August 2011

BNY Mellon Shareowner Services

2011 Annual Meeting Study

Continuing the trend documented in last year's report, our data shows that 2011 proxy events and annual meetings were marked more by what isn't happening than what is happening.

BNY Mellon Shareowner Services continues to expand the scope of its report on Annual Meeting Support for Shareowner Services' clients.

Last year's report on the 2010 season provided in-depth information from internal sources on over 460 meetings; this year's report analyzes data from more than 500 client meetings during the 2011 meeting season.

Reports for both periods are based on data collected by Shareowner Services Relationship Managers on relevant meeting issues. Examples include type and number of proposals voted on and the impact of changes to proxy voting rules related to Say on Pay and Say When on Pay. While reflecting data from more meetings, the 2011 report echoes the 2010 report in terms of significant findings

2011 Meeting Season Overview

This season's most important development was a new SEC rule mandated by the Dodd-Frank Act requiring all companies (not just financial institutions) to include two new proposals on the proxy ballot. One proposal calls for a non-binding shareholder vote on executive compensation, known as Say on Pay (SOP). The second mandate is a proposal that allows shareholders to determine the frequency with which they want the SOP vote to occur – every 1, 2 or 3 years. This second proposal has been labeled Say When on Pay (SWOP). This proposal must be presented to shareholders at least once every 6 years, regardless of which frequency they elect.

The early proxy season was marked by concerns from corporate staff as they prepared for these new proposals. It was also closely watched by activists hoping that these proposals would give them another means of promoting their agendas.

Our Findings

The data in our 2011 study shows that the corporate concerns were largely unwarranted and the hopes of the activists were unfulfilled, as the majority of management-supported SOP proposals were passed.

Continuing the trend documented in last year's report, our data shows that 2011 proxy events and annual meetings were marked more by what isn't happening than what is happening. We continue to see many pre-season predictions regarding dramatic impacts of SOP, an uptick in shareholder activism, and an increase in contentious meetings, only to observe actual client annual meeting experiences showing that these outcomes have not materialized.

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2011 Annual Meeting Key Findings

- SOP and SWOP impact not dramatic
- SOP votes approved by shareholders
- Annual frequency preference on SWOP
- Meetings occurred later in year
- Smaller and simpler meetings
- SOP/SWOP increased number of proposals

Another important trend we continue to observe is the "down-sizing" of the physical meeting itself. Last year we noted that meetings were shorter and less elaborate than meetings of the past. This year that trend continues, with over 90% of those clients for whom we captured data holding their meetings in company offices. Additionally, almost 60% either offered no refreshments at all or only offered beverages. The number of meeting attendees continued to decline as well.

While this trend might not seem significant, it is evidence of the underlying decline of the physical meeting. It appears that fewer companies are using the meeting as a marketing or public relations tool and that fewer shareholders are making an effort to attend the annual meeting. This trend has led to speculation that a required in-person annual shareholder meeting may eventually be replaced by shareholder forums, the controversial "Fifth Analyst Call" on corporate governance, or an audio broadcast and/or Webcast.

A new proxy development this year has been a request by some investors that companies arrange a conference call that focuses on corporate governance. This would be a "Fifth Analyst Call," following the quarterly calls with analysts to discuss strategy and financial performance.

Industry participants have raised concerns about the advisability of holding a Fifth Analyst Call and its potential impact on Regulation FD. The concern is that a "by invitation" meeting chaired by an investor and with director participation could result in discussions that stray from corporate governance and into areas that affect compliance with securities regulations.

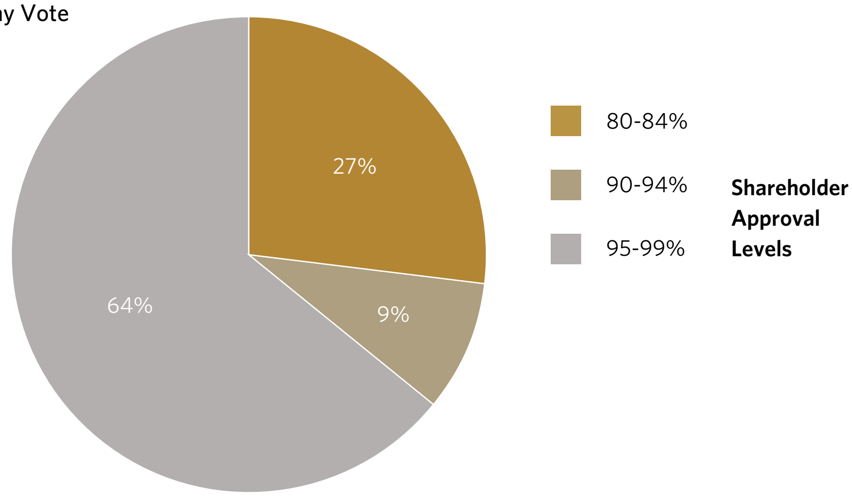
Approval Of Say On Pay (SOP) And Preference For Annual Say When On Pay (SWOP)

The two SEC mandated proposals of SOP and SWOP cast a long shadow over this year's proxy season. This began during the planning stages, when corporate staff had to decide whether to include a management recommendation on the frequency of the vote. At first companies were leaning toward a recommendation of a triennial vote, but early results showed annual votes winning in a majority of the meetings, partly fueled by the recommendation of proxy advisors and other institutional investors. As a result, many companies either offered the SWOP proposal with no recommendation or with a recommendation for an annual vote.

For the full spring season, shareholders have shown a preference for an annual Say on Pay vote. Our study showed that 82% of clients received a SWOP vote in favor of an annual SOP vote. Of the subset of clients that recommended a triennial or biennial vote, 64% still received an annual vote choice. The small number of companies (8) in which shareholders approved management's recommendation for triennial or biennial votes also received a very high approval rate on the SOP votes themselves, many in the 90% and better range. These appear to be companies with a loyal shareholder base, and in some cases, a high number of insiders.

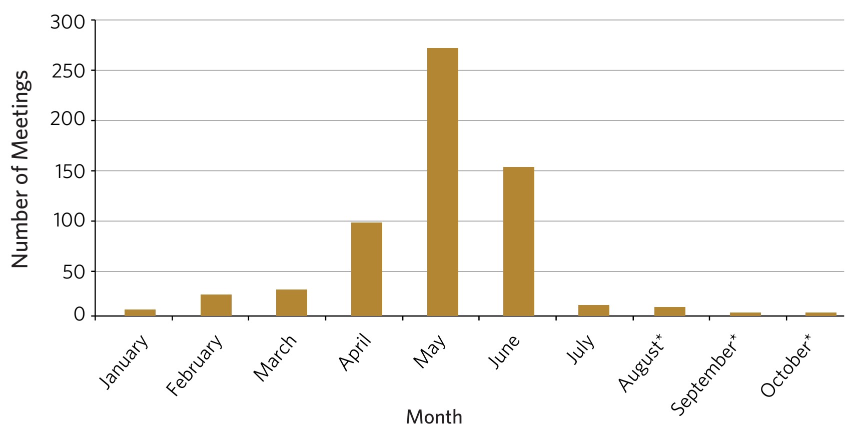
Notwithstanding the frequency vote, the actual SOP votes were overwhelmingly approved by shareholders as demonstrated by the chart below.

Results of Say on Pay Vote



One noticeable difference in the 2011 proxy season was that many meetings occurred later in the year than in past years. This difference appears to be somewhat linked to the additional planning that companies were required to make for SOP and SWOP proposals. Historically, Shareowner Services' busiest months for annual meeting activity have been March and April. As the chart shows, the most annual meetings were held by our clients in May this year.

Annual Meetings by Month



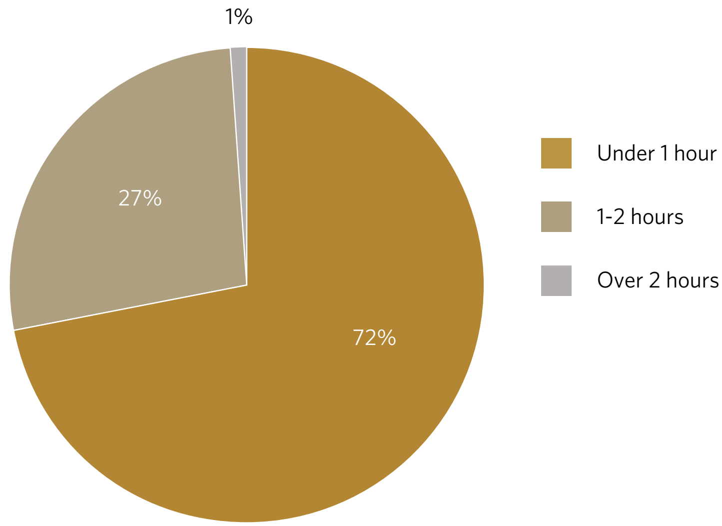
*Scheduled meetings

Down-Sizing Of Annual Meetings

Our analysis identified a trend toward smaller, simpler meetings. The vast majority of the companies for which we collected data held their meetings in company offices instead of offsite. Also, the meetings tended to be brief events.

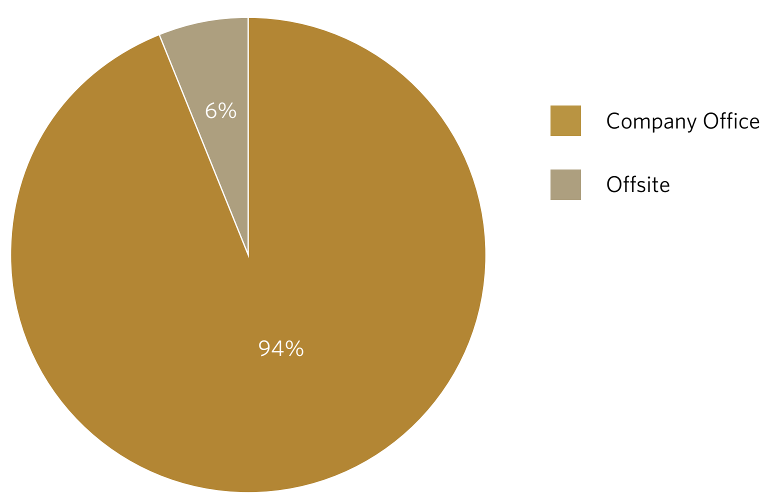
72% of clients' meetings were one hour or less. Most of the remaining meetings were less than two hours, with less than 1% that were "outliers" that lasted beyond two hours.

Length of Meeting



47% of the companies did not allow anyone other than shareholders to attend the meeting and 15% only allowed the shareholder to bring one guest. The remaining 38% allowed any number of guests. Finally, 94% of our clients' meetings were held at a corporate office this year, up from 53% in last year's study.

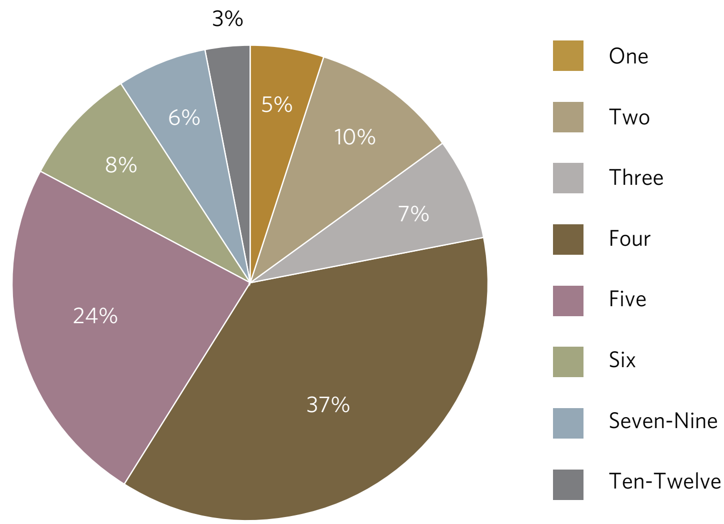
Types of Venue



Increased Number of Proposals on the Ballot

Last year we reported that 68% of our clients had 3 or fewer proposals on the proxy ballot. This year, as a result of the mandated SOP and SWOP proposals, only 22% had 3 or fewer proposals. The most frequently occurring number was 4 proposals (37%). Those 4 proposals were most commonly the director election, the ratification of the auditors, and SOP and SWOP proposals. Another 24% had 5 proposals, with the 5th proposal covering a wide variety of issues from compensation and by-law changes to shareholder proposals.

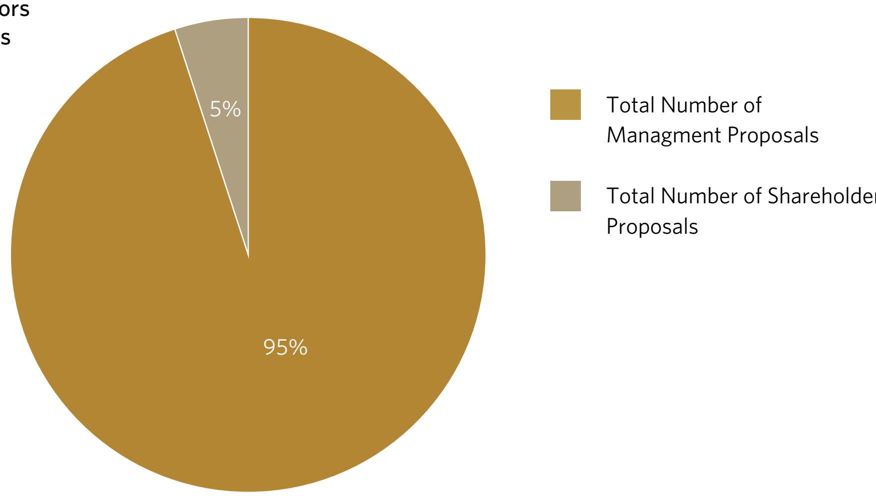
Number of Proposals



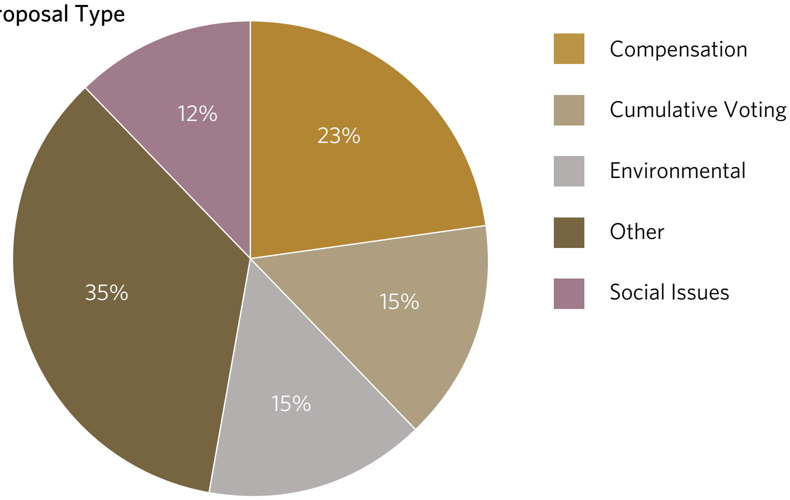
However, adjusting for the SOP and SWOP proposals that were added to the ballot, the number of proposals has remained constant compared to last year. Only 8% of our clients had SOP proposals last year and, because of the mandate, 100% did this year.

Besides SOP and SWOP proposals, the type of proposals has not changed dramatically from last year. Altogether we noted 1,375 management proposals and only 69 shareholder proposals. The following charts show just how few shareholder proposals were presented and their type.

Board of Directors vs. Shareholders



Shareholder Proposal Type



Conclusion

The main conclusion we reached about this year's proxy season is that the introduction of two much debated and even, by some, feared proxy proposals (Say on Pay and Say When on Pay) turned out to be a non-event. The process leading up to the annual meetings was marked by concern and trepidation over the inclusion of SOP and SWOP, but the resulting votes were often largely mechanical and not at all dramatic. While many had anticipated that SOP would be a platform for protest votes against executive compensation, this was clearly not the case for our clients.

The degree of shareholder support for executive compensation seen in the SOP votes does lead to the expectation that these votes will become a fairly standard vote with a fairly predictable outcome, similar to director and auditor votes. While a welcome development in the eyes of most companies, it might lead activist investors to find other ways to influence the pay practices of companies.

For More Information
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