

## **Request for Investor Dialogue: Fifth Analyst Call on Corporate Governance and the Proxy Statement**

### ***Background***

In light of the recent trends to strengthen shareholder rights in the US, including revised SEC rules adopted in 2010 and the passage of the landmark Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), corporate governance responsibilities of both issuers and owners have increased materially. Among the most significant changes are the following:

- Beginning in 2011, shareholders will have the opportunity to vote on Say on Pay and to determine how frequently such votes take place going forward.
- Following recently revised SEC proxy access rules, investors are able to nominate directors directly to corporate boards without staging a proxy contest.
- Under new SEC proxy disclosure rules, boards are required to explain their board structure regarding the separation / unification of Chairman and CEO roles
- Beginning in February 2010, broker discretionary voting in connection with director elections and compensation was prohibited, resulting in increased value for directed shareholder votes.
- Going forward, institutional investors will be required to disclose how they voted on all Say on Pay and golden parachute resolutions.

As a result of these enhanced rights and responsibilities, institutional investors with a commitment to good governance and responsible ownership believe there is now a unique opportunity to enhance dialogue and understanding around key governance issues between investors and companies.

### ***Request for a Fifth Analyst Call on Corporate Governance & the Proxy***

The undersigned institutional investors, representing approximately \$2.2 trillion in assets under management as of September 1<sup>st</sup> 2010 are proposing that US companies host a dedicated conference call for institutional investors focused exclusively on corporate governance as reflected in the annual proxy statement. The "Fifth Analyst Call" would serve a purpose similar to standard quarterly results calls but follow the publication of the proxy statement and precede the annual shareholders meeting.

While the undersigned institutions believe that a majority of companies would benefit from this type of collaborative discussion with their shareholders, as a pilot project we have identified a number of companies that, in our view, would benefit the most from such engagement due to unique, company-specific circumstances.

The Fifth Analyst Call aims to:

- Utilise the rights and responsibilities embedded in the Dodd-Frank Act to encourage good governance by issuers and responsible ownership by investors;
- Enhance investor understanding of the company's corporate governance strategies so as to better reflect governance in valuations;
- Improve company-investor dialogue so that corporate governance protects long-term value and enables sustainable business growth;
- Serve as a common platform of education and dialogue for both equity analysts and governance specialists within the institutional shareholder base, ensuring that voting decisions are made within the context of the company's competitive environment and performance;
- Facilitate dialogue around the proxy statement so as to enable more informed voting of shares.

### **Participants**

Proposed participants in a “Fifth Analyst Call” would be institutional investors who are shareholders in the company and have a commitment to actively vote their shares. Governance analysts and equity analysts are both encouraged to join the call. A full list of institutional investors and asset owners that have already agreed to support the ‘Fifth Analyst Call’ is included below:

APG Asset Management (The Netherlands)  
Australian Council of Superannuation Investors (Australia)  
BC Investment Management Corporation (Canada)  
Cooperative Asset Management (UK)  
DWS Investment GmbH (Germany)  
F&C Asset Management (UK)  
Florida State Board of Administration (US)  
Local Authority Pension Fund Forum (UK)  
Mn Services (The Netherlands)  
PGGM Investments (The Netherlands)  
Railpen Investments (UK)  
Standard Life Investments (UK)  
T. Rowe Price (US)  
Universities Superannuation Scheme (UK)  
Walden Asset Management (US)

Investors request that the independent board chairman or lead director attend the call. The chairs of key board committees are also encouraged to participate although this is not a prerequisite for conducting the call. It is assumed the Company Secretary would attend as well. It may be advisable for the General Counsel or Investor Relations to attend this call although the primary dialogue should be between investors and their board representative(s).

### **Agenda of the Fifth Analyst Call**

We are proposing that companies participate in a conference call or other virtual meeting to discuss key corporate governance issues as reflected on the annual proxy statement, including the additional resolutions now required by the Dodd-Frank Act. The call itself would be hosted by issuers and co-chaired by the company and a ‘lead investor’. The aim of the call will be for issuers to explain to institutional investors their corporate governance philosophy and strategy and for investors to ask questions and raise concerns prior to voting their shares at the AGM.

The meeting would be 60-90 minutes with the agenda being driven by and confined to the proxy statement. To this end, we would anticipate any meeting to cover the following basic governance points:

- Setting the Governance Framework and Philosophy including the board’s role in setting and evaluating execution of strategy;
- Audit and/or Risk Committee Report Summary explaining annual achievements of the audit committee, including its review of internal controls and risk management;
- Compensation Discussion & Analysis including how compensation is linked to performance and to the core business strategy;
- Board Structure, Effectiveness, and Succession Planning including the company’s approach to defining the roles and responsibilities of Chairman and CEO;
- Any other items on the ballot in need of discussion eg. change of auditors, capital raising, and board position on shareholder proposals;

- A response to any negative recommendations expected or received from proxy advisory firms, and a discussion of any additional or mitigating considerations.

An agenda, including allocated time slots, would be agreed between the company and the lead investor in advance of the meeting to ensure an effective and efficient meeting.

### ***Timing of the Fifth Analyst Call***

Investors are asking pilot program companies to host such a call 10-15 business days prior to the 2011 annual meeting.

### ***More Information and Next Steps***

Interested investors wishing to support the “Fifth Analyst Call” or issuers considering hosting such a call are invited to contact one of the following individual for more information. Signing on to this statement does not commit investors to participating in each call with issuers as participation will be based on shares held as of the record date:

Alexis Krajeski or Pat Tomaino, F&C Investments  
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 Pat.Tomaino@fandccom, +1 617 426 9050 (US)

Deborah Gilshan, Railpen Investments  
 deborah.gilshan@rpmico.uk, + 44 207 220 5012 (UK)

Donna Anderson, T. Rowe Price  
 Donna\_Anderson@troweprice.com, +1 410 345 3591 (US)

Valeria Piani, UN Principles for Responsible Investment  
 valeria.piani@unpri.org, +44 207 749 5152

### ***Frequently Asked Questions:***

- *How would the call be hosted?* We envision a teleconference or virtual meeting hosted preferably by the company, although there may be potential for an investor to provide conference call facilities.
- *Would the call be secure?* Participation in the call would be by invitation only and would require pre-registration. Invitations will be limited to institutional investors with a holding in the company and a commitment to actively vote their shares.
- *Would proxy advisory firms be invited?* At this point, no. The aim of this call is to enhance dialogue between issuers and owners.
- *What benefit would there be for companies who already invest large sums in investor outreach?* While we expect there to be some initial costs to issuers of hosting a “Fifth Analyst Call”, we believe these would be outweighed by the significant benefits such a call would bring. Key benefits include: 1) Efficiency in communicating with institutional investors and beneficial owners; 2) The ability for directors to interact directly with shareholders, not filtered through proxy advisory firms or solicitors; 3) Access to mid-sized investors on the share registry; and (4) General benefits of engagement.
- *What benefit would there be for asset owners and asset managers who already have an active voting and engagement program?* Such a forum would provide an opportunity for investors to speak directly to their independent board representatives. It would also provide a forum for the board to present key governance developments in a clear and concise manner prior to the vote and to field questions that could influence voting outcomes. We expect this to be particularly useful for investors prior to voting on contentious governance issues, including forthcoming Say on Pay proposals.

- *Wouldn't this essentially make the annual meeting irrelevant?* No, as this is only for institutional investors, the majority of whom vote their shares by proxy and cannot attend all AGMs in person given their large, diversified portfolios.
- *Wouldn't this require a lot of work and substantial institutional investor commitment before it would be worthwhile?* Given that the list of pilot program companies is limited and that the agenda will be driven by the proxy statement, we do not envision substantial additional work in preparing for the meeting (although some administration will be required). Gaining critical mass of investor support will be fundamental to the success of this proposal. This is why many institutional investors are supporting the effort and are reaching out to other investors to encourage greater participation. We would also welcome working with issuers to invite their other institutional shareholders to join such a call.
- *Doesn't this risk triggering Regulation FD or proxy solicitation rules?* We do not believe there is any greater risk of triggering Regulation FD or proxy solicitation rules during this call than during a standard financial results call. The call will focus on information already disclosed in the proxy statement and provide an opportunity for investors to ask questions and get clarification.