

Shareholder Resolution Results 2011

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Jessica Clarke

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Introduction

The 2011 proxy season brought a diverse selection of shareholder proposals, including requests for more disclosure, sustainability measures, animal welfare efforts, and corporate diversity initiatives. This year, we have compiled the voting results for shareholder resolutions represented by Advocates on Moxy Vote. Currently, we have over 50 organizations with vote recommendations and ballot opinions, allowing shareholders to receive a wealth of information when casting their proxy votes.

Overall, 360 shareholder resolutions were filed in 2011. More than one third of the submitted resolutions, 131 in total, focused on environmental issues, including sustainability reports, the reduction of greenhouse gas emissions, an increase in sustainable business practices, and climate change mitigation efforts. Additionally, one quarter of the filed resolutions focused on greater oversight and disclosure of political contributions, allowing shareholders more information about political affiliations and money donated to campaign efforts. The remaining resolutions focused on corporate diversity initiatives in the workplace and the boardroom, animal welfare efforts, and human rights.

While approximately 360 shareholder resolutions were filed this year, it is important to note that not all of the resolutions were available for shareholders to vote. Some resolutions were withdrawn due to successful conversations with companies and others were omitted by the SEC.

In addition to environmental, social, and governance shareholder resolutions, this year marked the first proxy season that say-on-pay and say-when-on-pay measures were mandatory voting items on company proxy ballots. Previously, these initiatives only appeared on company ballots as shareholder resolutions, meaning that they were non-binding and not guaranteed to be available on the proxy statement. However, beginning in 2011, the Dodd-Frank Act mandated that both say-on-pay and say-when-on-pay measures must appear on all proxy ballots, giving shareholders the opportunity to voice their opinion about executive pay structures and compensation packages. While say-on-pay and say-when-on-pay measures were new additions to the ballots, additional shareholder resolutions this year addressed different elements of executive compensation. These initiatives focused on the need to link sustainability metrics to compensation, executive retirement benefits, and corporate stock options.

The following report outlines the voting results for the environmental, social, governance, and executive compensation shareholder resolutions on Moxy Vote this year.

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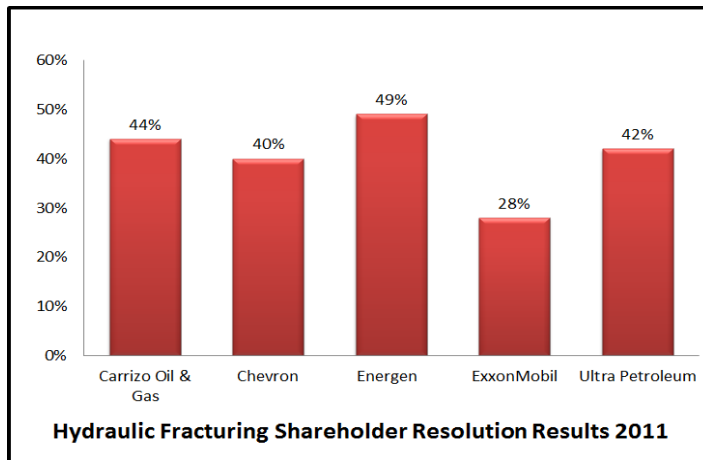
Environmental Shareholder Resolutions

After a very successful proxy season, we have taken a step back to dive deeper into the voting results of shareholder resolutions this year. To start, we have gathered information on the major environmental shareholder resolutions that our Advocates supported. In total, 42 resolutions, supported by 20 Advocates, at 35 companies, addressed environmental issues.

Overall, environment-focused shareholder resolutions on Moxy Vote received 26.3% support. Specifically, the types of resolutions supported by Advocates that received the highest percentage of support were:

- Hydraulic Fracturing, 40.6% support
- Report on Coal Combustion Waste, 37.7% support
- Sustainability Reporting, 34.1% support

In addition to those listed above, other environmental resolutions addressed greenhouse gas emissions reduction, recycling, sustainable paper sourcing, climate change risks, and environmental accident risk mitigation. While it may not surprise many shareholders, most of these resolutions were targeted at energy companies, specifically within the oil and natural gas sector.



Shareholders in Pennsylvania and upstate New York were particularly attuned to the issue of hydraulic fracturing. This proxy season marked the second year of an anti-fracking campaign coordinated by the Investors Environmental Health Network (IEHN). The collaborative effort and shareholder resolutions asked companies to disclose the potential environmental health hazards and chemicals involved in the process of hydraulic fracturing. Fracking resolutions went to a vote at five different companies, including Energen,

Chevron, ExxonMobil, Ultra Petroleum, and Carrizo Oil & Gas. As mentioned above, the average support for these resolutions was 40.6%, up 10 points from last year. The fracking resolution at Energen received the most support, with 49% of shareholders in favor of the resolution.

Shareholders also pressured companies to reevaluate their development of Canadian oil sands, and the resolutions at ExxonMobil and Conoco Phillips received an average of 27.5% support. In addition to decreasing direct corporate impact on the environment, shareholders strongly supported resolutions requesting increased accident risk mitigation practices. Resolutions at Valero Energy and Tesoro received the most shareholder support, with 43% and 54% support respectively. This resolution was also presented at an additional six companies and received 28% support on average.

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Efforts to reduce pollution emissions were also in the forefront of environmental issues. Shareholders asked companies like FirstEnergy, Ameren, and Southern Company to report on their plans to mitigate coal combustion waste. These resolutions averaged 37.7% shareholder support. The resolution on coal combustion waste at Ameren received majority support; 53% of shareholders approved. Additionally, resolutions requesting greenhouse gas emissions reduction goals received an average of 19% support from shareholders at nine different companies. Along with pollution reduction efforts, investors also asked companies to report on the financial risks of their reliance on coal, beyond the effects of climate change. The resolution on FirstEnergy's ballot that asked for a financial evaluation of the company's reliance on coal garnered 31% shareholder approval.

Along with a concern for companies' present interaction with the environment, shareholders are increasingly looking towards the future, asking companies to produce sustainability reports that outline their plan for long term growth and responsible business practices. Backed by management support and agreement, the sustainability report resolution at Layne Christensen won an astounding 93% shareholder support. The company published the report May 2011. As stated in Layne Christensen's annual proxy statement, "The Company (LAYN) recognizes the importance, as both an ethical and a business responsibility, of addressing the environmental and social impacts of [their] business." Sustainability reporting resolutions were presented to seven companies and supported by nine Advocates on Moxy Vote. The average support for these resolutions was 19%. Along with sustainability reports, an average of 22.3% of shareholders also requested the implementation of recycling programs at three major companies, Starbucks, McDonald's, and Target.

Overall, shareholders expressed an increased interest in aligning company performance and business practices with sustainability. Investors are looking for long term growth and accountability incorporated into a socially and environmentally responsible business model.

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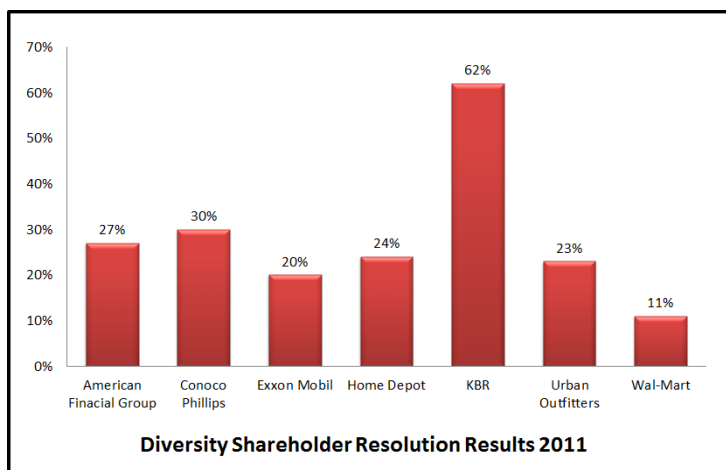
Social Shareholder Resolution Results

Social shareholder resolutions included topics such as human rights, diversity initiatives, and animal welfare efforts. In total, 25 resolutions, at 24 companies, supported by 22 Advocates, were on Moxy Vote this past proxy season. On average, social resolutions received 17% shareholder support, and the following categories received the most shareholder approval:

- Human rights, with 15.2% support
- Diversity, with 28% support
- Animal welfare, with 5% support

Human rights shareholder resolutions included topics such as genocide-free investing, global and domestic human rights standards, the human right to water, and the implementation of an independent human rights committee. The most numerous of these resolutions asked companies to modify their corporate policies regarding human rights and labor practices around the world. These included resolutions that specifically asked companies to assess their human rights policies in countries outside the US where their business operations are hosted. The global human rights resolution at Caterpillar received 25% shareholder approval. Other resolutions, like the ones at Chevron, Halliburton, and Boeing, asked companies to implement an independent third party monitoring of their supply chains to verify compliance with existing legal human rights standards and corporate policy. Resolutions then asked for an independent evaluation, report, and recommendation for improvements to both domestic and international working conditions. The average support for these resolutions on Moxy Vote was 19%.

In addition to improving working conditions, labor standards, and human rights practices, another set of resolutions involved the human right to water. Presented by NorthStar Asset Management, these resolutions were targeted at companies that use large amounts of water in production. The resolutions point out that the use of water by outside corporations can often deplete surrounding water resources, severely restricting local access to water. While many companies recycle the water used in production and return it to the source, trace chemicals are often deposited, negatively impacting the local ecosystem and further straining water accessibility in times of famine or drought.



The second type of social shareholder resolutions focused on diversity initiatives. These involved changing corporate non-discrimination policies to explicitly include sexual orientation and gender identity non-discrimination. This resolution was presented at Wal-Mart, Conoco Phillips, ExxonMobil, KBR, and American Financial Group. In addition to requests to amend non-discrimination policies, a resolution at Home Depot asked for a report detailing the company's Equal Employment Opportunity (EEO) procedures. In total, these resolutions

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averaged 29% support; the resolution at KBR received the highest percentage of shareholder support, with 62% approval.

In addition to workplace diversity, several resolutions specifically addressed board of director diversity with regard to gender and ethnicity. Several of our Advocates on Moxy Vote have taken a strong stand against traditionally all white male corporate boards. For example, 2020 Women on Boards, Calvert Investments, and PAX World Funds have directed their proxy voting towards advancing board diversity, casting their vote in favor of increased numbers of women and ethnic board representatives while publically congratulating companies that have begun to incorporate diversity in their board structure. On average, board diversity resolutions received 25% shareholder support.

In addition to diversity and human rights shareholder resolutions, animal welfare initiatives gave a voice to animals affected by corporate behaviors. These resolutions fell into two main categories—animal testing and the treatment of animals used for human consumption. This past year, both the Humane Society and PETA supported resolutions at companies such as Tyson Foods and BJ's Wholesale Club to implement the purchasing of poultry that has been processed by controlled atmosphere killing (CAK). Controlled-atmosphere killing is a USDA-approved slaughter method that removes oxygen from the birds' atmosphere while they are still in their transport crates, peacefully putting the birds to sleep. Advocates argue that this method of poultry slaughter creates less damage to the bird, reduces the chance of employee injury, and results in a less contaminated final product.

The second type of animal-related resolution asked companies, such as Johnson & Johnson, Pfizer, and General Electric to adopt non-animal testing methods when possible and issue reports alerting shareholders to how many animals are used in the product testing process. On average, animal resolutions that went to vote received 5% shareholder support; however, many ballot items were withdrawn after successful conversation and negotiation with the companies.

As with the environmental and corporate governance resolutions this year, socially-oriented shareholder resolutions called attention to long-term corporate impact on humans, natural resources, and animals. Shareholders are alerting companies to the issues they care most about, making corporations more accountable for their actions and practices through greater disclosure and reporting.

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Corporate Governance Shareholder Resolution Results

Corporate governance shareholder resolutions included topics such as board declassification, majority voting in director elections, disclosure of political contributions, and shareholder rights. In total, 67 corporate governance resolutions, supported by 18 Advocates, at 63 companies, were on Moxy Vote this past proxy season. On average, corporate governance resolutions received 38.3% shareholder support. The resolution categories with the most shareholder approval were:

- Board declassification and annual election of directors, 70% support
- Majority vote in director elections, 65.7% support
- Disclosure of political contributions, 33% support

In addition to those listed above, other corporate governance resolutions asked for disclosure of lobbying activities, political spending with regard to trade associations, shareholder action by written consent, shareholder called special meetings, independent directors, and directors with specific areas of expertise. Shareholders are pushing companies for more transparency, insisting on more disclosure and shareholder accountability at the forefront of governance resolutions.

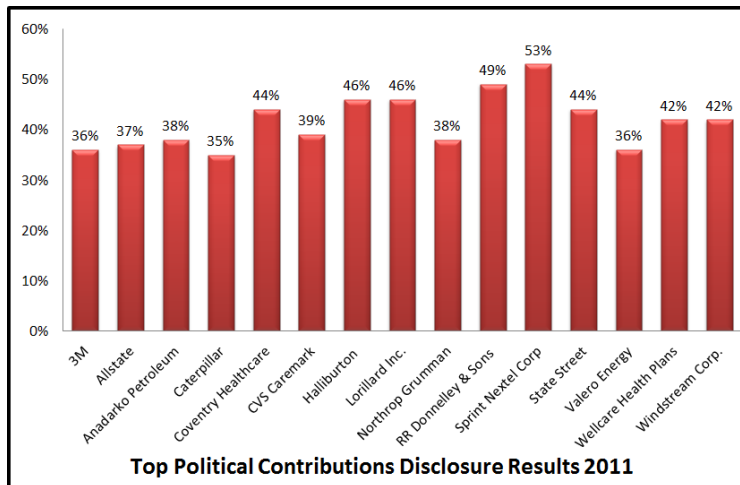
With the highest average support, resolutions discussing board declassification and the annual election of directors engaged both shareholders and companies. The advocacy efforts were headed by the American Corporate Governance Institute (ACGI), and their work contributed to moving 22 S&P 500 companies toward board declassification. This dialogue and resolution submission could result in as much as a 15% reduction in the incidence of board classification among S&P 500 companies from the beginning of the 2010-11 proxy season. On Moxy Vote, the board declassification resolution at Western Union garnered an astounding 87% shareholder approval.

Along with the push to declassify the board of directors, shareholders expressed interest in equalizing their investor voice within the boardroom. Resolutions requesting a simple majority vote in director elections asked corporations to change the voting requirement for shareholders to a 51% majority rather than the typical 66% or more minimum vote currently in place. These resolutions allow for more shareholder input, even within companies that are closely held or family owned. On average, majority voting resolutions received 65.7% shareholder support. On Moxy Vote, the resolution at SkyWest received the most support, with 78% shareholder approval.

In addition to a majority voting requirement, investors presented resolutions asking for shareholder action by written consent and shareholder called special meetings. Together, these resolutions won an average of 37.4% support. Both resolution initiatives were led by individual shareholder activist, John Chevedden. Resolutions regarding shareholder action by written consent asked companies to provide shareholders with the right to act through writing rather than attendance at a physical meeting, allowing for wider access to annual company meetings and voting. This resolution at Northrop Grumman received the highest percentage support, with 54% shareholder approval.

Similarly, Chevedden's resolutions requesting shareholder called special meetings would grant stockowners with 10% ownership of the total outstanding stock the power to call shareowner meetings, allowing for more investor involvement and dialogue. Chevedden's resolution at Walgreens won the support of 45% of shareholders.

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Led by the Center for Political Accountability (CPA), shareholder resolutions asking for the disclosure of corporate political contributions were the most numerous this past proxy season. As of May 2011, these resolutions appeared on 32 different company ballots and received an average of 33% shareholder support. Currently, companies are not required to report or account for political donations or payments to trade associations and other tax exempt organizations that are used for political purposes. The CPA and other advocacy groups are pushing

organizations to disclose this information to shareholders, addressing how corporate funds are spent and what political parties they are tied to. The political donations disclosure resolution received the most support at Sprint Nextel, with 53% of shareholder votes in favor of the issue.

Overall, shareholders have shown their desire for more information and more engagement with the companies they own. They're pushing for accountability that allows for shareholder input and dialogue in corporate business models and long term plans for growth.

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Executive Compensation Shareholder Resolution Results

Our last topic involves executive compensation, encompassing shareholder resolutions focused on issues such as retirement benefits, executive stock options, reports comparing pay scale throughout the company, and metrics used to calculate corporate pay.

This year marked the first year that say-on-pay and say-when-on-pay were mandatory voting items on company proxy ballots. Previously, these initiatives only appeared on the ballots as shareholder resolutions, meaning that they were non-binding and sometimes were not even permitted on the proxy statement. However, the Dodd-Frank Act now mandates that both say-on-pay and say-when-on-pay measures must appear on all company proxy ballots, giving shareholders the opportunity to voice their opinion about executive pay structures and compensation packages.

Many articles this year, such as the one featured in Bloomberg BusinessWeek last month, highlights a stagnant state of shareholder apathy, despite the opportunity to vote on these issues. As of June 14th, the majority of shareholders objected to the suggested pay packages at 32 out of 1,998 companies that had already held their annual meetings. Basically, shareholders said “no” to established compensation agreements at only 2% of the companies. Critics have cited this percentage as clear evidence that, despite the opportunity to make a difference, shareholders just don’t care enough.

Let’s not go that far.

Before we stamp shareholders’ response as apathetic, dismal, or down right lame, consider some of the shareholder victories this year with regard to executive compensation. The engaged shareholder realizes that executive compensation is more than just a figure; it needs to be linked to company metrics to encourage both corporate accountability and long term shareholder value.

For example, shareholders on Moxy Vote submitted 10 different resolutions at nine companies this year, receiving 19% shareholder support on average. These resolutions focused on the way that compensation is calculated, executive retirement benefits, and stock retention options.

For example, the resolution at Coca-Cola Enterprises requested shareholder approval for senior executives’ future severance packages that provide benefits exceeding twice the executive’s base salary. Additionally, Walgreen’s shareholders asked the company to adopt a policy that would require a significant portion of future stock options granted to senior executives to be based on company performance relative to a peer group of similar companies. The resolution at Coca-Cola received 38% support and the Walgreen’s resolution garnered 43%.

Resolutions at both DuPont (DD) and Goldman Sachs requested that the companies produce a report reviewing compensation packages provided to senior executives. Items requested in the report included:

1. A comparison of compensation packages for senior executives to those of the lowest paid company employees.
2. A compensation ceiling for senior executives to prevent excessive pay outs.
3. An evaluation of how sizable layoffs and the level of pay of the lowest paid employees impacts senior pay.
4. An analysis of the way in which fluctuations in revenue impact the company’s compensation pool, the pay of the company’s top 25 senior executives, and the company’s shareholders.

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The resolution at Goldman Sachs received 21% shareholder support, whereas the resolution at DuPont received 6%. In addition to a detailed report on compensation, shareholders are concerned about the company's impact on natural resources and the environment. One way to ensure that the company focuses on this issue is to link compensation to sustainability metrics, incorporating environmental impact and sustainability efforts into calculations that determine executive pay. Many of these resolutions were presented for the first time this proxy season at companies such as Chevron, Equity Residential, and Sempra Energy.

While shareholders may not have voted down as many compensation packages as expected this year, it's important to note the way that shareholders are viewing executive pay. It's not just about the dollar amount on annual bonus checks, retirement benefits, or stock options. It's the way those numbers are calculated, in relation to shareholder input, company performance, and stakeholder value. Shareowners want reports, metrics, and transparency—far more than a “yes” or “no” on say-on-pay measures. After seeing some of the resolutions pertaining to executive compensation this year and the way that shareholders want to engage with their companies in the future, we're far from siding with shareholder apathy.

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Thank you to all of our Advocates and shareholders who have helped to make the 2011 proxy season a great success. We appreciate all of your continued support and advocacy efforts.

Together, we're giving shareholders a voice in the boardroom. Continue to vote your proxies, and let your voice be heard.

--The Moxy Vote Team