ECCLESIASTICAL INVESTMENT MANAGEMENT

PROXY ACCESS... OR NOT

SCOTT STRINGER

VOTING NEWS

PROXY MONTHLY

www.proxyinsight.com
Proxy Access is dominating the headlines at the moment, as the battle between issuers and investors over the power to put director nominations to a shareholder vote rages on. After initially supporting Whole Food Market’s attempt to prevent a proxy access proposal from Jim McRitchie, the SEC staged an apparent U-turn after a significant investor backlash and now appears to favor taking no action in such matters.

New York City Comptroller Scott M. Stringer has been at the forefront of this issue, filing proxy access proposals at 75 issuers ahead of this year’s annual meeting season. I am delighted that Mr Stringer agreed to an interview for this edition of Proxy Monthly, in which he states that “Proxy Access has become the defining issue for the 2015 proxy season.” [Stringer controls New York City Pension Funds, with assets of $160 billion – their voting records are now available on Proxy Insight.]

A piece of research by Proxy Insight on which institutional investors backed activist nominees in proxy contests last year earned a number of headlines recently. We have included the data within this publication, with some interesting findings on which investors have been behind the extraordinarily successful year enjoyed by several activists. The research is particularly interesting in our view since there has been little visibility to-date on who actually supports the dissidents. Our research clearly shows widespread support from across the spectrum and suggests that while investors may wish to keep their views on specific proxy contests private, in reality they are actively supporting activists and adding to the pressure on corporations.

On a related note, a recent SEC roundtable on proxy voting debated the use of separate proxy cards in contested director elections. As Democratic Commissioner Luis Aguilar noted, universal ballots are already available to those voting in person at meetings, but not in the proxy voting system.

Anne Simpson from CalPERS and Steve Wolosky, a lawyer at Olshan Frome Wolosky, back universal ballots. However David Katz, partner at Wachtell, Lipton Rosen & Katz LLP, and Sarah Teslik, SVP of Apache Corporation, were concerned it could impose significant costs on issuers. Bruce Goldfarb, CEO at Okapi and Charlie Penner of JANA Partners were more ambivalent about its potential impact.

Our Corporate Governance interviewee this month is Ecclesiastical Investment Management’s Neville White. Neville explains that rather than avoiding sin stocks, as a typical SRI investor would, EIM uses nine pillars of sustainable investing to identify companies where they can be a force for good.

While he acknowledges stewardship improvements in the UK, he stresses that there is still a long way to go. Investors need to collaborate better to push for best practice, he says. Board evaluation and pay are Neville’s hot topics and he urges simpler disclosures with more robust targets so the fortunes of boards and shareholders really are aligned.

Following significant interest from the Canadian market, the Proxy Insight team has made a major focus on Canadian investors and have added over 60 new asset managers / owners, including Ontario Teachers’ Pension Plan and Caisse de Dépôt du Québec.

In the US we have made major progress with public pension funds and now have data for 21 of the top 25 State/ City Employee Pension Funds, many of whom are featuring in our “Shareholders Most Likely to Vote Against” list.

Thank you for reading this month’s edition of Proxy Monthly. We hope you find it as interesting as we did when pulling the data together, and stand ready to answer your pressing governance queries.

Nick Dawson
Don’t leave it to chance

Proxy Insight has all the intelligence you need for a successful shareholder vote. Understanding who votes, how and why puts you in control—so don’t leave it to chance.

www.proxyinsight.com
Ecclesiastical Investment Management (EIM) is the fund management division of Ecclesiastical Insurance. Neville White is its Head of SRI Policy and Research, and takes an active role in the funds’ corporate governance obligations. Before joining EIM in 2010, Neville worked on Governance & Ethical Investment with CCLA Investment Management for 13 years.

EIM has a quite unique approach to SRI investing, so perhaps we could start with what exactly this term means to you?

We run a suite of retail investment funds with socially responsible investing as our unique selling point. We’re really contrarian value investors; while some investors have always wanted to avoid certain ‘sin stocks’, we use our nine pillars of positive sustainable investing [see bottom of page 5] to screen stocks for attractive opportunities.

We look for transparent, accountable corporate governance that meets best practice in the local market. As a minimum, overseas companies should ideally meet OECD Corporate Governance Guidance.

Companies we invest in must be accountable to shareholders. If you capture sustainability risk, you can build a qualitative platform to deliver value for the long-term.

Indeed, you’ve recently written about the cumulative impact of bad business practices. What did you find?

We were feeling increasingly concerned about the news-flow on individual penalties for corporate misconduct such as LIBOR rigging. We wanted to show what that looked like in the aggregate, and it is really astonishing; between $150-250bn in the UK and US alone since 2009. Business hasn’t really ‘got it’, even after six years of financial crisis.

Do you feel that governance is generally inadequate then?

What’s interesting is that parts of the corporate governance code are still immature as to how shareholders can influence management. If you’re not a top ten shareholder, it’s hard to judge the directors fairly. You have to take it on trust, on the appearance of compliance with good governance.

Parts of the UK Stewardship Code are helping, but the engagement is problematic. Shareholders have the toolbox, but don’t have a great record of working collaboratively on governance issues.

Individually or collectively, shareholders have yet to grasp the nettle. There are still key issues outstanding; how we look at Board evaluation and effectiveness in particular could be improved.

You were involved in the vote against Burberry’s remuneration report. Do you feel that lessons have been learnt from a very active year in remuneration votes?

The binding vote on remuneration policy that was introduced last year has made little difference so far. Shareholders have sent a schizophrenic message; what happened at Burberry was that the report was voted down, but the policy went through. In many cases, shareholders didn’t want to exercise real power.

Ecclesiastical didn’t support many FTSE350 reports in 2014 – and we opposed 84% of FTSE350 policies—the links with performance weren’t robust enough, and some pay was excessive.

I can see reasons for voting against future policy, but not past performance, but actually what happened in 2014 was the reverse. Maybe shareholders lacked confidence, but the moment was lost last year—many companies won’t hold another vote on policy for another three years.
How important are the proxy voting advisers ("PVAs"), given your own sustainability criteria?

PVAs are clearly important. You have to delegate to them, due to the sheer volume of meetings. We do UK voting in-house, and outside the UK Glass Lewis & Co. vote based on our specifications. The advisers have tremendous power and do excellent research. They’re not as tough on remuneration as we would like them to be, so we do override them on occasion. We think they’re essentially benign in their ability to shape markets; they’re designed to deliver improvements in corporate governance.

What are you looking at in 2015?

We’re looking at doing more on audit policies—especially in the US, where there is traditionally less tendering. That may mean voting against reappointments in some cases.

We’re also steering ourselves in the direction of countries that have improving corporate governance and transparency. Singapore, Hong Kong and the direction of travel for Malaysia all look encouraging, while there has been good progress in Japan. The story overall is positive; some countries will lose out to inward investment if they fall behind in reforming governance.

What could corporations do to make your life easier?

Two things spring to mind. First, remuneration committees could simplify the structures of pay. Most secondary bonuses shouldn’t be there, and we need a clearer understanding of how the policies deliver for the business’s long-term objectives. Secondly, we would like to see more work on board effectiveness and how to measure this. Reporting is becoming extensive, and while some don’t see it as positive, I think it will help deliver sustainable long-term value and greater investor confidence.

Ecclesiastical Investment Management’s 9 Principles

1) Business Practices
Following ethical practices towards customers including maintaining product quality, ethical sources of supply and respecting indigenous peoples.

2) Community Relations
Making charitable donations, employing local people, offering work placement schemes.

3) Corporate Governance practices
Transparency, anti-bribery and corruption codes, adhering to International Labour Organisation regulations on labour and child labour.

4) Education
Providing training and development along with access to education.

5) Environmental Management
Supporting biodiversity, managing their climate change impact, carbon footprint, water conservation, air pollution, managing waste, recycling and supporting renewable energy.

6) Healthcare
Providing affordable healthcare and access to medicine.

7) Human rights

8) Labour relations
Promoting health and safety, transparent pay structure, union participation, professional development, employee participation and whistleblower protection.

9) Urban regeneration
Supporting social/affordable housing.
Supporters of proxy access could be justified in being optimistic at the beginning of 2015. As the Securities and Exchange Commission attempts to extract itself from a messy row over its involvement in the process, investors scent an opportunity to make headway. The New York City Comptroller, Scott Stringer, has filed 75 proxy access proposals at US companies and received backing from institutions and corporate governance campaigners alike.

The growing prominence of the issue owes a great deal to one particular proposal, the result of which is that the SEC has said that for the 2015 proxy season it “will express no views” on conflicting shareholder proposals. In September, James McRitchie, a long-time shareholder of Whole Foods Market, submitted a proposal giving shareholders of the company the right to nominate directors if they held a 3% stake for 3 years. Whole Foods asked the SEC if it could exclude the proposal on the basis that it conflicted with the company's own proxy access proposal. The SEC agreed with Whole Foods and said the company would not face an enforcement action if it excluded the proposal from its proxy. Following that decision, 10 other companies asked the SEC for permission to exclude proposals from shareholders. However the SEC’s decision was criticised because the ownership hurdle for an investor under Whole Foods’ planned proposal was 9%. Not only was that three-times Mr. McRitchie’s threshold, but no investor outside of management holds such a stake in the company. Whole Foods subsequently revised this down to 5% held over five years.

Whilst shareholders may hail this as a victory, others have warned of potential negative effects. One fear is of activist investors banding together with institutional investors or other activists to takeover company boards without having to file any Schedule 13Ds. The current boilerplate language of proxy-access proposals limits nominations to 10-25% of the eligible director seats, or a minimum number of seats depending on current size of the board.

Opponents of proxy access fear this could be interpreted to mean that all eligible shareholders may submit nominations, and that if multiple shareholders all nominate different directors and all those directors appear on the proxy ballot, then shareholders would be able to vote for a board that consists of up to 100% shareholder proposed directors. Whether such a scenario is likely, given the longstanding passivity of institutional investors, remains to be seen.

Even so, many investors have begun to coalesce behind proxy access. Three institutions profiled on Proxy Insight (who voted on the issue at least ten times in 2014) supported every single proposal in its proxy. Since the SEC revoked its ruling, Glass Lewis has said in response that it will continue to review each proxy access proposal, along with the company’s response, on a case-by-case basis.
proxy access shareholder proposal that came across their desks.

PIRC, a proxy voting adviser, also has a spotless record of backing shareholder proposals on the topic. Last year, TIAA-CREF, an asset manager with $851 billion under its command, told Proxy Monthly it was considering whether it needed to be “more out there” on the issue, after promoting proxy access through its strategy of quiet diplomacy for some time. Bess Joffe, Managing Director of Corporate Governance at TIAA-CREF, summarized the firm’s view as being “that companies can adopt the SEC thresholds and put bells and whistles in place to safeguard against abuse of the right.”

In this issue of Proxy Monthly, NYC Comptroller Scott Stringer says his push for boardroom accountability has given proxy access “global momentum.” By forcing the issue, he has reached agreement with two companies already and expects agreements at many more.

As momentum gathers on proxy access, a number of things will be worth watching. The first will be variations in the generally accepted threshold of 3% over three years, as issuers test to see whether they can get away with a less stringent standard. Secondly, for those companies that have accepted proxy access and have unpopular directors, whether shareholders come forward and successfully remove so-called “zombie directors”, who receive less than a majority of shareholder support. Thirdly, whether the fears expressed by proxy access’ opponents have any grounding in reality. If there are few examples of conflicting nominations or multiple investors ambushing boards, momentum may start to gather for a universal ballot.

But that is an issue for another day. Proxy access, in contrast, is an idea whose time may well have come.

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<thead>
<tr>
<th>Investor</th>
<th>Voted AGAINST (%)</th>
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<tr>
<td>Geode Capital Management</td>
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<td>Vanguard Group, Inc.</td>
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<tr>
<td>Fidelity Management &amp; Research Co.</td>
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<td>Putnam Investment Management, Inc.</td>
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<td>GAMCO Asset Management</td>
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Fig 1. Asset Managers voting against Shareholder Proxy Access proposals in 2014 (US Issuers)

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<tr>
<td>Quantitative Management Associates</td>
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<tr>
<td>Los Angeles City Employees Retirement System (LACERS)</td>
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<tr>
<td>PIRC (PVA Recommendations)</td>
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<tr>
<td>North Carolina Department of State Treasurer</td>
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<td>F&amp;C Asset Management</td>
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<tr>
<td>Desjardins Funds</td>
<td>80.0</td>
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<tr>
<td>Ontario Teachers’ Pension Plan</td>
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Fig 2. Asset Managers supporting Shareholder Proxy Access proposals in 2014 (US Issuers)
How do you feel The Boardroom Accountability Project is proceeding to date?

The Boardroom Accountability Project has given proxy access global momentum.

Over 100 companies have received proxy access proposals this year, of which 75 were filed by the $160 billion New York City Pension Funds. The City’s Pension Funds have reached agreements with two companies and we expect to reach more in the near future, we successfully fended off a concerted effort by nearly 2 dozen companies to deny shareowners the right to vote on meaningful proxy access proposals and we have assembled a vocal and large group of global institutional investors who are poised to hold accountable any board that excludes our or others’ proxy access proposals.

In short, proxy access has become the defining issue for the 2015 proxy season.

How does the SEC’s Whole Foods decision(s) affect your campaign, if at all?

Convincing the SEC to revisit the competing proposal exclusion was a tremendous victory. After the SEC granted Whole Foods no-action relief, nearly two dozen companies (including 17 at which New York City had filed proposals) sought to exclude proxy access proposals based on their plan to put forward their own unworkable versions.

My office weighed in to support the shareholder’s appeal to the SEC and we were joined by the Council of Institutional Investors, CALPERS and Marco Consulting Group, among others.

This extraordinary mobilization reflects the intensity of investor support for proxy access based on a three percent ownership over three years for the ability to nominate one-quarter of the board.

In short, proxy access has become the defining issue for the 2015 proxy season.

Is The Boardroom Accountability Project able to be flexible with “3 and 3”? If a company agreed to 5% for 2 years, for example, would you compromise and what would factor into that decision.

We are happy to discuss the terms of the proposal, and will consider lower thresholds, but we will not support proxy access with thresholds above three percent for three years.

The SEC, following extensive analysis and comment, enacted these thresholds as a ceiling to ensure that proxy access would be workable. This is a settled issue for us. Moreover, proposals at three percent for three years average 55 percent investor support when put to a vote and a growing number of companies have adopted proxy access with these thresholds.

Could you disclose all of the signatories to The Boardroom Accountability Project? We know of (we think): NYS Common, CalPERS, CalSTRS, Illinois State Board, Philadelphia Board, Kansas City Firefighters and Miami Firefighters.

We have received collaboration and support that easily surpassed my expectations for what was possible. We are working with a large group of institutional investors who are each participating in the way that makes the most sense for them.

Some of our partners have filed or co-filed proposals and some intend to run exempt solicitations in support of proposals. Certain funds have publicly signaled not only their voting support, but also their plan to hold boards accountable if they exclude the proposal.
Did your 2014 proxy access vote successes at Big Lots and Abercrombie lead to any changes at those companies?

Do you think companies will be under more pressure to implement successful proposals in 2015?

Big Lots adopted proxy access this past winter and we are currently in negotiations with Abercrombie on the same topic.

We expect that boards will generally adopt meaningful proxy access in response to majority votes. We have seen movement now which indicates that boards may adopt proxy access, but at unworkable thresholds. Similar to those companies that attempted to game the system at the SEC, those boards that attempt to skirt this issue will find themselves under mounting pressure.

Do you think proxy access will start to have an impact on the number of “zombie directors”? How long will this take?

We strongly believe that it will. Zombie directors are the most visible manifestation of a failed board. As proxy access takes root, investors will have a mechanism to hold those directors accountable. I don’t think boards want to expose themselves to a proxy fight to defend a director that failed to win election.

Disclosure of political contributions was NYC Retirement’s most frequent proposal in 2014, has there been any discussion towards expanding The Boardroom Accountability Project to encompass proposals similar to this in the years to come?

Disclosure of political contributions remains a priority for the City’s pension funds and we filed a number of proposals on this issue again for 2015.

Many shareholder proposals still come from individuals. Should pension funds be making more shareholder proposals, or does the traditional model of quiet diplomacy still have some legs?

There is a role for quiet diplomacy, but the City’s pension funds learned long ago that proposals are the most effective and efficient way to bring about investor-friendly reforms. That’s why we continue to be among the most active institutional investors when it comes to filing proposals, a capacity that we have deployed in a focused way to advance proxy access.

We are happy to support other institutional investors who seek to become more active proposal proponents, for example by helping them to co-file our proposals.

What 3 things would you like to see Corporate Boards do or implement in 2015 (besides proxy access)?

1. There needs to be a focus on board quality and diversity, which are integrally linked. Boards need to be much more aggressive in adding women and minorities to their boards. It’s an imperative.

2. Companies need to hone in on creating long-term, sustainable value, including better aligning CEO pay with long-term performance and building in appropriate incentives tied to business goals. Addressing climate risk needs to be a part of this.

3. We will continue to push for disclosure of political contributions as well as enhanced clawback policies to ensure that executives can be held financially accountable for costly misconduct.

Scott M. Stringer is the Comptroller of the City of New York, the City’s Chief Financial Officer, responsible for providing an independent voice to safeguard the fiscal health of the City, root out waste, fraud and abuse in City government and ensure the effective performance of City agencies to achieve their goals of serving the needs of all New Yorkers.
Asset managers call for kite mark based on stewardship code

Asset managers in the UK are calling for a kite mark based on proper adherence to the UK stewardship code for investors. The kite mark would act as a guarantee that they carry out their roles as stewards of other people’s money properly. The Financial Reporting Council has warned that investment groups may be removed from the UK Stewardship Code if they have only signed up to improve their image.

One head of corporate governance at a UK institution said: “Of the roughly 300 members of the stewardship code, I would say there are only about 30 institutions that are doing the job properly.” A further concern is that overseas investors who now own a majority of the UK stock market have been accused by UK investors of relying too heavily on proxy advisers, such as ISS, to guide them, rather than actually engaging with companies.

Italy amends dual stock structure proposal

Last year Italy’s government allowed listed companies to introduce “loyalty shares”, which grant shareholders double voting rights if they hold stock for more than two years.

Three companies, all with controlling families behind them, took advantage of the scheme – drinks brand Campari, construction company Astaldi, and hearing aid giant Amplifio. Following protests from international investors, academics, lawyers and advisers, the government has said it will change the proposal to require a two thirds majority rather than a simple majority to pass.

Of roughly 300 members of the stewardship code, only 30 are doing the job properly”

A group of more than 100 institutional investors, which collectively manage assets of $8.8 trillion, rallied together to voice their concerns to prime minister Matteo Renzi and his government. Sacha Sadan, director of corporate governance at Legal & General Investment Management, said the government’s response seemed positive.

Carla Topino, associate vice president for European and emerging markets at Glass Lewis, says the proxy advisory service is generally opposed to any mechanism that deviates from the “one share, one vote” principle.

CSA issues new proxy reform requirements

Canadian Securities Administrators has sent out a report mandating the modernization and improvement of existing proxy voting infrastructure. The report sets out five key improvements: Modernizing how meeting tabulators receive information about who is entitled to vote; Ensuring that the information meeting tabulators receive is accurate and complete; Enabling each intermediary who submits proxy votes on behalf of clients to find out how many shares a meeting tabulator has determined that the intermediary is entitled to vote (its Official Vote Entitlement); Increasing consistency in how meeting tabulators reconcile proxy votes submitted by intermediaries to Official Vote Entitlements; and Establishing communication between meeting tabulators and intermediaries about whether proxy votes are accepted, rejected or pro-rated.

The CSA is directing all entities that play key roles in vote reconciliation to assess their processes and identify and implement any changes they can make to improve vote reconciliation for the 2015 proxy season.

The CSA also intends to review one or more proxy contests to determine whether there are any vote reconciliation issues that are specific to proxy contests. For the 2016 proxy season, the CSA is requiring key entities involved in vote reconciliation to develop industry protocols that, at a minimum, address the five required improvements. The CSA will oversee the development of these protocols and will consider mandating aspects of them or regulating entities in the proxy voting infrastructure as necessary.
Asset managers tire of difficult proxies

Institutional investors surveyed by Stanford University expressed frustration with the state of “say on pay” disclosures. In a study for the university’s graduate business school, the 64 asset managers surveyed in aggregate agreed that disclosures were less than clear or effective, had little clarity on compensation’s correlation to risk and suggested pay might be too high and based on goals that were too soft.

“Shareholders want to know that the size, structure, and performance targets used in executive compensation contracts are appropriate,” Professor David Larcker said. “Our research shows that, across the board, they are dissatisfied with the quality and clarity of the information they receive about compensation in the corporate proxy. Even the largest, most sophisticated investors are unhappy.”

A majority of the institutions surveyed also said proxy statements were generally too long, and set an ideal length of 25 pages, in contrast to the 80 page average across the Russell 3000. The investors claimed to read slightly less than one-third of proxy materials, on average. However, companies are unlikely to find their shareholders giving up on corporate democracy. The survey also found that the motivation for taking part in proxy voting was strong - 80% of investors believed that proxy voting increases shareholder value.

Proxy advisers want feedback on best-practice principles

A group of proxy voting advisers known as the Best Practice Principles Group, have introduced an online tool for collecting feedback on the implementation of best-practice principles for shareholder voting research. The principles, which cover reporting, conflicts of interest and communications with corporations, shareholders and others, were released in 2014 in response to an ESMA report which identified concerns about the independence of the firms and accuracy and reliability of their advice “which would benefit from improved clarity and understanding amongst stakeholders.”

ESMA plans to review the development and impact of the Principles sometime this year.

80% of investors believed that proxy voting increases shareholder value

To further engagement, the BPP Group “encourages all stakeholders to contribute to the conversation with meaningful feedback. In this way they can consider updates to the Principles based on factual evidence” the group said in a statement. The group plans to undertake a review of the principles taking into account the feedback as well as ESMA’s review of the principles and other market developments, the statement said. The group’s members include ISS and Glass Lewis.

Proxy firms deal Worldview blow

Proxy voting advisers ISS and Glass Lewis have dealt activist investor Worldview Capital Management a blow in its efforts to remove three directors of Petroceltic, recommending against its proposals. In a statement, Petroceltic Chairman Robert Adair said he believed “this represents a vote of confidence in the existing board, its strategy and governance.” The one blot on the company’s best news for months was London-based proxy voting adviser PIRC’s recommendation that shareholders abstain on Worldview’s proposal to remove Petroceltic CEO Brian O’Cathain. Shares in Petroceltic rose 2.8% on the news.

US businesses fear shareholder proposals

The US Chamber of Commerce has waded into a row about the Securities and Exchange Commission’s role in regulating shareholder proposals, saying the system is being dominated by “special interests” such as unions, religious groups and social and political activists.

In a letter to the SEC, the Chamber of Commerce said the regulator’s decision not to voice opinions on proposals during the current proxy season “places many issuers in an untenable position, and presents them with a series of questions for which there may be no good answers.”

The Chamber of Commerce says that no-action letters give companies comfort that they can exercise judgement in the best interests of shareholders without recourse to the legal system. It said companies that were denied such support often felt obliged to include the proposals on their proxy form, potentially leading to waste, confusion and misinformation. Activists argue that proposals are an effective way of maintaining shareholder democracy, although they are rarely used by institutions, who view them as inefficient.
The corporate governance revolution of the past few years has ensured that all significant investors now have clear proxy voting policies. But as our feature on the following pages highlights, what the big investors say isn’t always easy to parse. Of the big asset managers, few are as critical of the growth of activist investors as BlackRock CEO Larry Fink. Yet by virtue of being one of the largest investors in US equities and having strict corporate governance requirements, BlackRock emerges as one of the largest supporters of activist investors in the 2013/2014 proxy season.

It’s not just ISS

Certainly, many small managers simply follow recommendations of ISS or Glass Lewis without exception. However, most larger managers will typically use them to help interpret their own policy. Indeed, almost all of the corporate governance teams we’ve interviewed in Proxy Monthly, suggest they regularly override their proxy voting platforms to suit their own policies. The good news is that proxy voting disclosure requirements mean you can know an investor’s past history. Between an asset manager’s public statements, corporate governance policies and past voting behavior, there is no reason not to know who to prioritize reaching out to.

None of this will be news to activists, who already use voting intelligence as a key part of their screening process. Voting results from previous shareholder meetings, and significant levels of opposition on director elections in particular, are often used as the first screen. The next step is to review the shareholder base of the target and how each investor has previously voted, typically votes in such situations and critically if they have collaborated before.

We can tell you how an institution has voted in the past, what policies they follow, and who makes the final decision

Counting (proxy) cards

That process perfectly encapsulates why we set up Proxy Insight. For the first time, you can see a clear breakdown of past votes and therefore make quantifiable predictions on how successful any type of shareholder resolution is likely to be.

We have collected over 45 million votes dating back to January 2012 from 1,000 investment managers/owners covering over 10,000 funds. Disclosure is improving all the time—Vanguard and BlackRock have both recently announced enhancements, while Norges is now disclosing votes before the meetings have happened. Further regulatory changes in Australia, India and most recently Switzerland are leading to greater disclosure, while in Japan the voluntary stewardship code is starting to demonstrate improvements in a market with historically disappointing corporate governance practices.

The Proxy Insight database has voting data on over 24,000 global issuers. While director elections, auditor ratification and compensation resolution types dominate, we do cover 288 resolution types, meaning users can see how similar resolutions have been voted on previously, no matter how obscure they may seem. Moreover, we can tell you who actually votes an investor’s shares, whether it be their corporate governance team, proxy voting adviser, or an external manager, so you know where to look for the key information on the decision.

An earlier version of the data identified two funds as being voted by BlackRock in favor of activist nominees at Cliffs Natural Resources and GrafTech International. The funds are co-managed by BlackRock, but were not voted by them in this instance.
Few forces are as feared on Wall Street as activist investors, although with many owning less than 10% of their targets, these funds often rely on the support of institutional investors to get what they want. This is truer still in proxy contests, where activists typically need at least a majority of shareholders to back their nominees in order to win board seats. Using data from voting records database Proxy Insight, we looked at which institutions backed the most activist slates in 2014, and present to you the investors who provided the bedrock for their continuing success.

**Florida State Board of Administration ($177 billion in assets under management)**

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<td>Bob Evans Farms</td>
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<tr>
<td>Darden Restaurants</td>
<td>Griffin Land &amp; Nurseries</td>
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<td>Equity Commonwealth</td>
<td>Sensient Technologies</td>
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<tr>
<td>Endeavour International</td>
<td>Sotheby's</td>
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**Proxy voting policy**

When analyzing proxy contests, the policy focuses on two central questions: (1) Have the dissidents demonstrated that change is warranted at the company, and if so, (2) will the dissidents be better able to effect such change versus the incumbent board? When dissidents seek board control, the dissidents must provide a well-reasoned and detailed business plan, including the dissidents’ strategic initiatives, a transition plan that describes how the dissidents will effect change in control, and the identification of a qualified and credible new management team.

**TIAA-CREF Asset Management ($840 billion)**

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**Proxy voting policy**

Will generally vote for the candidates they believe will best represent the interests of long-term shareholders. TIAA-CREF’s engagement program involves many different activities and initiatives. Engagement may include supporting an election contest or change of control transaction.
### BlackRock ($4.53 trillion)

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<th>Proxy contests where investor supported activist</th>
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<tr>
<td>Bob Evans Farms</td>
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<tr>
<td>Equity Commonwealth</td>
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**Proxy voting policy**

BlackRock evaluates a number of factors including: the qualifications of the dissident and management candidates; the validity of the concerns identified by the dissident; the viability of both the dissident’s and management’s plans; the likelihood that the dissident’s solutions will produce the desired change; and whether the dissident represents the best option for enhancing long-term shareholder value.

### AllianceBernstein ($473 billion)

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**Proxy voting policy**

Votes in a contested election of directors are evaluated on a case-by-case basis with the goal of maximizing shareholder value.

### Dimensional Fund Advisors ($372 billion)

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<td>GrafTech International</td>
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**Proxy voting policy**

Considers the following factors: long-term financial performance of the target company relative to its industry; management’s track record; background to the proxy contest; nominee qualifications and any compensatory arrangements; strategic plan of dissident slate and quality of critique against management; likelihood that the proposed goals and objectives can be achieved (both slates); and stock ownership positions.

### Illinois State Board of Investment ($15 billion)

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**Proxy voting policy**

The trustees believe that competing slates should be evaluated based upon the personal qualifications of the candidates, the quality of the strategic corporate plan they advance to enhance long-term corporate value, and their expressed and demonstrated commitment to the interests of shareholders and other key constituents (e.g. employees, customers and the communities in which a company resides).
Are you prepared?

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