

NACCO INDUSTRIES INC  
Form PX14A6G  
April 22, 2019

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Dear Nacco Industries Inc. Shareowner:

#### Support Shareowner Proposal #6 Requesting Majority Vote

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We urge shareowners to support proposal #6 at the company's May 8, 2019 Annual General Meeting. As of record date March 13, 2019, CalPERS owned approximately 4,700 shares of Nacco Industries Inc. common stock. As a long-term shareowner of the company we ask that you support our non-binding shareowner proposal requesting the Board of Directors amend the company's governing documents to allow for a majority voting standard in director elections, while retaining a plurality vote standard for contested director elections.

#### Majority Vote for Director Elections is Becoming Widely Accepted

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Plurality voting is rapidly being replaced with majority voting in uncontested director elections as a growing number of large companies have adopted it as a corporate governance best practice. Approximately 92% of the companies in the S&P 500 and 47% of the companies in the Russell 3000 have adopted some form of majority voting – an indication of the current direction of good corporate governance.

#### A Plurality Vote Standard Disenfranchises Shareowners

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CalPERS believes that a plurality voting standard effectively disenfranchises shareowners when directors run unopposed. Under the existing plurality standard, uncontested director nominees can be elected with a single "For" vote, leaving votes "Withheld" with no legal effect whatsoever. While under the CalPERS majority vote request, director nominees would need to be elected by the affirmative vote of a majority of shares represented and voting at a duly held meeting. Majority voting would give shareholders a meaningful voice in determining who will represent them on the board.

#### Governance Concerns at Nacco Industries Inc.

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In addition to our request for majority vote for directors, we would like to highlight the following governance concerns at the company:

- Non-responsiveness to CalPERS' requests to engage the company regarding improving its board diversity. CalPERS' multiple requests to engage the company starting in July 2017 and throughout 2018 have been unanswered
- Dual Class Share Structure

Based on the governance deficiencies and issues noted above, CalPERS may consider withholding vote from board leadership at the May 8, 2019 Annual General Meeting.

PLEASE NOTE: The cost of this solicitation is being borne entirely by CalPERS and is being done through the use of the mail and telephone communication. CalPERS is not asking for your proxy card. Please do not send us your proxy card.

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Support Proposal #6 requesting Majority Vote for Director Elections

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We believe a majority vote standard is essential to a sustainable system of governance that fosters director accountability and long-term value creation. Fully accountable governance structures through the adoption of majority vote should be in place to offer shareowners a meaningful voice in the director election process. Please vote "FOR" shareowner proposal #6.

Should you have any questions please feel free to contact Todd Mattley, CalPERS Associate Investment Manager at [Engagements@calpers.ca.gov](mailto:Engagements@calpers.ca.gov) or 916-795-0565.

Thank you for your support.

Sincerely,

Simiso Nzima  
Investment Director, Global Equity  
CalPERS Investment Office

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