



Council of Institutional Investors
The Voice of Corporate Governance

Corporate Governance - Best Practices

Presentation to

Pennsylvania Association of Public Employee Retirement
Systems

May 25, 2016



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Corporate Governance Isn't New



"Do I really want all this power? I think I do."

Shareholders have been
challenging imperial CEOs
for 400+ years



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What is Corporate Governance?

- Structure of relationships between shareowners, directors and managers of a company
 - System of checks and balances
 - Effective corporate governance fosters transparency, responsibility, accountability and market integrity
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Why Corporate Governance?



*"I was spreading some risk around, and apparently
it all wound up in your portfolio."*

- Fiduciary duty
- Empirical evidence mixed
- Risk factor
- Board quality factor



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Costs of Financial Scandals & Crisis

- 2000's: WorldCom, Enron
 - \$230+ billion in losses at 20 companies
- 2008 Global Financial Crisis
 - \$15 trillion in global losses



"Here are the numbers you wanted cooked, sir."



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Why CII Was Founded

- **Investors benefit:**
 - Effective board oversight
 - Director accountability
 - Adequate protections
 - Prompt, full disclosure

- **Collective action**

- **Big-tent issues**

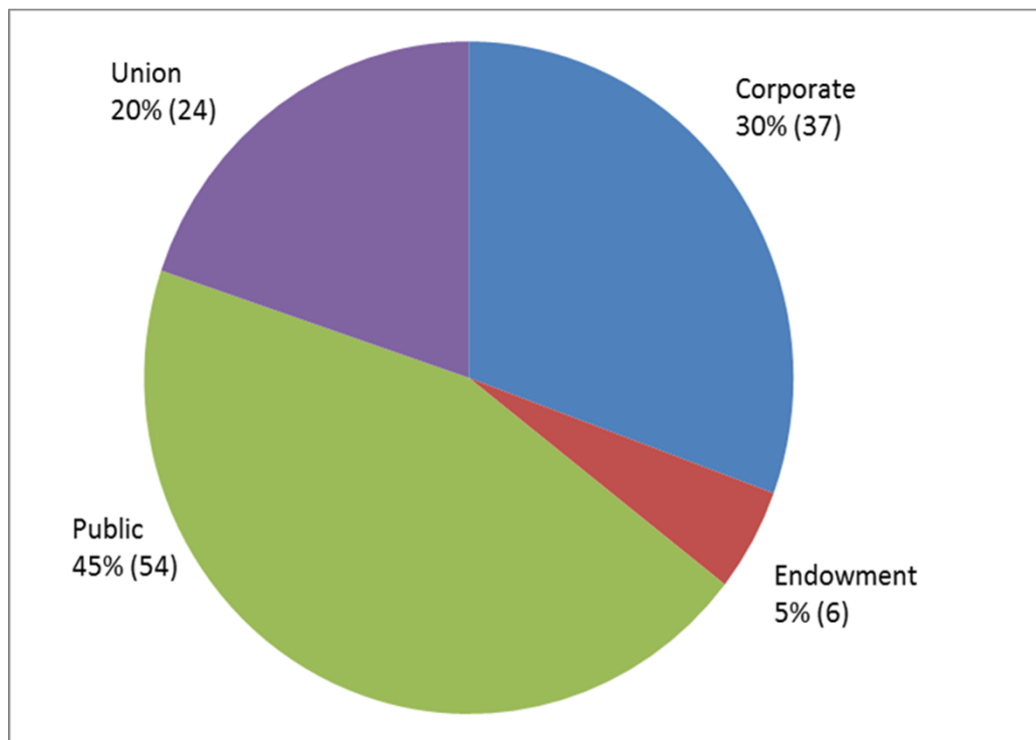


"That's the report. Now, would anyone like to carp?"



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CII Voting Members



➤ Differences

- Type of fund
- Size of fund
- Resources
- Investment philosophies & strategies

➤ Similarities

- Significant stake in U.S. markets
- Long-term investors
- Fiduciaries



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What CII Does

- **Education** E-newsletter, guides and reports, webinars, training courses
 - **Networking** Spring and fall conferences
 - **Advocacy** Member-approved best practices, comment letters, meetings with regulators and companies
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CII Priority Issues

- Majority voting for directors in uncontested elections
 - Universal proxy cards in contested board elections
 - Proxy access
 - One share, one vote
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Leading Shareowner Proposals 2015

	# Filed	# Voted	Ave Support	# Won Majority Support
Report on political contributions/lobbying	118	71	27.4%	0
Proxy access	112	86	55.2%	53
Environment/sustainability	82	45	20.5%	0
Independent board chair	74	60	28.9%	2
Pro-rata vesting of equity awards	40	30	33.3%	2
Right to act by written consent	39	34	39.5%	2
Report on diversity	32	7	17.5%	0
Right to call special meetings	30	19	43.7%	4
Elect directors by majority vote	23	9	69.2%	8
Declassify board of directors	20	12	77.3%	12



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Governance Goes Mainstream



"This is the part of capitalism I hate."

- Once-radical reforms are now commonplace
- Traditional asset managers are engaged and involved
- Activist hedge funds target big, well-known companies
- Engagement is the new normal



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Trends to Watch

- Activist Investing
 - Proxy Access
 - Board Composition
 - Stock Buybacks
 - Climate Change
 - Political Disclosure
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Ways to Get Involved in Governance

- Stay informed
 - Keep proxy voting guidelines current
 - If you delegate voting, monitor your money manager
 - Disclose your votes
 - Use your voice
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