



Egan-Jones  
*Proxy Services*

## Research Report

Company		Ticker Symbol	CUSIP
BERKSHIRE HATHAWAY INC.		BRKB	084670702
Guideline	Meeting Date	Record Date	Date Published
Standard	04/30/16	03/02/16	04/20/16

## Meeting Information

Meeting Type	Annual
Meeting Date	04/30/16
Record Date	03/02/16

## Items & Recommendations

We recommend that clients holding shares of BERKSHIRE HATHAWAY INC. vote:

Item	Egan-Jones Recommendation	Management Recommendation
<b>1 – Election of Directors</b>	FOR, WITH EXCEPTION OF Warren E. Buffett, Susan L. Decker, David S. Gottesman, Walter Scott, Jr., and Meryl B. Witmer	FOR ALL
<b>2 – Shareholder Proposal Regarding the Reporting of Risks Posed By Climate Change</b>	AGAINST	AGAINST

## Considerations and Recommendations

Egan-Jones' review centered on the Proposals in the context of maximizing shareholder value, based on publicly available information.

### Board and Compensation Rating Score

#### Summary

Ticker	BRKB
Company name	BERKSHIRE HATHAWAY, INC.

#### Board Rating Score

Item	TRUE/FALSE
CEO and Chairman Separate	FALSE
Annual Director Elections	TRUE
One Class of Voting Stock Only	FALSE
Compensation Committee with All Independents	TRUE
Audit Committee with All Independents	TRUE
Nominating Committee with All Independents	TRUE
Non-binding Compensation Vote on Agenda	FALSE
Majority Independent Directors on Board	TRUE
Over-boarded CEO Director	FALSE
Over-boarded Non-CEO Director	FALSE
Major cyber security breach	FALSE
Failure to implement sufficient carbon risk plan	FALSE
Other financial or operational risk control failure	FALSE
Other serious reputational risk failure by the Board	TRUE*
Version	VER 1.02 2/21/2015
Sub Total	40.00
Performance Adjustment	0.00
Total	40.00
Final Board Score	Some Concerns

#### Compensation Rating Score

CEO Total Comp (\$)	470,244
CEO Salary (\$)	100,000
TSR (%)	-5.6
Market Capitalization (\$M)	158,394.5
Wealth Creation (\$M)	-8926.4
Wealth Creation/CEOPAY	-18982.6
Raw Score (pre adjustments)	Needs Attention
Final Score	Some Concerns**
Rating Model Version	VER 2.4 10/1/2015
High CEO Total Compensation	Not Relevant
CEO Salary Under \$1 Million Limit	Positive Adjustment
Other Adjustments:	No Adjustment

\* With the use of renewable energy becoming a popular choice in Nevada due to declining costs, a favorable geographic location and significant support by the Federal Government in the form of tax subsidies, Berkshire's NV Energy appears, in our view, to oppose historical status quo to energy generated with solar panels by residents who sell power back to the grid in a practice known as net metering. Furthermore, in our view, NV Energy's influence with State regulators made it possible to severely limit the amount paid to residential producers of renewable energy as well as create a significant cost for merely being connected to the grid by these same solar producers. This grid connection "fee" is predicted by NV Energy to increase over time while other options to avoid the grid are predicted to decrease in cost as well as increase in availability. These costs appear to us to be designed to stop or severely limit the growth of solar in Nevada, rather than rationalize and improve the cost structure for all players.

*We believe utility business of today is moving from a simple dividend paying power distribution and generation monopoly to a complex industry which in many cases only retains its distribution monopoly. We believe that NV Energy's success in increasing the costs of clients eligible for net metering because of their solar generation capacity only makes the risk that batteries and other options become an economical choice as compared to a grid connection more likely in the future. Even if it isn't an economical choice, angry customers may choose to disconnect from the grid leaving Berkshire and its remaining clients with stranded assets and increasing costs as well as a less reliable system.*

*It is our opinion that NV Energy is squandering a unique position to become the premier provider to the South West of some of the most reliable and obtainable (not subject to the same environmental review, public push back and costs of any large generation facility, be it renewable or conventionally fueled) renewable energy available today (small scale photovoltaic solar).*

*Ideally we would have much preferred to see a plan that enabled the maximum use of Nevada's great resource of empty rooftops and sunny parking lots that could be tapped with minimal environmental costs to serve such renewable hungry markets such as nearby California. Especially in an industry such that presented with so many levels of government regulation and environmental oversight we would prefer to see a partnership with renewable energy firms by Berkshire's NV Energy, not a potentially reputation damaging, costly and risky "do or die" attack through regulation.*

*\*\* While we considered a discretionary positive adjustment to the vote recommendations dependent on this Compensation Score due to the low overall compensation levels and despite the recent incident of poor shareholder return, we have decided that the lack of annual review (shareholder vote) on compensation at this firm as well as a low Board Rating Score precludes that option.*

## Item 1

### Election of Directors

There is a single slate of nominees, **the nominees appear qualified, however Inside director Warren E. Buffett is the current Chairman of the Board and CEO of the Company and combined with the Board Rating of "Some Concerns", the Company has received we recommend that clients "WITHHOLD" votes from this nominee. We believe that there is an inherent potential conflict, in having the CEO or former CEO serve as the Chairman of the Board. Consequently, we prefer that companies focus on the following areas to improve its corporate governance practices: separate the roles of the Chairman and CEO, hold annual director elections, have one class of voting stock only, have key board committees consisting of independent directors and majority of independent directors on board and include non-binding compensation vote on agenda to further ensure board independence and accountability.**

**Moreover, the Company earns a compensation score of "Some Concerns," and as such, we recommend that clients "WITHHOLD" votes from the members of the Compensation Committee, namely Independent outside directors Susan L. Decker, David S. Gottesman, Walter Scott, Jr., and Meryl B. Witmer. Egan-Jones believes that the Compensation Committee should be held accountable for such a poor rating and should ensure that the Company's compensation policies and procedures are centered on a competitive pay-for-performance culture, strongly aligned with the long-term interest of its shareholders and necessary to attract and retain experienced, highly qualified executives critical to the Company's long-term success and the enhancement of shareholder value.**

We note the presence of the key Board committees namely Audit, Compensation, and Nominating/Corporate Governance Committees, comprised solely of Independent outside directors. Each then current director attended all meetings of the Board and of the Committees of the Board on which he or she served except that David S. Gottesman did not attend one of the special meetings of the Board of Directors.

We note that in the election of directors, each share of Class A Stock is entitled to one vote per share and each share of Class B Stock is entitled to one-ten-thousandth (1/10,000) of one vote per share. The Class A Stock and Class B Stock vote together as a single class. We prefer that companies do not utilize dual class capital structures to provide equal voting rights to all shareholders.

#### **DIRECTOR NOMINEES:**

**WARREN E. BUFFETT**, age 85, has been a director and the controlling shareholder of the Corporation since 1965 and has been its Chairman and Chief Executive Officer since 1970. He was a director of The Washington Post Company until May 2011.

#### *Additional Qualifications:*

Warren Buffett brings to the Board his 46 years of experience as Chairman and Chief Executive Officer of the Corporation.

**CHARLES T. MUNGER**, age 92, has been a director and Vice Chairman of the Corporation's Board of Directors since 1978. Between 1984 and 2011, he was Chairman of the Board of Directors and Chief Executive Officer of Wesco Financial Corporation, approximately 80%-owned by the Corporation during that period. He also served as President of Wesco Financial Corporation

between 2005 and 2011. Mr. Munger is also Chairman of the Board of Directors of Daily Journal Corporation, a director of Costco Wholesale Corporation and Chairman of the Board of Trustees of Good Samaritan Hospital.

*Additional Qualifications:*

Charles Munger brings to the Board his 37 years of experience as Vice Chairman of the Corporation.

**HOWARD G. BUFFETT**, age 61, has been a director of the Corporation since 1993. For more than the past five years, Mr. Buffett has been President of Buffett Farms. Since 2013, Mr. Buffett has been the Chairman and Chief Executive Officer of the Howard G. Buffett Foundation, a charitable foundation that directs funding for humanitarian and conservation related issues. Between 1999 and 2013, he served as the President of the Howard G. Buffett Foundation. He is also a director of The Coca-Cola Company. He was a director of Lindsay Corporation until January 2016 and Sloan Implement Company until May 2015.

*Additional Qualifications:*

Howard Buffett brings to the Board his experience as the owner of a small business, as a past senior executive of a public corporation, as a director of public corporations and as the Chairman and CEO of a large charitable foundation.

**STEPHEN B. BURKE**, age 57, has been a director of the Corporation since 2009. Mr. Burke has been the Chief Executive Officer of NBC Universal and Executive Vice President of Comcast Corporation since January 2011. Prior to that time, from 2004 until January 2011, he was the Chief Operating Officer of Comcast Corporation, and President of Comcast Cable Communications from 1998 until January 2010. He is also a director of JPMorgan Chase & Co.

*Additional Qualifications:*

Stephen Burke brings to the Board his experience as a senior executive of a public corporation and his financial expertise as a director of a major banking institution.

**SUSAN L. DECKER**, age 53, has been a director of the Corporation since 2007. Ms. Decker also serves on the boards of directors of Intel Corporation, Costco Wholesale Corporation and Vail Resorts, Inc. During the 2009-2010 school year, she served as Entrepreneur-in-Residence at Harvard Business School. Prior to that, from June 2000 to April 2009, Ms. Decker held various executive management positions at Yahoo! Inc., a global Internet brand, including President (June 2007 to April 2009), head of the Advertiser and Publisher Group (December 2006 to June 2007) and Chief Financial Officer (June 2000 to June 2007). Before Yahoo!, Ms. Decker spent 14 years with Donaldson, Lufkin & Jenrette. She is a Chartered Financial Analyst and served on the Financial Accounting Standards Advisory Council for a four-year term, from 2000 to 2004.

*Additional Qualifications:*

Susan Decker brings to the Board her experience as a past senior executive of a public corporation and a director of public corporations and her financial expertise as a former financial analyst and a former member of the Financial Accounting Standards Advisory Council.

**WILLIAM H. GATES III**, age 60, has been a director of the Corporation since 2005. Mr. Gates currently serves as Co-Chair of the Bill & Melinda Gates Foundation. Mr. Gates is a director of Microsoft Corporation and served as Chairman of the Board from its incorporation in 1981 until February 2014. Mr. Gates is currently a Technology Advisor for Microsoft Corporation and was its Chief Executive Officer from 1981 until January 2000.

*Additional Qualifications:*

William Gates brings to the Board his experience and financial expertise as the past chairman of the board of directors and chief executive officer of a public corporation and as the Co-Chair of a major charitable foundation.

**DAVID S. GOTTESMAN**, age 89, has been a director of the Corporation since 2004. For more than the past five years, he has been a principal of First Manhattan Co., an investment advisory firm. Mr. Gottesman is Vice Chairman and a trustee of the American Museum of Natural History.

*Additional Qualifications:*

David Gottesman brings to the Board his experience and financial expertise as principal of a private investment manager.

**CHARLOTTE GUYMAN**, age 59, has been a director of the Corporation since 2003. Ms. Guyman was a general manager with Microsoft Corporation until July 1999 and has been retired since that time. She is a director of Space Needle LLC and was former Chairman of the Board of Directors of UW Medicine, an academic medical center.

*Additional Qualifications:*

Charlotte Guyman brings to the Board her experience as a past senior executive of a public corporation and her financial expertise as the former chairman of a major academic medical center.

**THOMAS S. MURPHY**, age 90, has been a director of the Corporation since 2003. Mr. Murphy has been retired since 1996. He was Chairman of the Board and Chief Executive Officer of Capital Cities/ABC, Inc. from 1966 to 1990 and from February 1994 until his retirement in 1996.

*Additional Qualifications:*

Thomas Murphy brings to the Board his experience and financial expertise as a past chief executive officer of a public corporation and as a past director of public corporations.

**RONALD L. OLSON**, age 74, has been a director of the Corporation since 1997. For more than the past five years, he has been a partner in the law firm of Munger, Tolles & Olson LLP. He is also a director of Graham Holdings Company and Western Asset Trusts.

*Additional Qualifications:*

Ronald Olson brings to the Board his experience and expertise in legal issues and corporate governance as a partner of a law firm and as a director of public corporations.

**WALTER SCOTT, JR.**, age 84, has been a director of the Corporation since 1988. For more than the past five years, he has been a director of Valmont Industries, Inc. Until 2014, Mr. Scott served as Chairman of the Board of Directors of Level 3 Communications, Inc., which is engaged in telecommunications and computer outsourcing and is a successor to certain businesses of Peter Kiewit Sons', Inc.

*Additional Qualifications:*

Walter Scott brings to the Board his experience and financial expertise as a past chief executive officer and as a director of both public and private corporations and as chairman of a major charitable foundation.

**MERYL B. WITMER**, age 54, has been a director of the Corporation since 2013. For more than the past five years, Ms. Witmer has been a managing member of the General Partner of Eagle Capital Partners, L.P., an investment partnership. From 1989 through the end of 2000, she was one of two General Partners at Buchanan, Parker Asset Management, which managed Emerald Partners L.P., an investment partnership.

*Additional Qualifications:*

Meryl Witmer brings to the Board her experience and financial expertise as a manager of an investment fund.

**KEY COMMITTEE MEMBERSHIPS:**

The **Audit Committee** consisted of Susan L. Decker, Charlotte Guyman, and Thomas S. Murphy (Chairman). The Board of Directors has determined that Mr. Murphy and Ms. Decker are each an "audit committee financial expert."

The **Governance, Compensation, and Nominating Committee** consists of Susan L. Decker, David S. Gottesman, Walter Scott, Jr. (Chairman), and Meryl B. Witmer.

**CERTAIN RELATED TRANSACTIONS:**

With respect to Mr. Scott, his role as a director of and the holder (along with family members and related entities) of 9.1% of the voting stock of Berkshire Hathaway Energy Company ("BHE") in which the Corporation owns approximately 89.9% of the voting stock. The agreement between the Corporation and Mr. Scott that requires Mr. Scott and his related family interests, before selling their BHE shares, to give the Corporation the right of first refusal to purchase their shares (if the Corporation is legally permitted to buy them) or the opportunity to assign its right to purchase to a third party (if it is not legally permitted to buy them). That same agreement also gives Mr. Scott and his related family interests the right to put their shares to the Corporation (if the Corporation is legally permitted to buy them) at fair market value to be determined by independent appraisal if the sellers do not agree with the price offered by the Corporation, and payable in Berkshire shares. These relationships in light of the attributes it believes need to be possessed by independent-minded directors, including personal financial substance and a lack of economic dependence on the Corporation, as well as business wisdom and ownership of Berkshire shares. Mr. Scott's relationships, rather than interfering with his ability to be independent from management, are consistent with the business and financial substance that have made and continue to make him an independent director.

With respect to Mr. Gates, he and his wife are trustees of the Bill & Melinda Gates Foundation ("Gates Foundation") that since 2006 has received donations from Warren Buffett of 200,631,548 Class B shares of the Corporation. These shares were received in connection with Mr. Buffett's pledge to donate Class B Stock to the Gates Foundation over the remainder of Mr. Buffett's life. Terms of his pledge are described on Berkshire's website at [www.berkshirehathaway.com](http://www.berkshirehathaway.com) under the heading "Letters from Warren E. Buffett Regarding Pledges to Make Gifts of Berkshire Stock." These relationships in light of the attributes it believes need to be possessed by independent-minded directors, including personal financial substance and a lack of economic dependence on the Corporation, as well as business wisdom and ownership of Berkshire shares. The Governance Committee concluded that Mr. Gates' relationship to the Gates Foundation had no impact on his independence and that he continues to qualify as an independent

director.

Howard G. Buffett is the son of Warren Buffett.

Ronald L. Olson is a partner of the law firm of Munger, Tolles & Olson LLP. Munger, Tolles & Olson LLP rendered legal services to the Corporation and its subsidiaries in 2015 and has been rendering services in 2016. The Corporation and its subsidiaries paid fees of \$4.1 million to Munger, Tolles & Olson LLP during 2015.

## Item 2

### Shareholder Proposal Regarding the Reporting of Risks Posed By Climate Change

The shareholders are being asked to act on a proposal that requests the BH insurance division, within a reasonable period of time, issue a report describing the division's responses to the risks posed by climate change. The report should include specific initiatives and goals relating to each risk issue identified; be prepared at a reasonable cost; and omit proprietary information.

Warren Buffett recognizes that climate change poses a major problem for the planet. It's understandable that the sponsor of the proposal believes Berkshire is especially threatened by climate change because it is a huge insurer, covering all sorts of risks. The sponsor may worry that property losses will skyrocket because of weather changes. However, up to now, climate change has not produced more frequent or more costly hurricanes or other weather-related events covered by insurance.

We believe that approval of the requested report is unnecessary and overly burdensome on the Company and would significantly increase administrative costs and divert Company resources from the more relevant and meaningful corporate social responsibility priorities. We believe that approval of this proposal is not in the best interests of the Company and its shareholders. **As such, we recommend a vote "AGAINST" this Proposal.**

## Closing Comments

Ratification of auditors is not an agenda item. Deloitte & Touche LLP has audited the accounts of the Fund for the fiscal year that has ended. The following table sets forth the aggregate fees billed by the independent registered public accounting firm for the Fund's last two fiscal years:

	Current Fiscal Year (2015)	Prior Fiscal Year (2014)
Audit Fees	\$ 35,400,000	\$ 32,500,000
Audit-Related Fees	\$ 2,200,000	\$ 2,100,000
Non-Audit and Tax Fees	\$ 500,000	\$ 900,000
Total Fees	\$ 38,100,000	\$ 35,500,000

We have seen no evidence that its integrity, professionalism or independence is in question.

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