

## PRESS RELEASE

Lauren A. Condoluci  
Ernst & Young LLP  
Public Relations  
202.327.6822  
[Lauren.Condoluci@ey.com](mailto:Lauren.Condoluci@ey.com)

### **2013 proxy season shows increased company attention to governance activity and investors**

#### ***Ernst & Young LLP proxy season review identifies top 10 governance trends***

**New York, 25 June 2013** - The 2013 proxy season reveals 55% of companies are disclosing engagement with investors - up from 38% in 2012 - indicating investor influence over governance practices is growing. More companies are discussing governance topics with shareholders and making changes in response to shareholder feedback, and investor efforts to engage companies using shareholder proposals and other methods are increasing. Addressing the importance of having a better relationship with shareholders in this environment, particularly as proxy advisory firms come under increased scrutiny, Ernst & Young LLP's Corporate Governance Center today released a new report - *Key developments of the 2013 proxy season* - to provide boards and those who support them with timely, data-rich analysis of the top governance trends coming out of the proxy season.

"Investors are continuing to demand accountability, transparency and access, and many management teams and boards are showing a greater willingness to have that dialogue. At the same time, some larger investors are making clear that their proxy voting decisions are the result of independent evaluations," said Allie Rutherford, Director of the Corporate Governance Center at Ernst & Young LLP. "As this governance landscape evolves, companies may find it pays off to maintain constructive ongoing relationships with key shareholders."

The top 10 corporate governance trends in the 2013 proxy season are:

#### **1. Shareholder proposal submissions have increased.**

- Shareholder proposal submissions through the first half of 2013 have increased by 6% over the same period last year and appear on track to eclipse the total submissions for all of 2012.
- This year's top 5 shareholder proposal topics represent nearly 60% of all shareholder proposal submissions:
  - 1) Targeted executive compensation practices;
  - 2) Political spending / lobbying activity;

- 3) Environmental sustainability;
- 4) Annual director elections;
- 5) Independent board chair.

**2. The board leadership structure debate continues.**

- Investors are continuing to push for independent board chairs, submitting a record number of shareholder proposals on the topic - nearly 80 so far in 2013. However, average support for these proposals declined this year to 31% from 36% in 2012.

**3. Board diversity remains a priority, and board turnover comes under scrutiny.**

- Growth in gender diversity is slow: women represent 15% of directors on S&P 1500 boards, up from 14% in 2012 and 11% in 2006. The slow pace of change in gender diversity is generating renewed discussion of board turnover, since the lack of turnover is thought by many to be one of the greatest obstacles to increase diversity.

**4. Directors receive increasing support.**

- Opposition to director elections continues to trend downward, dropping to its lowest point in more than five years. Only 4% of directors this year have received opposition exceeding 20% of votes cast.

**5. Environmental and social topics continue to dominate the shareholder proposal landscape.**

- As in past years, shareholder proposals focused on environmental and social topics represent the largest category of shareholder proposals submitted - nearly 40% of all proposals. Average support for these topics stands at 21%, with certain well-targeted proposals commanding higher support.
- The top 3 environmental and social shareholder proposal topics in 2013 are:
  - 1) Political spending / lobbying;
  - 2) General corporate sustainability and climate change-related reporting (including supplier-issued sustainability reports);
  - 3) Equal opportunity employment policies.

**6. Shareholders press for transparency of political and lobbying spending.**

- Absent SEC rulemaking requiring disclosure of corporate political spending, which appears unlikely in the near term, shareholders are likely to continue campaigning for corporate political/lobbying transparency and accountability company-by-company, with a record number of shareholder proposals submitted this year.
- Support for political and lobbying proposals has remained fairly steady, averaging 23% so far in 2013 compared with 22% in 2012. New proposal variations, such as those that seek a complete ban on political spending, attract less support than traditional proposals on this topic.

**7. SOP support increases, while targeted compensation-related shareholder proposals return.**

- Overall support for SOP proposals has climbed to 92% this year compared to 91% in 2012, and 33 SOP proposals have failed to receive majority support of votes cast through 3 June, down from 40 proposals at the same time in 2012.
- The number of compensation-related shareholder proposals submitted in 2013, however, jumped following a sharp decline in 2011 that was related to the implementation of mandatory say-on-pay votes.

#### **8. Companies with staggered boards are targets for change.**

- Nearly 90 companies with staggered boards were targeted with shareholder proposals on this topic in 2013, most as part of a coordinated shareholder campaign. Nearly 60% agreed to implement annual elections in exchange for withdrawal for the shareholder proposal, likely because these proposals consistently receive high levels of voting support, averaging 80% of votes cast so far in 2013.
- 81% of S&P 500 companies have annual elections, up from 37% in 2000, demonstrating investors' success in using shareholder proposals to reform director election practices.

#### **9. Proxy access fizzles.**

- Investors thus far have only sought proxy access at select companies with a series of long-standing governance concerns, and are not pushing the reform market-wide through broad-based proposal targeting. Only 12 of these proposals are going to a vote so far in 2013.

#### **10. Proxy disclosures are enhanced to tell the governance story.**

- More companies are using their proxy statements as an engagement tool to communicate the board's targeted message on governance topics to a broad audience and secure investor confidence and support. Notable disclosure enhancements focus on engagement, board composition and audit committee reporting.

For more information and to access to [Key developments of the 2013 season](http://www.ey.com/US/en/Issues/Governance-and-reporting) and other reports, visit <http://www.ey.com/US/en/Issues/Governance-and-reporting>.

#### ***About Ernst & Young LLP's Corporate Governance Center***

Ernst & Young LLP's Corporate Governance Center (EYCGC or the Center) offers balanced insights and data-rich content and analysis that foster alignment and bridges gaps among management, boards of directors and investors – raising awareness, creating understanding and serving as a conduit of information. The Center's insights and content are supported through its proprietary corporate governance database, relationships with outside governance organizations and ongoing conversations with members of the investor and governance community.

#### ***About Ernst & Young***

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 167,000 people are united by our shared values and an unwavering commitment to quality.



We make a difference by helping our people, our clients and our wider communities achieve their potential. For more information, please visit [www.ey.com](http://www.ey.com).

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. This press release is issued by Ernst & Young LLP, a member firm providing services to clients in the US.