$1.8 mil.

*Political and lobbying expenses non-deductible under Internal Revenue Code Section 162(e)1.

Political Spending Record

Available information from the public record on the company’s corporate contributions to national political committees and state candidates, parties and ballot initiatives shows it has given \$4.3 million in the

last four election cycles. These amounts exclude contributions that may have been disbursed through intermediaries discussed above.

Like a majority of companies, NextEra Energy has, since 2007, contributed most of its money to state-level candidates who were incumbents (\$481,908 – 77 percent); as well as to state-level candidates who went on to win the general election (\$570,122 – 90 percent).

NextEra Energy Political Contributions 2007-2016		
Election Cycle	527 Contributions	State Contributions
2007-2008	\$0	\$0
2009-2010	\$750,000	\$700,714
2011-2012	\$625,000	\$450,900
2013-2014	\$596,075	\$406,923
2015-2016	\$487,500	\$234,100
Total	\$2,458,575	\$1,792,637
527 contributions provided by Congressional Quarterly's CQMoneyLine . State contributions provided by the National Institute on Money in State Politics . Both services may include PAC contributions in their reports. All contributions identified as coming from a PAC were omitted by Si2.		

CPA-Zicklin Index Rating

NextEra Energy was rated by the Center for Political Accountability's CPA-Zicklin Index. Most recently [updated](#) in September 2016, the Index assessed the practices of the 493 largest capitalized companies in the S&P 500. It used a scoring system to rate companies' disclosure, policy and oversight. NextEra Energy's performance on key study indicators is noted below.

Consistent with Si2's research, the CPA determined that relatively smaller companies were less likely to have comprehensive policies and more likely to disclose less information about their spending.

Policies: The Index found that 274 (56 percent) of the 493 companies it examined reported detailed policies on political activity, while another 164 companies (33 percent) were given partial credit for their policies. It judged NextEra Energy to have disclosed a detailed policy and gave the company full credit.

Oversight: The CPA found that 47 percent of companies profiled had regular board oversight of political spending, not including NextEra Energy.

CPA-Zicklin Index Performance – Key Performance Indicators				
Indicator		NextEra Energy	Percent of Index	
			Full/Partial Disclosure	Does Not Give
Spending	Direct to candidates/parties/committees	No	35%	17%
	Direct 527s	No	32%	14%
	Direct independent expenditures	No	22%	19%
	Trade associations	No	40%	5%
	501(c)4 groups	No	23%	8%
	Ballot initiatives	No	32%	11%
			Percent of Index Yes	
Policy is publicly disclosed?		Yes	90%	
Semi-annual spending report?		No	41%	
Archive of spending? (Full or partial)		No	36%	

Source: 2016 CPA-Zicklin Index of Corporate Political Accountability and Disclosure, Center for Political Accountability.

II. Proponent Position

The proposal from New York State Common Retirement is part of the Center for Political Accountability campaign discussed in Si2's [Briefing Paper on Corporate Political Activity](#) (pp. 10-11). It argues that shareholders cannot properly assess the risks that companies may be exposed to from direct and indi-

rect political spending if firms do not disclose all their corporate electoral contributions and their support for trade associations and other tax exempt groups. The proponent believes board oversight is a key element in good spending governance, as well.

Of particular concern to the proponent is the company's lack of disclosure of corporate political contributions and trade associations information. By providing the requested report, NextEra would join disclosure leaders like **PG&E**, **Sempra Energy** and **Edison International**.

III. Management Position

NextEra Energy opposes the proposal and states that the company is closely regulated and subject to legislation that can affect its operations and profitability. It therefore believes it is in its best interests “to be an effective participant in the political process.” To that effect, the company efforts are “appropriate to ensure that public officials are informed about key issues that affect the Company’s interests and those of our customers, employees, shareholders and the communities served.”

The company says it already has disclosed a policy on corporate political contributions and that it complies with all regulations at the federal, state and local levels, including all disclosure requirements. As a result of its policy and “extensive” disclosure regulations, NextEra Energy believes that the proposed report is “unnecessary and duplicative” as well as an “unproductive use of the Company’s resources.”

Finally, the company believes that production of the requested report could “hinder the Company’s ability to pursue its business and strategic objectives” because it could reveal NextEra Energy’s public policy and political strategies to competitors and others opposed to the company’s public policy goals, causing negative effects for the company.

IV. Analysis

Key Points at Issue

- Is NextEra Energy keeping pace with industry best practice?
- Do shareholders have enough information on NextEra Energy’s political spending to assess the risks and opportunities it poses?

Best practices: NextEra Energy’s policies and procedures on corporate political activity contain some elements that watchdog groups consider to be best practice, including disclosure of management/executive positions responsible for the various contribution types and a policy on trade association activity. However, NextEra Energy does not disclose any board oversight of corporate political activity, a crucial component of most governance and disclosure advocates’ wish lists.

Disclosure: The company does not independently disclose its corporate political contributions.

As for trade association activity, NextEra Energy does not disclose a list of trade association memberships, or provide any information on dues or payments made to the associations or the portion of dues used for political and lobbying purposes.

NextEra Energy states that determining the portion of its dues paid to trade organizations that are used for political and lobbying expenses would be an “unproductive use of the Company’s resources.” However, for tax purposes all trade associations must report back to the company what percentage of dues was used for those purposes unless the trade association decides to pay the required tax on those non-deductible activities itself. Even if the trade association decides to pay the tax, the company need only look at an association’s publicly available IRS Form 900 to determine the percentage of dues used for political and lobbying expenses and apply that percentage to dues paid to determine the amount of

company funds used for those expenses. Since the company most likely already has the trade association information requested by the proponent, disclosing that information on the company website would not be too arduous, costly or time-consuming, particularly for a company of NextEra's size.

Summing up: In short, while the company has a policy on corporate political and trade association activity, it does not provide for any board oversight or corporate political activity, full disclosure of corporate political contributions, trade association memberships, dues amounts and political and lobbying expenditures made by those associations using NextEra Energy funds.

Voting Considerations

Voting in favor: Investors may support the proposal if they want to send a message to management that NextEra Energy does not provide a comprehensive view of its political activity and related decision-making. Those in favor of more detailed disclosure of direct contributions and more robust oversight are likely to support the proposal. Some shareholders also may use a vote in favor of the resolutions to signal unease with a company's refusal to provide more information that could be used to assess its risk exposure from all political activity, including relationships with trade associations and other politically active non-profit groups.

Voting against: Investors may decide to vote against the resolution for several reasons. They may believe that current publicly available material from the company and other sources is sufficient and provides shareholders with enough information about the company's approach to politics. Some also may vote against the resolution because they do not consider corporate political spending to be relevant enough (either monetarily or from a public relations perspective) to require additional information. Still others may simply oppose further disclosure and vote against the resolutions because they consider existing campaign finance laws and company policies to be adequate.