



## SEC Shareowner Alert - Notice of Exempt Solicitation

April 15, 2020

Dear 2020 Sonic Automotive, Inc. Shareowner:

### **Vote AGAINST Re-election of O. Bruton Smith, William I. Belk, Victor H. Doolan, John W. Harris III, R. Eugene Taylor, William R. Brooks and Robert Heller**

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At the April 29, 2020 Sonic Automotive, Inc. Annual General Meeting CalPERS will be voting AGAINST O. Bruton Smith (Board Chair), William I. Belk, Victor H. Doolan, John W. Harris III, R. Eugene Taylor (Nominating and Corporate Governance Committee members), William R. Brooks and Robert Heller (both long-tenured directors with 12 or more years of service) who are standing for re-election at the company's 2020 Annual General Meeting. As of record date March 9, 2020, CalPERS owned 58,391 shares of Sonic Automotive, Inc. common stock. As a long-term shareowner of the company, we believe these seven board members have demonstrated a lack of responsiveness to multiple CalPERS shareowner engagement requests to address board composition related to diversity.

### **CalPERS Governance & Sustainability Principles Advocate for Board Diversity**

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Consistent with the CalPERS Governance & Sustainability Principles<sup>1</sup> we believe the board should facilitate a process that ensures a thorough understanding of the diverse characteristics necessary to effectively oversee management's execution of a long-term business strategy. Specifically, board diversity should be thought of in terms of skill sets, gender, age, nationality, race, sexual orientation, gender identity, and historically under-represented groups. Consideration should go beyond the traditional notion of diversity to include a more broad range of experience, thoughts, perspectives, and competencies to help enable effective board leadership.

### **Growing Evidence Diversity is Good for Business Performance**

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The 2015 McKinsey & Co. study, "Why Diversity Matters," shows that companies in the top quartile for gender diversity and racial and ethnic diversity are respectively 15% and 35% more likely to have financial returns above their respective national industry median, while those in the bottom quartile are less likely to do so.<sup>2</sup> Another report from McKinsey titled "Delivering Through Diversity" shows that companies in the top-quartile for gender diversity on executive teams were 21% more likely to outperform on profitability and 27% more likely to have superior value creation than companies in the fourth quartile. For ethnic/cultural diversity, top-quartile companies were 33% more likely to outperform on profitability.<sup>3</sup>

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<sup>1</sup> California Public Employees' Retirement System Governance & Sustainability Principles  
<https://www.calpers.ca.gov/docs/forms-publications/governance-and-sustainability-principles.pdf>

<sup>2</sup> McKinsey & Company, "Why Diversity Matters," by Vivian Hunt, Dennis Layton, and Sara Prince, January 2015. <http://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>

<sup>3</sup> McKinsey & Company, "Delivering through Diversity" by Vivian Hunt, Sara Prince, Sundiatu Dixon-Fyle, Lareina Yee, January 2018.  
<https://www.mckinsey.com/business-functions/organization/our-insights/delivering-through-diversity>



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### Hold Directors Accountable for Not Engaging with Shareholders

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CalPERS believes Board Chair O. Bruton Smith, Nominating and Corporate Governance Committee members, William I. Belk, Victor H. Doolan, John W. Harris III, R. Eugene Taylor, and long-tenured directors, William R. Brooks and Robert Heller, can be responsible and play a major role in recruiting diverse qualified directors and in the director selection process. These seven board members should be held accountable for repeatedly ignoring our shareowner engagements on board diversity. Shareowner engagement can strengthen oversight of companies and can be beneficial for the company and its shareowners.

### Governance Concerns at Sonic Automotive, Inc.

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In addition to our request to vote AGAINST O. Bruton Smith, William I. Belk, Victor H. Doolan, John W. Harris III, R. Eugene Taylor, William R. Brooks, and Robert Heller, 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 and 2019 have been unanswered
- Dual-class voting
- Does not allow proxy access

### Accountability Concerns at Sonic Automotive, Inc.– Vote AGAINST Re-election of O. Bruton Smith, William I. Belk, Victor H. Doolan, John W. Harris III, R. Eugene Taylor, William R. Brooks and Robert Heller

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We believe Board Chair O. Bruton Smith, Nominating and Corporate Governance Committee members, William I. Belk, Victor H. Doolan, John W. Harris III, R. Eugene Taylor and two long-tenured directors, William R. Brooks and Robert Heller, should be held accountable for demonstrating a lack of board responsiveness to shareowners' concerns and engagement efforts on board diversity issues. Please vote AGAINST the re-election of these seven board members.

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,

A handwritten signature in black ink, appearing to read "Simiso Nzima", written over a faint circular stamp.

Simiso Nzima  
Investment Director, Global Equity  
CalPERS Investment Office

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.