



Corporate Governance

BULLETIN

— Covering Shareholder Issues Worldwide —

Volume XXIV, Number 1

April - June 2006

Growing Investor Concerns Over Option Timing

For years, institutional investors have complained about the excessive pay packages received by top executives at underperforming U.S. companies. In many cases, shareholders had trouble tracking what was happening because of inadequate corporate disclosure of equity incentives, retirement benefits, perks, and change-in-control payments.

In response to these complaints, the U.S. Securities and Exchange Commission unveiled a set of new pay disclosure rules in January. This proposal was hailed as a positive step to improve transparency and underscore the duty of directors to ensure that corporate assets are used wisely.

However, this sense of optimism faded in March when *The Wall Street Journal* questioned the timing of stock option grants at UnitedHealth and five other companies. Within weeks, the SEC and federal prosecutors were scrutinizing option grants at dozens of technology and health-care companies. By mid-July, more than 65 firms, including well-known companies like Home Depot and Apple Computer, had disclosed criminal, regulatory, or internal investigations

into whether they backdated or otherwise manipulated the timing of stock option grants to maximize compensation for senior executives. As the number of companies under scrutiny has grown, institutional investors are increasingly concerned, asking questions, and urging regulators to take action.

Background

Almost all U.S. companies grant options to their top executives “at the money,” i.e., by setting the options’ exercise price (purchase price) equal to the stock price on the grant date. That exercise price often is set at the closing share price on the grant date, or at the average of that day’s high and low. Under Section 162(m) of the Internal Revenue Code, at-the-money options are generally considered performance-based compensation that is deductible from corporate tax returns, even if an executive earns more than \$1 million a year.

Typically, recipients may have to wait a year or more before exercising all or a portion of their options, although vesting can be accelerated if a corporate change in control occurs. Companies are required to seek shareholder approval

for their option plans, but individual grants are left to the board or the compensation committee to decide.

Backdating occurs when a company retroactively sets the exercise price for a stock option to an earlier date. If the stock was trading at a lower price on that earlier date, then the option already would be “in the money” when the executive receives the grant. A company can also “spring-load” a grant by setting the exercise price right before the release of news that would cause the company’s shares to rise, or right after the announcement of news that led to a share decline.

Before the Sarbanes-Oxley Act of 2002, companies did not have to report option grants until 45 days after the end of the fiscal year in which they were granted, which provided firms a significant window of time to retroactively match grant dates with share lows. Companies now are required to file Form 4 reports on option grants within two business days of the grant date, which limits opportunities for backdating.

Backdating and option timing are not necessarily illegal, if a com-

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Corporate Governance Bulletin is published four times a year by Institutional Shareholder Services. For more information, contact ISS at:

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© Copyright 2006
Institutional Shareholder Services
ISSN 1053-5489

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pany maintains accurate grant records, treats those options as discounted, and accounts for those grants in its earning reports and tax filings. Also, unlike at-the-money options, discounted grants are not considered performance-based and may not qualify for tax deductions. Consequently, if a company's grants are later determined to have been discounted without proper disclosure and accounting, the firm could face significant tax penalties and may have to file a restatement to reflect the lost deductions and the cost of those discounted options. In addition, backdating may violate New York Stock Exchange or Nasdaq shareholder-approval requirements and trigger securities fraud liability over misleading disclosure.

For years, shareholder activists and academics have speculated that some executives have engaged in the opportunistic timing of their option grants. Professor David Yermack, in a 1997 *Journal of Finance* article, and Professors Keith Chauvin and Catherine Shenoy, in a 2001 *Journal of Corporate Finance* article, found that option grants to CEOs tend to occur on days when stock prices are unusually low.

Other researchers, including Professors David Aboody and Ron Kasznik in a 2000 article in the *Journal of Accounting and Economics*, demonstrated that managers have manipulated the timing of disclosures so that bad news is released before grant dates. In a 2004 paper, researchers Donal Byard and Ying Li found that the extent of timing opportunism by CEOs was greater at firms where CEOs receive a higher proportion of their compensation from options. Byard and Li also found that opportunism increased at firms where directors received a higher proportion of stock options in their compensation.

In a May 2005 paper for *Management Science*, Professor Erik Lie of the

University of Iowa reviewed almost 6,000 CEO stock option awards from 1992 through 2002. He found abnormally low stock returns before grant dates and unusually high returns after those grants. In the 30 days prior to unscheduled awards, the average stock returns of those companies trailed the rest of the market by 3 percent, Lie found. After awards, those firms exceeded the market by 2 percent in the first 10 days, and then beat the market by another 2 percent in the next 20 days. For scheduled grants, there was

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have speculated
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a similar but less pronounced pattern.

“Unless executives possess an extraordinary ability to forecast the future market-wide movements that drive these predicted returns, the results suggest that at least some of the awards were timed retroactively,” Lie wrote.

Lie also co-authored a forthcoming paper with Professor Randall Heron of Indiana University for the *Journal of Financial Economics* that concludes that the Sarbanes-Oxley Act has led to a decrease in short-term share price dips that often coincided with grant dates at some companies.

Lie's data was cited in *The Wall Street Journal's* March 18, 2006 article, “The Perfect Payday,” that raised ques-

tions about option grants at UnitedHealth, Converse Technology, Vitesse Semiconductor, Affiliated Computer Services (ACS), Brooks Automation, and Jabil Circuit. For instance, the former chief executive at ACS received grants dated on one of the four lowest trading days for the company's shares in six different years. As the *Journal* noted, the chance of that happening randomly is about one in 300 billion.

Allegations of option timing were raised before this year, but those claims did not generate many headlines. The SEC sued Peregrine Systems in 2003, claiming the software maker retroactively set option grants at quarterly lows and understated compensation expenses by \$90 million. In November 2004, the agency began investigating option grants by other technology companies. In February 2005, Amalgamated Bank sued the boards of Tyson Foods and Cisco Systems. The investor's lawyers claimed that the boards used “carefully timed grants of stock options” to “raid corporate piggy banks.” In November 2005, Mercury Interactive announced that its chief executive and two other executives had resigned after an internal investigation had found 49 instances where grant dates had been reset. That same month, Analog Devices agreed to a \$3 million civil penalty to resolve option-timing allegations.

Implications for shareholders
Investors have suffered significant stock losses as companies have disclosed investigations into their option grant practices. For example, UnitedHealth's share price dipped almost 30 percent following disclosure of regulatory probes into the board's awarding of options to CEO William McGuire and other employees. The company also said it may have to reduce net earnings over the past three years by nearly \$290 million to reflect the loss of tax deductions on option awards.

Many of the other scrutinized

firms have seen precipitous share declines, and at least nine companies have announced restatements. On May 19, SafeNet shares fell more than 22 percent after it disclosed a subpoena from federal prosecutors. Comverse Technology, Asyst Technologies, Progress Software, and Semtech have delayed filing their quarterly reports as they review their option grants.

The list of companies under scrutiny likely will continue to grow. Lie and Heron have estimated that more than 2,200 companies may have manipulated the timing of option grants between 1996 and 2005. On July 15, *The Wall Street Journal* reported that 186 firms issued executive option grants in late September 2001, when stock prices were still reeling from the Sept. 11 terrorist attacks. Those grants were more than two-and-a-half times the number during September 2000. In June, a Merrill Lynch research report concluded that 40 companies in the S&P 500 may have timed their option grants from 1999 through 2002.

On a more fundamental level, option timing has allowed some executives to prosper without building long-term shareholder value. Backdating “can have a pernicious effect” on executive compensation, Ann Yerger, executive director of the Council of Institutional Investors, wrote in a June 12 letter to companies. “By giving an executive an instant paper profit, backdating undermines the purpose of options, which is to motivate executives to act in ways that lift the stock price.”

Even after options-related investigations are over and regulatory concerns are settled, some investors will have lingering doubts about the boards that failed to prevent option timing. Moreover, investors may fear that other ac-

counting problems exist but have yet to come to light. The disclosure of backdating sends a “signal that management is willing to fudge numbers for their own benefit and they might be willing to play other accounting tricks,” Heron said in an interview with Bloomberg News.

Companies Respond

Virtually all the companies under suspicion are conducting their own

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internal investigations, in addition to the inquiries by the SEC, the U.S. Justice Department, and federal prosecutors.

For instance, at Mercury Interactive, the board appointed a special committee of disinterested members of the audit committee to conduct an internal investigation in response to an SEC inquiry. The special committee was assisted by independent outside legal counsel and accounting experts.

The committee found that, from 1995 to the present, there were 49 instances in which the stated date of a Mercury stock option grant was different from the date on which the

option appears to have been granted. In almost every such instance, the price on the actual date was higher than the price on the stated grant date. The committee also found that “the overwhelming majority of the grants” were manipulated between 1995 and 2002.

In early June, the company said it would move to void 2.63 million options awarded to former CEO Amnon Landan between 1997 and 2002, Bloomberg News reported. The company also is pursuing claims against Landan and three other executives.

It remains to be seen if other companies will void options and seek to recoup compensation from executives. Whereas Mercury disclosed the results of its option review in November, most of the other companies under scrutiny didn’t start investigating their grants until April or May.

At UnitedHealth, management has sought to address investor concerns after announcing an internal review of options on April 7. Ten days later, the chief executive recommended suspending the use of options and other forms of senior executive pay. On May 1, the day before the company’s annual meeting, the board approved a new set of compensation guidelines, including setting a fixed date each year for grants to existing employees.

At McAfee, the company fired its general counsel after its investigation into option timing. At Comverse Technology, the company’s CEO and two other executives quit in May after the company found that some grants may have been backdated. Overall, at least 19 corporate officials have quit or been fired over option grants, according to Bloomberg News.

Pension funds file suit

Shareholders have reacted in various ways to the growing number of firms that have disclosed option-timing probes. At least two labor pension funds say they are considering filing shareholder proposals to seek enhanced disclosure of option awards.

Investors, including pension funds from seven U.S. states, Europe, and Australia, have filed more than 70 securities class-action and shareholder derivative lawsuits against more than 25 companies, according to press reports. "The damages total in the tens of billions of dollars," Darren Robbins, a partner with the law firm of Lerach Coughlin Stoia Geller Rudman & Robbins told *Red Herring* magazine. Robbins said he is bringing 34 cases on behalf of 350 to 400 pension funds, which "are completely beside themselves and outraged over the self-dealing that has gone on."

Some institutions likely will withhold support from directors who failed to provide proper oversight over past option grants. At UnitedHealth's May 2 meeting, the California Public Employees' Retirement System (CalPERS) and Minnesota's Board of Investment opposed the reelection of two compensation committee members. Those directors received a 28 percent withhold vote, as compared with the less than 3 percent opposition when they last ran three years ago.

On June 29, the AFL-CIO urged Home Depot's board to recoup any grants from executives who may have received improperly timed option grants. The labor federation has also called for the resignation of compensation committee member Kenneth Langone.

CalPERS and the Council of Institutional Investors have asked

companies to explain how they determine the timing of option grants and to disclose if their executive pay practices are under investigation. In a letter to 24 firms, CalPERS urged directors to:

- Conduct an independent investigation into backdating allegations.
- Publicly disclose all findings from both internal and external investigations.
- Develop and disclose in public financial statements and proxy

Some institutions likely will withhold support from directors who failed to provide proper oversight over past option grants.

statements a new board policy for the determination of all option grant dates.

- Refrain from using any company resources to satisfy the tax and legal liability for executives implicated for wrongdoing related to the backdating of options.
- Commit to have the company's external auditor ratified by shareowners annually.

In addition, the AFL-CIO has sent letters to the compensation committee chairs at Countrywide and seven other firms, asking them to disclose if any option grants were improperly timed and to adopt new safeguards.

AFL-CIO Secretary-Treasurer Richard Trumka, in his June 13 letter, urged compensation committees to grant options on predetermined dates that are at least 30 days from earnings announcements, to set grant dates independently from executives, and to avoid granting options for executives and directors at the same time. He also urged firms to consider replacing options with stock grants that vest after performance goals are met.

Regulators React

In response to investor concerns, SEC Chairman Christopher Cox said his agency will require firms to "release all information related to their [stock option] decisions," including the rationale for those grants and dates when the options were priced, according to news reports.

However, not all SEC commissioners agree that option timing is a concern. On July 6, Commissioner Paul Atkins said that issuing option grants before the release of good corporate news is not fraud, according to news reports. This practice "benefits shareholders because fewer stock options are granted," allowing companies to pay lower executive salaries, he said at a forum in Washington hosted by the International Corporate Governance Network.

"Who are we to second-guess that decision?" Atkins asked. "Why isn't that decision in the best interests of shareholders?"

Meanwhile, the SEC is examining the conduct of directors at companies where backdating occurred. On July 3, Mercury Interactive disclosed that three former members of its compensation committee had received notices that the agency intended to bar them from serving on public company boards. "You're going to see more and more

action against directors by the commission,” Arthur Levitt, a former SEC chairman, told Bloomberg News.

On July 20, the SEC and federal prosecutors filed securities fraud charges against Gregory Reyes, the former CEO of Brocade Communications Systems. The SEC contends that hundreds of Brocade employees received backdated options, which caused the Silicon Valley-based company to overstate its earnings by more than \$1 billion. A

lawyer for Reyes denied the charges and noted that the executive did not profit from the option grants at issue. Legal experts expect that more corporate officers will face criminal charges. “I think it is highly likely that more executives will be charged,” George Stamboulidis, who heads the white-collar criminal defense group at Baker Hostetler, told Bloomberg News.

The options timing scandal is the latest reminder that boards at many U.S. companies still have

much work to do to ensure that stock options and other forms of compensation serve to align the interests of executives with those of shareholders. While the SEC’s proposed pay disclosure rules should lead to greater transparency, it will be up to investors to help make sure that directors are using company resources wisely to encourage executives to achieve greater value for shareholders.

—Ted Allen

Governance and Value: The Impact of SOX

Georgetown University professors Reena Aggarwal and Rohan Williamson examine changes in corporate governance practices between 2001 and 2005 to find a strengthening of those practices in the wake of the Sarbanes-Oxley Act. The authors argue that the results of their study imply that, overall, the new regulations did address relevant governance attributes that the market perceived to be important. In other words, almost all the governance attributes mandated by regulation were relevant for firm valuation. However, their findings also suggest that the markets were already doing their job in recognizing firms that had stronger governance, thus leaving unclear whether in fact mandatory rules were required. A full copy of their 2005 study, “Did new regulations target the relevant governance attributes?” can be found at: <http://faculty.msb.edu/aggarwal/governance.pdf>

Corporate governance mechanisms have been broadly classified as either internal or external. Internal mechanisms primarily include issues related to the board of

directors and the equity ownership structure of the firm, while external mechanisms include the market for corporate control and the legal/regulatory structure.

Due to the recent corporate governance scandals, such as Enron and WorldCom, it was believed that aspects of both internal and external governance mechanisms failed and therefore new governance rules were mandated by the U.S. Congress and stock exchanges to improve the quality of corporate governance. The new regulations have resulted in much debate concerning their costs and benefits—and whether they were needed, or if market forces could efficiently address the issues.

The main changes imposed by Congress in late 2002 through the Sarbanes-Oxley legislation (SOX) were meant to strengthen financial disclosure and internal governance mechanisms. These specifically include new rules for accounting firms, financial analysts, corporate officers, and directors. Additional responsibility is placed on corporate officers and directors with increased penalties for corporate

fraud.

In addition to SOX, stock exchanges mandated their own rules that were approved by the Securities and Exchange Commission in November 2003. The new rules impact several areas of the corporate governance mechanism. A key requirement is that boards should have majority independent directors with a more elaborate definition of independence. Also, the audit, compensation, and nominating committees must consist of independent directors only.

Furthermore, the audit committee members must be “financially literate” as described in the rules. Additionally, the board is required to hold regular executive sessions without management being present. With few exceptions, firms were expected to incorporate these changes, with full compliance expected by the end of 2004.

About the study

Specifically, this study examines the importance of corporate governance and how it varies across firm attributes, and additionally, how this relation has changed over the re-

cent past. In particular, we examine the association between these new regulations and firm value. In order to examine the relevance of new regulations, we construct an index that captures the governance provisions that were targeted by new regulations. Our index is based on corporate governance attributes provided by ISS. Corporate governance covers many facets of the relation across stakeholders that may be associated with firm value. Using the ISS data, we consider 64 governance attributes that may impact the relation between governance and value and which are covered by the data.

These attributes are classified into eight subcategories. The number of attributes assigned to each subcategory are: board composition and structure, charter and by-laws, compensation, state of incorporation, ownership, audit, and director education. The information contained in each of these categories is compiled to determine overall governance rating for each firm. The detail allows us to evaluate the relative importance of each category of corporate governance during our sample period. We are able to study a much wider set of governance provisions than those covered in prior work and also specifically focus on the governance attributes that are targeted by new regulations.

Our cross-sectional study examines the relation between governance and valuation for the period 2001-2005 using a sample of as many as 5,259 firms. The 64 attributes were updated for most of the data collection period and thus will allow for investigation of time series effects of the governance attributes. After conducting an initial analysis of all 64 attributes covered by ISS, we are able to focus on six of the governance attributes that were mandated by changes in new regulations. Therefore, we examine the following six

new regulations:

1. The Board must consist of majority independent directors.
2. Non-management directors must have executive session without management.
3. Nominating Committee must have only independent directors.
4. Compensation Committee must have only independent

The firm value impact is particularly strong for firms that adopted the new governance attributes voluntarily, before the regulations were mandatory.

directors.

5. Audit Committee must have only independent directors and a minimum of three members.
6. Firms must adopt corporate governance guidelines.

In addition to these six provisions, the new regulations had several other requirements, for example, certification of the accuracy of financial statements by the CEO, and that the audit committee must consist of directors who are financially literate. With the ISS data we were able to directly examine six of the new regulations.

The findings

Figure 1 shows the percentage of

companies that were compliant with the six new regulations over time. Two conclusions can be reached by examining this figure. First, a large proportion of firms were already meeting the requirement of independent boards, and independent audit and compensating committees. Second, in 2001 only a small proportion of firms were meeting the other three requirements of independent nominating committee, regular executive sessions without the presence of management, and the adoption of corporate governance guidelines. By early 2005 the proportion of firms meeting the requirements had increased considerably but was still far from 100 percent. The lack of full compliance is likely due to the fact that certain companies were allowed a longer time period to comply, some others were exempt from the new regulations, and ISS definitions may differ a bit from those measured by the regulation itself.

Firms differ in their operations and other characteristics that could impact governance attributes. Therefore, before examining the impact of governance changes over time, we evaluate the differences in governance across firm size and industries. We find statistically significant differences in governance across firm size and industries.

Smaller firms have much lower governance scores than larger firms. After controlling for size and industry, we still find a positive and significant relation between governance and value. Governance mechanisms associated with board structure, audit, executive and director compensation, state of incorporation, ownership and progressive practices are found to be significant in explaining firm value. However, governance attributes associated with company charter and by-laws and director education are not sig-

nificant.

The unique contribution of this study is to determine whether the provisions imposed by the new regulations have a significant relation with firm value. Our results show that large and significant cross-sectional differences existed in the governance attributes that were later mandated. We find that there are statistically significant cross-sectional differences in governance at the firm and the industry level. For example, finding that smaller firms have very different governance structures than larger firms is im-

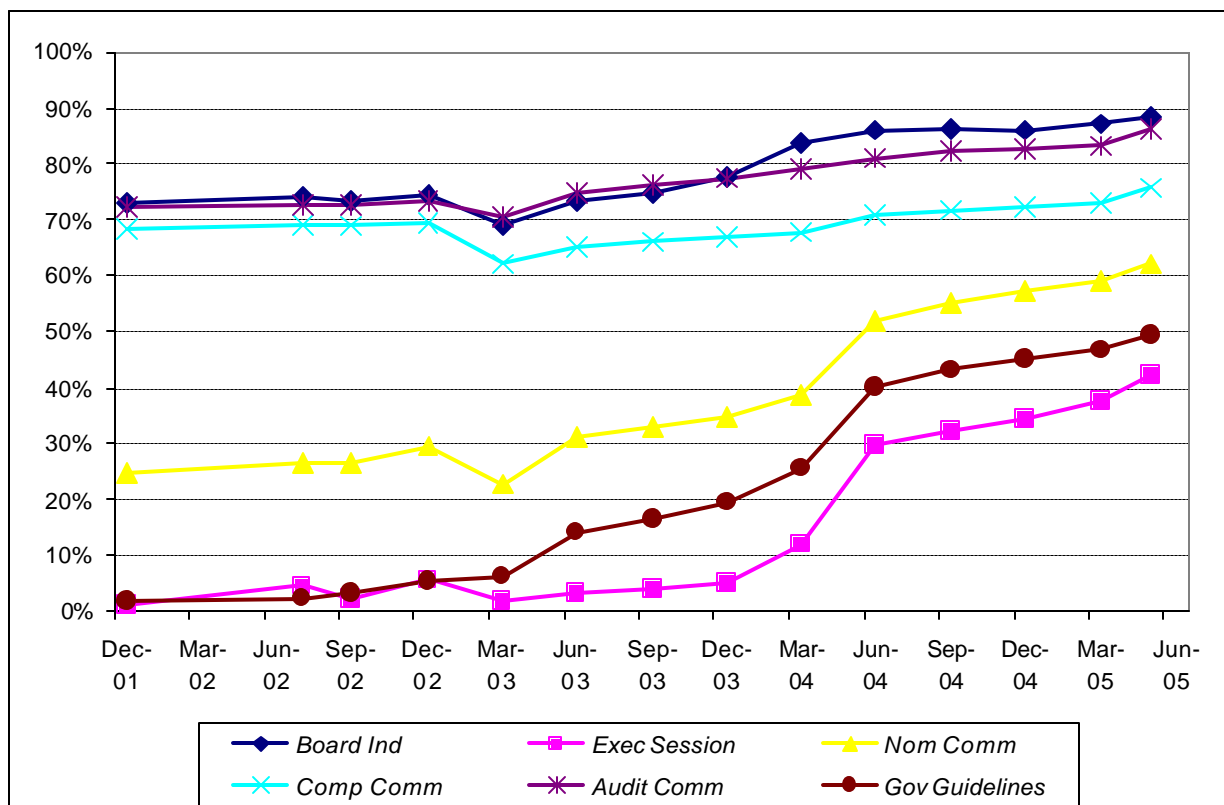
portant to show that adopting the new regulations will be far more expensive for smaller firms than larger firms.

This raises the question of whether the one-size-fits-all approach to governance is appropriate. After controlling for size and industry we find that the new regulations mandated by Congress and exchanges were associated with higher firm value. We also examine changes in governance practices over the time period to evaluate the impact of the new regulations on firm behavior and value.

SOX places much more responsibility and accountability on the board and therefore it is not surprising to see that almost 91 percent of companies give boards the authority to hire their own advisors. In the beginning of 2003 only 5 percent of companies gave this authority. By 2005 many more companies had outsider directors meetings without the CEO, companies disclosed auditor rotation policies, consulting fees paid to auditors were less than audit fees and companies started adopting governance guidelines. Some of these practices

Figure 1
Percentage of firms meeting the six new regulations

Board Independence reflects the provision that the board must consist of a majority of independent directors. *Executive Session* reflects the provision that non-management directors must have an executive session without management. *Nominating Committee* reflects the provision that a nominating committee must have only independent directors. *Compensation Committee* reflects the provision that a compensation committee must have only independent directors. *Audit Committee* reflects the provision that an audit committee must have only independent directors and a minimum of three members. *Governance Guidelines* reflects the provision that firms must adopt corporate governance guidelines.



were almost non-existent in 2003.

Conclusion

We can conclude that certain governance standards are now being met by a very large proportion of firms; certain standards were almost non-existent even in 2003; and a large number of companies satisfied some of the standards mandated by new regulations.

The firm value impact is particularly strong for firms that adopted the new governance attributes voluntarily, before the regulations were mandatory. The results are statistically and economically significant. In this sense our findings suggest that the new regulations did target relevant governance attributes. However, the analysis also indicates that the markets were already doing their job and rewarding firms that had overall stronger governance. After the new rules were put into effect, the cross-sectional differences between the governance mechanisms covered by the new regulations and

firm value did not persist but the results did show that better governance is still being rewarded. Therefore, it is not clear that new regulations were needed or whether market mechanisms would have forced stronger governance anyway.

The main conclusions that can be reached from this study cover three principal areas. First, the study shows that corporate governance is important for firm value and supports prior work on the value of governance. Second, the paper finds that there are statistically and economically significant cross-sectional differences in governance at the firm and the industry level. For example, smaller firms have very different governance structures than larger firms. Therefore, adopting the new regulations will be far more expensive for smaller firms than larger firms. Third, the paper shows that new regulations mandated by Congress and exchanges were associated with higher firm value. These governance attributes are reflected in the

valuation of firms that adopted them voluntarily.

The results are statistically and economically significant. In this sense, our findings suggest that the new regulations did target relevant governance attributes. However, the analysis also indicates that the markets were already doing their job and rewarding firms that had better quality governance.

As expected, relative to the pre-regulations period, in the post-regulations period the relation between governance attributes addressed by regulation and firm value is much weaker. Our findings suggest that better governance causes, and not merely reflects, higher firm value. We also recognize that Congress and the exchanges mandated new regulations to protect individual investors and improve transparency and accountability in U.S. markets. Consequently, it is possible that governance attributes unrelated to firm valuation are important for other purposes.

ICGN Focuses on Need for Quality Directors

The International Corporate Governance Network (ICGN) held its annual meeting in Washington on July 5-7. Key themes that emerged at the 11th annual conference include: the need for better corporate directors and strong credibility among governance advocates; how good governance creates shareholder value; the adverse impact on governance from short-term speculation as opposed to long-term investment; and how the erosion of the U.S. corporate pension system has undermined the governance of U.S. companies.

ICGN members include investment funds that manage over \$10

trillion in assets. Its members include investors from a multitude of countries, enabling ICGN to engage in generalized comparison of corporate governance standards typically considered to be functions of state law or local stock exchange listing rules.

Better directors needed

Conference speaker Ira Millstein, a lawyer with the Weil Gotshal & Manges law firm, emphasized that “character” of directors is a central issue in the effort to improve the governance of public companies. Millstein remarked that U.S. corporate governance had progressed

due to recent legal reforms, including the recommendation by a working group of the New York Stock Exchange that the NYSE eliminate its discretionary voting rule (that permits brokers to use their discretion to vote on matters the NYSE considers “routine” including director elections) and securities law changes requiring mutual funds to disclose how they vote at stockholder meetings of companies in which they are invested.

Despite progress spurred by such rules, however, Millstein said that a corporate board “does most of its important decision making outside of the law,” where it uses

its discretion to make decisions on issues such as compensation, option pricing, disclosure and financial restatements.

Millstein indicated this broad discretion makes improving the quality of corporate directors paramount to improving governance generally. Millstein suggested that one way for companies to begin this process is to discard criteria traditionally used to find director nominees. Millstein suggested boards “look at the disqualifications and get rid of them.” For example, Millstein said lawyers are typically disfavored as directors because they ask pointed questions a board may wish to avoid.

Also, many lawyers bring corporate governance expertise to boards. Millstein said that in an era where stock exchange rules encourage companies to have a financially literate audit committee member, it is just as important for certain directors to be “governance literate.” Millstein also questioned the traditional favoritism towards recruiting businesspeople with “marquee names” to serve as directors. He indicated that past experience running a business is not necessarily an indication a nominee will serve as a good director.

Speakers on other panels also called for board improvements, focusing on the need for directors to be more active and more informed. Ralph Whitworth of Relational Investors addressed the issue of whether independent directors are compromised by dependence on senior management for company information. Whitworth noted that the “plenary authority of a board to demand information unfiltered” by senior management is rarely exercised. Siri Marshall, general counsel at General Mills, commented that directors should also look outside the company to securities ana-

lyst reports that frequently contain critical and detail-focused information about the company.

To effectively promote better governance, such as by calling for a better quality of corporate director, institutional investors need to “put their own house in order” first to maintain their credibility, Millstein said. He noted that major mutual funds vote in favor of management 78 percent of the time, and that banks, insurance companies, and corporate pensions exhibit similar tendencies. Millstein implied that such voting patterns are indicative of conflicts of interest among asset managers. He said that asset managers should not be influenced by the fact that their voting decisions may affect corporate decisions as to which managers will manage their pension assets and that asset managers should do what is best for their beneficiaries.

One investment management professional, who declined to give his name, commented that it would be difficult for asset managers to tackle issues of excessive executive compensation given that the fund management industry is beset with similar issues of excessive compensation. Former U.S. Vice President Al Gore later reinforced this point in comments that fund managers face their own governance issues as large fees are often the reward for average performance.

Create not destroy value

Several panelists also discussed how good governance helps companies create or preserve value. Mark Anson, CEO of Hermes Pensions Management in London, discussed “equity risk premium,” the added return investors must receive to own stocks over bonds. He noted that good governance could create value by reducing long-term risk

premiums, thereby increasing equity valuations. Conversely, he noted that governance failures at individual companies could have a market-wide impact.

Relational Investors’ Ralph Whitworth noted that good governance results in a lower cost of capital for a company as investors place higher premiums on future earnings of such companies.

Eric Knight, chief investment officer of Knight Vinke Asset Management, said that “governance is critical because more value is destroyed through poor acquisitions, financings, or business strategy with little attention paid to interests of owners than in straightforward cases of fraud.” His investment fund focuses on investing in underperforming “large cap”—primarily European—companies where sub-par performance is attributable to governance problems.

Knight outlined the three ways in which investors can effect change at companies with poor governance. First, investors can take over the company. Knight frowned on this method because of the need to pay a control premium and, in the case of large-cap companies, the need for cooperation of the board on due diligence work. He noted, however, that hostile transactions are a real possibility in the case of a small-cap company.

Second, investors can wage a proxy contest for control of the board. Knight said that proxy contests had severe limitations because they are “expensive, time-consuming, and litigious” and not very effective in creating “radical change that will change valuation.” Third, investors can use “moral suasion” by engaging companies and can build a consensus for change among other investors.

Knight indicated there are also serious obstacles to using moral

suasion and consensus building. He said that consensus is difficult to achieve among institutional investors because they tend not to interact for competitive reasons. Also, hedge fund turnover of shares makes it difficult to establish a stable base of shareholder support. In addition, legal impediments may frustrate this strategy, including some European legal rules that limit the ability of one shareholder to talk to another without triggering a requirement that the first shareholder make a takeover bid for the entire company, Knight said.

Long on short, short on long

A number of ICGN speakers commented that a focus on short-term earnings at the expense of long-term growth undermines shareholder ability to have an impact on corporate governance of public companies. Gore commented that “80 percent of the value of a company builds up over a business cycle of five to seven years,” a length of time that he noted was the average holding period for stocks 30 years ago.

Both Gore and Anson of Hermes noted that the average mutual fund turns over its entire fund portfolio within one year. Gore noted that this means the holding period for any single stock is likely to be much less than one year, a small fraction of the period in which increases in value are likely to be built up.

Knight said it is particularly important that index funds play an active role in promoting good governance at companies, because indexing means that many funds have “essentially permanent holdings in these companies.”

Several attendees noted that one potential solution to deal with “short-termism” is for companies to adopt capital structure changes that would reward long-term owners. It was suggested that companies pro-

vide holders of one or two years or more with the right to extra dividends when the company pays dividends on common stock. Also, a company could provide super-voting rights of more than one vote per share for long-term holders. That practice is currently employed in some markets, including France.

Numerous conference speakers commented that the state of corporate governance of a company is reflected in its decisions on employee compensation.

Pension erosion, executive pay mark weak U.S. governance

Several panelists commented that U.S. governance has been negatively affected by the dismantling of corporate pension plans that pay “defined benefits” and their replacement with individual retirement plans, such as 401(k) plans, that permit employees to make “defined contributions.”

Robert A.G. Monks of Lens Governance Advisors commented that “America has virtually abolished its private pension scheme.” Bruce Raynor, general president of the hotel and textile workers union Unite Here, argued that there is a “need to place risk on corporations, not on workers, and to create pools of capital that will allow us to practice aggressive corporate gover-

nance.” Angel Gurria, secretary general of the Organization for Economic Cooperation and Development, also remarked on the potential for improved worker retirement benefits to enhance corporate governance, noting that defined benefit pension plans typically invest 30-40 percent of assets in equities.

These comments by ICGN speakers about the potential for cohesive pools of capital such as corporate pension funds to effect governance change were in stark contrast to earlier comments by other speakers concerning the relationship between high share turnover and mutual funds’ ineffectiveness as stewards of corporate governance, in which employees frequently invest “defined contribution” retirement funds.

In addition, numerous conference speakers commented that the state of corporate governance of a company is reflected in its decisions on employee compensation. In addition to excessive compensation, the lack of internal pay equity is also a concern. John Wilcox, head of corporate governance at pension giant TIAA-CREF, said internal equity problems can destroy employee morale and alienate a chief executive from the rest of the company.

While employees have lost pension benefits, Monks noted that those benefits have become the largest element of CEO compensation. Wilcox said one potential solution to these problems is for more companies to adopt rules that tie CEO pay to a multiple of the next highest-ranked officer at a company, whose compensation is in turn linked to his immediate junior officer, and so forth through the ranks of company employees.

—Mark Saltzburg

Japanese Investors Step up Activism

Japanese firms once again overwhelmingly concentrated their annual shareholder meetings on a frenzied single day this year—June 29—as shareholders, together with their voting agents and proxy advisers, struggled to execute votes during the world’s most challenging proxy voting marathon.

But while voting Japanese equities remains a daunting task, institutional activism, once almost exclusively associated with foreign pension giants like CalPERS and TIAA-CREF—both of which were instrumental in enabling international proxy voting in Japan in the early 1990s—is finally spreading to the long sleeping giant of Japanese institutional money.

In the past year, the Japanese business community has become increasingly sensitive to the growing clout of domestic institutional activism. Corporate managements, many of which are sitting on sizeable cash reserves, are facing hostile takeover threats for the first time in recent years.

Moreover, the web of management-friendly cross-shareholding has steadily eroded, stemming primarily from the collapse of the economic bubble that peaked 16 years ago, forcing many banks and old-guard firms to sell off paper assets. Abysmal stock performance simultaneously drove many pension funds that were just starting to dabble in equity into under-funded positions, making them increasingly desperate for higher investment returns.

High-profile activism has been spearheaded by the Pension Fund Association (PFA), the fiduciary of last resort representing Japan’s corporate pension funds, together with its public employee pension counterpart, the Pension Fund Associa-

tion for Local Government Officials, or PAL.

Both have been joined by increasingly aggressive voting by Japan’s giant life insurers, trust banks, and unit trusts (often acting as managers of pension assets). While still in its infancy, Japan’s institutional activism is shocking traditional managements each year with demands for independent board oversight, better disclosure, and warnings against entrenchment measures that sap shareholder value.

Japanese corporate management is torn between a new awareness that investor support is no longer guaranteed, and extreme sensitivity—stoked by investor-relations pundits—to the growing likelihood of hostile bids that could force firms to reform inefficient capital deployment policies or threaten executive job security.

Poison pills stir governance

Poison pills emerged with a vengeance this year, as more than 150 firms announced pills in advance of their June shareholder meetings, following their appearance at a small number of firms in 2005. Other moves related to takeover defenses or board discretion have also led to new triggers for shareholder dissent. The influential PFA has been among the first to publicly air how it voted, and its comments were front-page news late last month.

Although firms are legally free to adopt pill plans without shareholder ratification, the *FujiSankei Business* wire service credits the PFA’s threats (matched by the PAL) to vote against directors at firms that adopt pills without shareholder approval, has led about

60 percent of these firms to put them on the voting agenda.

On June 29, the *Nihon Keizai Shimbun* reported that the PFA, which manages approximately \$104 billion in assets, said it is opposing about 40 percent (71 proposals) of the 171 proposals that it identifies as “takeover-defense related” in its portfolio of 819 Tokyo Stock Exchange (TSE) 1st Section firms that held annual meetings in late June.

Earlier this year, the PFA and the PAL both threatened to vote against some or all board nominees at firms that institute pill programs without seeking shareholder ratification, but neither has yet disclosed details on votes against board nominees. The absence of this disclosure may have given the PFA a gentler image in the Japanese press, since the association voted against more than 90 percent of corporate defense proposals in 2005.

It also appears that the association may have defined takeover-defense related proposals to include measures such as large increases in authorized capital and reductions in the authorized board size (arguably hampering a new owner from stuffing the board with its lieutenants), possibly to ease the shock of its opposition levels as they are reported in the business press.

The PFA’s voting suggests it may be more clearly opposed to many poison pills and other management-entrenchment moves than the 40 percent figure would suggest. The association opposed all proposals where management sought to restore a supermajority requirement to oust directors, now that the new Company Law default requirement is a simple majority. The old Commercial Code requirement was for a 67 percent vote, and a large

number of Japanese firms sought to restore the old limit using language that suggested the move was a routine housekeeping matter. The association acknowledges that it identified and opposed the move in 19 ballot proposals.

The association also opposed 45 bylaw amendment proposals that included a large increase in authorized capital, out of a total of 66 such proposals at its portfolio firms, arguing that these were intended to finance potential ill-advised poison pill defenses.

The PFA also opposed 127 out of 201 bylaw amendment proposals that included a measure to allow quarterly dividends. Most firms in Japan pay just one or two dividends a year, and the new Company Law allows more frequent distributions. Firms also are allowed starting this year to waive the requirement for shareholder approval for dividends and other distributions of profit. This also requires a bylaw amendment, but the association argues that such flexibility on dividend payouts can leave too much power

in the hands of the board of directors.

The *FujiSankei Business* news service reported on June 30 that shareholders actually defeated bylaw amendment proposals at Nintendo and Japan Asia Investment that included a waiver of shareholder approval for dividends, but that such proposals passed at several hundred firms at their June shareholder meetings.

Finally, the PFA opposed “all shareholder rights plans [poison pill plans] structured such that the deployment is left to the discretion of the board of directors,” according to the June 29 *Nihon Keizai Shimbun* article. This suggests a high level of opposition to poison pills. Virtually all Japan’s pill proposals this year left final discretion to the board of directors, but a key distinction emerged as a minority of pills set up a committee of nonexecutive directors with binding authority to stop deployment of a pill if it judges the defense to be contrary to shareholder interests.

A large majority of pill propos-

als set up a committee characterized as “highly independent of management” to pass judgment on whether a pill should be deployed and explicitly authorized non-board members on the committee, which legal authorities note precludes the possibility of giving the committee binding authority to prevent a pill from being deployed. If the PFA actually used this feature as a trigger, accepting only plans where a nonexecutive committee can block a pill, it would have opposed the great majority of pills at firms listed in the TSE 1st Section.

Early indications are that shareholders defeated few if any of Japan’s new flood of poison pills in June, but managements have been served notice that entrenchment measures will not be overlooked. As such, boardroom sensitivity to the PFA’s activism and to that of Japan’s other thought leaders on corporate governance is likely to remain high.

—John Taylor

Newsmaker Interview: *Christian Strenger, ICGN Chairman*

ISS International Editor Thaddeus C. Kopinski interviewed former International Corporate Governance Network chairman Christian Strenger in advance of the organization’s 11th annual conference in Washington to discuss a number of global corporate governance developments. Strenger is a board member of DWS Investment, Fraport and Incepta, and is chairman of the Germany Funds. From 1991 to 1999, he was managing director and CEO of DWS Invest-

ment. Strenger is a member of the German Government Commission on Corporate Governance and the German Panel on Corporate Governance (author of the ‘Code of Best Practice for quoted German companies’). He is also a member of the Private Sector Advisory Group of the World Bank — OECD Global Corporate Governance Forum.

Kopinski: *A new ISS study of more than 300 institutional investors around the world shows that*

engagement—once primarily the domain of large public pension funds—is spreading to hedge funds and even mutual funds. Have you detected a significant change in how investors view corporate governance?

Strenger: There is certainly an increasing realization among all investors that good governance is important for the long-term performance of the investee companies and correspondingly for the return

of their portfolios. The large public pension funds, many of whom are also represented in the [ICGN] remain the dominant driving force for better governance in the Anglo-American world. In markets like Europe, where pension funds are less important, other investors (particularly mutual funds) have taken the governance lead since some 10 years.

Kopinski: *The reverse side of the coin is how issuers are addressing corporate governance questions compared to the past. Are companies more or less willing to engage with shareholders on corporate governance issues, and why?*

Strenger: Given the irreversible trend towards institutional investments, companies have little choice but to listen carefully. These professional investors are getting savvier as years go by and they have the ability to get their message to the managers and the non-executive board members alike. So it is vital for them to have a good dialogue with their existing and prospective shareholders to understand their position correctly. An unsuccessful dialogue could easily lead to misunderstandings and more negative effects. The case of Deutsche Bourse marked a turning point in Germany how companies should recognize their investors.

Kopinski: *How would you say the ICGN bedrock principle of "one share-one vote" is faring in Europe and around the world? Nestlé has promised to revise its governance documents to reduce voting caps and move closer to a system embodying a one share-one vote principle. Do you see this as an emerging issue, and if so, in which markets?*

Strenger: Institutional investors diversify their assets to minimize the equity risk. Therefore, they are generally in the position

of a minority shareholder. The one share-one vote principle is paramount for the large public companies because it ensures that no one shareholder can control the company without equal equity ownership. However, many deviations still exist not only in Europe but surprisingly also in the U.S. (Ford, Kraft). In Europe, there is stubborn resistance in countries like Sweden to overcome their deficit. So the signals of Nestlé that came after protracted efforts by its shareholders are suggesting change but it will take quite some years for this key governance point to be fully accepted. But it would be more than helpful if multiple voting rights would also disappear in other countries including the U.S. The significance of the one share-one vote principle is greatest in countries with emerging capital markets because to attract international investors they first need to ensure that this basic governance rule is upheld. To start with, more transparency about ownership structure, voting rights, pooling agreements, etc. is required so that investors know what they buy.

Kopinski: *Could you identify two or three corporate governance issues on which greatest progress has been made over the past year?*

Strenger: As the nature of corporate governance is long-term, most improvements need more than one year to come through. However, some initiatives are promising, whereas others are becoming real: In the EU, the chances to significantly improve voting across borders have strongly risen with the draft Directive for Shareholder Rights.

With respect to remuneration issues the use of stock option plans has become more sophisticated in terms of the size of such programs and their structure. Also, the trans-

parency of executive remuneration continues to improve in many markets. In the United States, the efforts to introduce "majority voting" for the appointment of directors has made reasonable progress but more needs to happen in this core element of governance.

Kopinski: *Which issue is most likely to come to the fore over the next year or so?*

Strenger: The quality issues of corporate governance as a whole but also in individual cases should become increasingly important after considerable changes in the regulatory arena have been forthcoming. This is closely linked to the effectiveness of self-regulation when quality matters rather than formal compliance. Therefore, expect investors to challenge companies in terms of governance quality as mere compliance with the stated rules only will no longer be sufficient.

In more specific terms, the voting question will remain high on the agenda. For one, there are still too many obstacles for shareholders to actively participate at the general meeting (and not only across borders). The considerable potential for the use of technology to facilitate information distribution and voting right execution must be better exploited. But then, investors themselves have to be exemplary in the exercise of their own fiduciary duties by using their voting rights with full responsibility.

Kopinski: *Does the EC's "Action Plan on Modernizing Company Law and Enhancing Corporate Governance in the EU" have a significant practical impact and if so what?*

Strenger: The Action Plan of 2003 was divided in three priority levels: The short-term measures have already been adopted or will be adopted shortly. These comprise recommendations regarding the in-

dependence of the supervisory board and its structure, particularly the implementation of board committees; the structure and transparency of executive remuneration; improved accounting practices and better corporate governance reporting as well as improved shareholder voting rights. In any single case, the practical relevance is high either because the measures are subject to amendments in the corporate laws of the Member States or they trigger the further development of corporate governance codices.

The current consultation about the medium- and long-term measures outlined in the Action Plan in May 2003 has the following items of particular significance:

- to undertake a thorough study into stock lending practices and their impact on the governance of listed companies to develop some European best practice in the form of a Commission recommendation;
- to clarify the interpretation of concert parties' rules;
- to study closer the issue of communication of issuer information along the custodian chain and the related empowerment of beneficial owners to exercise their ownership rights;
- to undertake an in-depth study of the efficiency effects of asymmetries between ownership and control rights. Such a study should go beyond the narrow issue of multiple voting shares and examine all practices of shareowner disenfranchisement, such as pyramids, certificates of deposits etc. It should also investigate issues around payments for the equalization of voting rights. Once completed, the study should become the object of a broad-based consultation. And finally,
- to engage in a thorough impact assessment which should include an explicit analysis of the costs versus the benefits of EU regulatory action

and the specific weaknesses it addresses on a cross-border level;

Kopinski: *How do you think the new German executive compensation disclosure law is actually working in practice, given strong corporate opposition?*

Strenger: This law could have been avoided if the opposition against self-regulation via the German Code by the large DAX companies had been less pronounced. After the then introduced law that is now applicable for 2006 and beyond, companies have to provide very detailed information.

Unfortunately, the law does not call for compact and standardized reporting in a comprehensive remuneration report but allows individual items to be presented in different sections and in the annex of the annual report.

Kopinski: *Will recent scandals at VW bring about a reconsideration of co-determination?*

Strenger: The case of VW has clearly highlighted the concerns that German co-determination—in its present extensive form of 50 percent employee and union representatives on the supervisory board—severely impact on the effectiveness of the company's management affairs. Since co-determination is by many politicians perceived as a cornerstone of the German company system, any change remains difficult to achieve. Any expectations that the Government Commission on Co-Determination installed in late 2005 will come up with any material improvement have to be low, also in view of the composition of the group (including the Commission Chairman that had introduced this system 30 years ago).

Kopinski: *The U.S. and France already have a voting disclosure requirement for mutual funds; the U.K. and Canada are*

apparently considering a similar measure. From the perspective of someone involved with DWS, which is Germany's—if not Europe's—largest mutual fund, do you see pressure for such a move in other markets and do you think it is a best practice that the ICGN should support?

Strenger: Yes; the ICGN proposes in its revised version of its statement on institutional shareholder responsibilities (currently out for consultation) a best practice principle that institutional investors should disclose an annual summary of their voting records together with their full voting records in important cases. Voting records should also indicate how the votes were cast. The summary should at least include the percentage of shares voted and the extent to which votes have been cast for or against the management.

Kopinski: *There is a lot of attention being paid in the U.S. to the AFSCME shareholder proposals seeking a non-binding shareholder endorsement of executive compensation plans, much like the practice in the U.K. Again, is this an issue that you think might gain some traction in other international markets?*

Strenger: The ICGN suggests in its revised remuneration guidelines just published that as a matter of best practice companies should obtain shareholder approval of the remuneration report and the remuneration policy.

Kopinski: *There appears to be a growing trend by national governments to try to institute protectionist and/or anti-takeover measures. Should this be opposed by institutional investors, and have you seen any shareholder proposals or other measures seeking to reduce corporate anti-takeover devices either in Europe or Japan?*

Strenger: The ICGN has reacted swiftly to the recent accumulation of incidents of “economic protectionism” in Europe and voiced its concern against the observation that governments attempt to interfere in their home capital market. These interventions run counter to

the basic shareholder right to decide about the future course of their company. They are also difficult to justify if they concern takeovers between European companies, as the EU states should not be protectionist inside the European Union. However, these incidents have not cre-

ated a trend as the example of Luxembourg shows: the government did not pursue protectionist measures in the Arcelor/Mittal case as it knows the importance of a free capital market for the well being of its overall economy.

— Thaddeus C. Kopinski

Corporate Governance Trends of Australia’s Banks

The boards of Australian banks have become smaller and more independent since the 1980s, while increases in executive pay have far outpaced the banks’ performance, according to a recent ISS analysis.

This analysis of governance trends at banks listed on the Australian Stock Exchange (ASX) includes various indicators, such as: the number of directors; board composition and committees; and executive remuneration levels in the 1980s, 1995 and 2005.

Smaller, more independent boards

Since the 1980s, bank boards on average have become smaller. In the 1980s, Westpac Banking Corp. and Australian and New Zealand Banking Corp. had the largest boards each with 15 directors.

This changed little in 1995, with the largest board having 14 directors.. However, between 1995 and 2005 there was a marked decrease in board size, with all but three banks in the sample decreasing their directors to below 10. Two banks, Commonwealth Bank of Australia and Suncorp-Metway had 10 directors and National Australia Bank had 14.

Drawing on academic research such as David Yermack’s 1996

Higher Valuation of Companies with a Small Board of Directors, evidence suggests a correlation between smaller boards and better company performance. That holds true in this case, with the worst performing bank in terms of earnings per share growth between 1995 and 2005—National Australia Bank—also having the largest board during that period.

Conversely, Westpac during its disastrous period in the early 1990s when it recorded a massive loss of A\$1.6 billion due to bad debts in Australia’s property markets, cut its board size by almost one-third.

While the reasons for the reduction in bank board size are unclear, the data does support the notion that smaller board companies tend to outperform larger board firms—the smaller banks with around seven or eight directors generally performed better than the larger board banks.

Indeed, earnings per share growth between the 1980s and 1995 for smaller banks such as Bendigo Bank (12.2 percent), Adelaide Bank (177 percent), Suncorp-Metway (120.2 percent), Bank of Queensland (60.0 percent) and St. George Bank (57.9 percent) had all outperformed the limited earnings per share growth information for large capital banks including Australia and

New Zealand (-10.8 percent), and Westpac (-11.6 percent).

The study also found that bank boards became more independent throughout the sample period, with all boards increasing independence levels by at least 50 percent by 2005. In the 1980s, many banks had a substantial number of shareholder-nominated directors on their boards, with the highest being Bank of Queensland with five affiliated directors representing its dominant shareholder. By 2005, however, none of the studied banks had directors representing a dominant shareholder.

This particular change reflects in part the transformation of small building societies—local and regional Australian financial institutions that are somewhat akin to U.S. credit unions—into large publicly listed deposit-taking institutions. Examples of this include the Co-operative Building Society of South Australia’s conversion into Adelaide Bank, St George’s Co-operative Building Society change into St. George Bank, and the Bendigo Building Society’s transformation into Bendigo Bank

Executive pay findings

Meanwhile, compensation for bank executives has increased exponential

tially since the 1980s. The highest paid executive in the 1980s was Bob Joss at Westpac, who received approximately A\$1.94 million in annual compensation. In 2005, this amount increased to A\$7.5 million for current Westpac CEO David Morgan. Overall, CEO pay grew at the banks studied grew between 90.1 percent and 392.6 percent from the 1980s to 1995. In the decade from 1995 to 2005, pay increases between 78 percent and 721 percent were evidenced, with the highest at Suncorp-Metway.

The rise outstripped the increase in the consumer price index over the same period, with CPI growing by only 53.7 percent between 1980s and 1995, and 27.7 percent between 1995 and 2005. The pay increases also outpaced increases in profitability. From the 1980s to 1995, basic earnings per

share grew 62.1 percent at National Australia Bank, while CEO pay soared 392.6 percent. At Westpac, CEO pay increased 234.5 percent, while there was an 11.6 percent decrease in earnings per share growth.

The trend from 1995 to 2005 was similar, with National Australia Bank again increasing its CEO's remuneration by 344.8 percent, but the bank was able to simultaneously drive earnings per share growth by just 78.7 percent. The closest link of the two variables is evident at Adelaide Bank, where modest increases in CEO remuneration of 167.5 percent and 78 percent from the 1980s to 1995 and 1995 to 2005, respectively, were accompanied with increases in earnings per share of 167.5 percent and 110.1 percent over the same periods.

The marked rise in pay—particularly over the most recent pe-

riod studied— can in part be attributed to the mandatory disclosure of option values beginning in 2002, which served to inflate 2005 figures. Moreover, the use of options as a component of pay was nowhere near as prevalent in the 1980s in Australia as it is today. It is noteworthy that the two longest-serving bank CEOs in the survey—Robert Hunt of Bendigo Bank and Barry Fitzpatrick of Adelaide Bank—received the lowest total remuneration, although both banks are small relative to others in the survey.

Executive pay increases in the Australian banking industry in the past 20 years has attracted considerable attention from shareholders and others, and analysts predict it may only be a matter of time before boards find it increasingly difficult to justify such rewards.

—Stephen Chu

Board Practices/Board Pay — 2006 Edition:

The Structure and Compensation of Boards of Directors at S&P Super 1,500 Companies

New rules affecting corporate boards have created a critical need for up-to-date intelligence on board practices and director pay. Investors demand accountability, while companies are scrambling to make sure their practices are benchmarked to peers, and to craft compensation packages that will help recruit and retain top-notch directors to serve in increasingly demanding roles. To help you meet that challenge, ISS has analyzed the latest structure and pay practices of 1,269 companies in the S&P 500, MidCap, and SmallCap indexes, to produce the most comprehensive, in-depth study of U.S. boards.

This invaluable study charts and graphs virtually all board features:

- by index;
- by revenue band;
- and by economic sector.

Extensive tables detail the structure and pay of each company's practices and compensation programs. Also available are Excel files containing board practices and/or pay data, to enable more customized analysis.

Copies may be purchased at ISS' online 'Bookstore,' <http://www.issproxy.com/bookstore/index.jsp>.

Institutional Shareholder Services' Checklist of 2006 Shareholder Resolutions

The following is a list of corporate governance shareholder proposals filed at 2,000 major U.S. corporations known to ISS as of July 24, 2006. Included are proposals that have been challenged at the SEC on substantive grounds, and proposals withdrawn after being filed. The "Status" column indicates the current status of the proposals or, if available, the voting support. See the explanation of abbreviations, footnotes and SEC staff decisions at the end of the Checklist.

Company	Resolution	Sponsor/Coordinator	Mtg Date/Status	Footnote
3M Co	Repeal classified board	AFSCME	withdrawn	#
	Repeal classified board	Rossi Family	not in proxy	#
	Majority vote to elect directors	Laborers	not in proxy	
	Link pay to performance	UBCJA	34.1 %	##
Abbott Laboratories	Link pay to performance	UBCJA	awaiting tally	
	Independent board chairman	ICCR	awaiting tally	
Advanced Micro Devices, Inc.	Majority vote to elect directors	UBCJA	withdrawn	
Aetna Inc.	Adopt cumulative voting	Davis, E.	31.8 %	
Allegheny Energy, Inc.	Opt out of state takeover statute	Medice, T.	omitted	# (I-13)
	Eliminate supermajority provision	Medice, T.	not in proxy	
	Establish outside director qualifications	Lavelly, R.	5.9 %	# (pre)
	Independent board chairman	Chevedden, J.	42.9 %	## (pre)
	Redeem or vote on poison pill	Whalen, R.	29 %	## (pre)
	Golden parachutes	Fabean, H.	44.3 %	+ (pre)
	Award performance-based stock options	not available	45.9 %	(C) (pre)
	- Require option shares to be held	Cossell, R.	36.2 %	(pre)
Recoup performance awards if restatement	Cook, C.	43 %	## (pre)	
Allied Waste Industries, Inc.	Majority vote to elect directors	Teamsters	35.8 %	
	Golden parachutes	LongView	37.8 %	
Altera Corp.	Majority vote to elect directors	Sheet Metal Workers	withdrawn	
Altria Group, Inc.	Independent board chairman	Rossi Family	12.1 %	
American Express Co.	Abolish stock options	Davis, E.	2.3 %	
	Majority vote to elect directors	UBCJA	32.8 %	
	Shareholders recover proxy contest costs	AFSCME	3.8 %	##
American Greetings Corp.	Commit to/report on board diversity	Cath. Healthcare West	withdrawn	
American International Group, Inc.	Equal access to the proxy	AFSCME	not in proxy	# (B)
	Independent board chairman	Steiner, W.	omitted	# (I-10)
American Technology Corp.	Adopt procedure for disclosure of orders	Pandzic, E.	awaiting tally	

Company	Resolution	Sponsor/Coordinator	Mtg Date/Status	Footnote
Amgen, Inc.	- Require option shares to be held	AFSCME	33 %	(pre)
	Link executive pay to social criteria	Harrington Investments	awaiting tally	
	Redeem or vote on poison pill	Steiner, W.		(P) (pre)
	Majority vote to elect directors	IBEW	46 %	(pre)
AMR Corp.	Adopt cumulative voting	Haddon, P.	32.8 %	
	Director tenure/retirement age	Davis, E.	2.1 %	
	Majority vote to elect directors	Chevedden, J.	30.6 %	
	Independent board chairman	Steiner, W.	30.2 %	
AmSouth Bancorporation	Add performance criteria to equity-based awards	Shepherd, E.	omitted	# (I-7)
Anadarko Petroleum Corp.	Majority vote to elect directors	Laborers	withdrawn	#
Analog Devices, Inc.	Majority vote to elect directors	UBCJA	35.5 %	
Analogic Corp.	Repeal classified board	Catalysis Partners	80.8 %	(P)
Anheuser-Busch Companies, Inc.	Repeal classified board	Steiner, W.	omitted	# (B-2)
Aon Corp.	- Approve and/or disclose SERPs	UBCJA	withdrawn	
Archstone Smith Trust	Majority vote to elect directors	UBCJA	withdrawn	
Astoria Financial Corp.	Commit to/report on board diversity	Calvert	withdrawn	
AT&T Inc	Golden parachutes	Calpers	not presented	(B)
	Eliminate supermajority provision	Chevedden, R.	27.8 %	
	Restrict director compensation	Catholic Funds	10.9 %	
	Independent board chairman	Rossi Family	33.3 %	
	Link executive pay to social criteria	Harrington Investments	11.9 %	
AutoNation, Inc.	Adopt cumulative voting	Chevedden, J.	36.9 %	
Avon Products, Inc.	Majority vote to elect directors	IBEW	29 %	(pre)
	Link pay to performance	UBCJA	25 %	(pre)
Baker Hughes Incorporated	Eliminate supermajority provision	Rossi Family	88.2 %	(P)
Ball Corp.	Repeal classified board	SEIU	55.6 %	(P)

Company	Resolution	Sponsor/Coordinator	Mtg Date/Status	Footnote
Bank of America Corp.	Expand shareholder time at annual meetings	Slaton, J.	omitted	# (I-7)
	Independent board chairman	Rossi Family	38.2 %	##
	Majority vote to elect directors	UBCJA	56.1 %	(P)
	Double board nominees	Inman, F.	omitted	# (I-12)
	Advisory vote on compensation committee report	AFSCME	not in proxy	
Baxter International Inc.	Adopt cumulative voting	Glotzer, M.	omitted	# (B-1)
	Eliminate supermajority provision	Steiner, W.	not in proxy	#
	Redeem or vote on poison pill	Miller, C.	awaiting tally	
BEA Systems, Inc.	Repeal classified board	NYC funds	awaiting tally	
	Majority vote to elect directors	NYC funds	not in proxy	
	Majority vote shareholder committee	NYC funds	awaiting tally	
Bed Bath & Beyond Inc.	Commit to/report on board diversity	Cath. Healthcare West	12.2 %	
	Repeal classified board	GBPUMC	withdrawn	
BJ Wholesale Club, Inc	Majority vote to elect directors	UBCJA	53 %	(pre)
BNCCORP, Inc.	Repeal classified board	Armstrong, G.	awaiting tally	
Borders Group, Inc.	Majority vote to elect directors	UBCJA	59.2 %	# (P)
	Redeem or vote on poison pill	Chevedden, J.	not in proxy	##
	Independent board chairman	Steiner, W.	62.7 %	(P)
Boston Properties Inc.	Link pay to performance	UBCJA	awaiting tally	
	Repeal classified board	Davis, E.	awaiting tally	
Bristol-Myers Squibb Co.	Adopt cumulative voting	Steiner, W.	56.9 %	(P)
	Director tenure/retirement age	Sanchez, L. & K.	5.8 %	
	Disclose executive compensation	Davis, E.	10 %	
	Redeem or vote on poison pill	Miller, C.	not in proxy	#
	Study sale or spin-off	Flaherty, D.	omitted	# (I-7)
	Recoup performance awards if restatement	Rossi Family	20.2 %	##
Britton & Koontz Capital Corp.	Eliminate supermajority provision	Lanneau, B.	awaiting tally	#
Brocade Communications Systems	Eliminate supermajority provision	Calpers	91.6 %	(P)
Burlington Northern Santa Fe Corp.	Majority vote to elect directors	Massachusetts Laborers' P	38.2 %	#
	Majority vote to elect directors	Teamsters	not in proxy	
	Independent board chairman	Rossi Family	41.6 %	##
Cambrex Corp.	Repeal classified board	LongView	7/27/2006	
Camden Property Trust	Link pay to performance	UBCJA	withdrawn	

Company	Resolution	Sponsor/Coordinator	Mtg Date/Status	Footnote
Capital One Financial Corp.	Majority vote to elect directors	UBCJA	44.1 %	##
Caterpillar Inc.	Independent board chairman	Mercy Investment	27 %	(pre)
	Repeal classified board	Chevedden, J.	not presented	
	Majority vote to elect directors	UBCJA	45 %	(pre)
CBS Corp	Eliminate dual class stock	Liu, C.	awaiting tally	##
	Commit to/report on board diversity	GBPUMC	withdrawn	
Centerpoint Energy Inc.	- Approve and/or disclose SERPs	UBCJA	withdrawn	
	Repeal classified board	Mathis, H.	63.4 %	
Centex Corp.	Majority vote to elect directors	IBEW	47.5 %	(pre)
	Golden parachutes	Bricklayers	not in proxy	
Chevron Corporation	Reimburse proponent of approved proposal	Bebchuk, L.	32.8 %	(B)
	Eliminate supermajority provision	Rossi Family	withdrawn	#
	Reduce DRIP fees	Kearney, A.	omitted	# (E-2)
	Golden parachutes	Bricklayers	withdrawn	
ChoicePoint Inc.	Repeal classified board	LongView	withdrawn	
CIENA Corporation	Majority vote to elect directors	UBCJA	31 %	
Circuit City Stores, Inc.	- Approve and/or disclose SERPs	UBCJA	not in proxy	
Citigroup Inc.	Shareholders recover proxy contest costs	AFSCME	4.5 %	##
	Independent board chairman	Dee, R.	16.1 %	
	Eliminate supermajority provision	Chevedden, R.	omitted	# (I-10)
	Recoup performance awards if restatement	Steiner, W.	14.3 %	
	Abolish stock options	Davis, E.	5.1 %	
	Add performance criteria to equity-based awards	LongView	49.9 %	
Citizens Communications Co.	Golden parachutes	IBEW	awaiting tally	
Clear Channel Communications, Inc.	Increase comp committee independence	NYC funds	42.3 %	##
Coca-Cola Enterprises Inc.	Golden parachutes	Teamsters	32.5 %	
Colgate-Palmolive Co.	Independent board chairman	Rossi Family	17 %	
	Majority vote to elect directors	Steiner, W.	not in proxy	
	Link pay to performance	UBCJA	36.4 %	
COMARCO, Inc.	Redeem or vote on poison pill	Esopus Creek Partners	not in proxy	

Company	Resolution	Sponsor/Coordinator	Mtg Date/Status	Footnote
Comcast Corp.	Golden parachutes	IBEW	omitted	# (I-11)
	Provide shareholder discounts	Christiansen, C.	not in proxy	
	Eliminate dual class stock	CWA	awaiting tally	
	Cap executive pay	Morse, R.	awaiting tally	
	Abolish stock options	Davis, E.	awaiting tally	
	Majority vote shareholder committee	AFL-CIO	awaiting tally	
	Independent board chairman	Dee, R.	awaiting tally	
Commerce Bancorp, Inc.	Commit to/report on board diversity	Calvert	withdrawn	
Commercial National Financial Corp. (PA)	Maximize shareholder value	Steiner, L.	omitted	# (I-7)
	Increase dividends	Shirey, S.	not in proxy	##
Community Health Systems, Inc.	Majority vote to elect directors	Laborers	omitted	# (H-3)
Computer Sciences Corporation	Commit to/report on board diversity	ICCR	7/31/2006	
ConocoPhillips	- Approve and/or disclose SERPs	Laborers	39 %	(pre)
	Equal pay for non-employee directors	Quintas, A.	20 %	## (pre)
	Investigate legal liabilities	Parsons, R.	omitted	# (I-7)
	Majority vote to elect directors	UBCJA	43 %	(pre)
Consolidated Edison, Inc.	Disclose executive compensation	Davis, E.	14.1 %	
Convergys Corp.	Repeal classified board	NYCERS	79.5 %	(P)
Coming Inc.	Repeal classified board	Steiner, W.	72 %	(P) (pre)
Corrections Corporation of America	Link executive pay to social criteria	Mercy Investment	omitted	# (I-7)
Costco Wholesale Corporation	Repeal classified board	Janopaul, N.	58.9 %	(P)
Countrywide Financial Corp.	Advisory vote on compensation committee report	AFSCME	43 %	(P) (pre)
Crescent Real Estate Equities Company	Link pay to performance	UBCJA	omitted	# (E-2)
Crown Holdings, Inc.	Cap executive pay	Morse, R.	omitted	# (B-2)
CSX Corp.	Eliminate supermajority provision	Rossi Family	omitted	# (I-10)
	Independent board chairman	Laborers' Local Union	awaiting tally	(P) (pre)
CVS Corporation	- Approve and/or disclose SERPs	Massachusetts Laborers' P	withdrawn	
	Independent board chairman	Steiner, W.	40.1 %	
	Majority vote to elect directors	UBCJA	49.9 %	

Company	Resolution	Sponsor/Coordinator	Mtg Date/Status	Footnote
Danaher Corp.	Commit to/report on board diversity	Calvert	withdrawn	
Deckers Outdoor Corp.	Maximize shareholder value	Mann, T.	omitted	# (I-7)
Delcath System, Inc.	Study sale or spin-off	not available	awaiting tally	
Dell Inc.	Majority vote to elect directors	UBCJA	withdrawn	
Denbury Resources Inc.	Award performance-based stock options	Laborers	29.3 %	
Developers Diversified Realty Corp.	Link pay to performance	UBCJA	not in proxy	
Dominion Resources, Inc.	- Approve and/or disclose SERPs	Laborers' Local Union	28.8 %	
	Majority vote to elect directors	UBCJA	46.5 %	
Dow Jones & Co., Inc.	Independent board chairman	IAPE	22.2 %	
	Report shareholder proposal rules	Crapo, J.	10 %	
	Report on SEC shareholder proposal rules	Crapo, J.	10 %	##
	Independent board chairman	IAPE	22.2 %	
DPL Inc.	Restrict/reform executive compensation	Moberly, D.	omitted	# (E-2)
Duke Realty Corporation	Majority vote to elect directors	SEIU	not in proxy	
E.I. Du Pont De Nemours & Co.	Link pay to performance	UBCJA	40 %	
	Link executive pay to social criteria	Du Pont Workers	8.6 %	
Eastman Kodak Co.	Recoup performance awards if restatement	LongView	7.1 %	
Edison International	Eliminate supermajority provision	Chevedden, J.	awaiting tally	
El Paso Corp	Disclose executive compensation	Bebchuk, L.	awaiting tally	## (B)
	Adopt cumulative voting	Rossi Family	40 %	## (pre)
Electronic Data Systems Corp.	Independent board chairman	Steiner, W.	12 %	
	Link pay to performance	UBCJA	withdrawn	
	Majority vote to elect directors	Chevedden, R.	32.3 %	
	Redeem or vote on poison pill	Rossi Family	omitted	## (I-10)
Eli Lilly and Co.	Independent board chairman	ICCR	27.2 %	
	Majority vote to elect directors	UBCJA	31.6 %	
	Repeal classified board	Steiner, W.	57.4 %	(P)

Company	Resolution	Sponsor/Coordinator	Mtg Date/Status	Footnote
EMC Corp.	Majority vote to elect directors	Laborers' Local Union	54.2 %	# (P)
	Link pay to performance	UBCJA	48.8 %	
	Repeal classified board	Steiner, W.	84.2 %	(P)
	Increase audit committee independence	NYC funds	27.3 %	
Emerson Electric Co.	Golden parachutes	AFSCME	59.7 %	(P)
Energy East Corporation	Eliminate supermajority provision	Rossi Family	omitted	# (I-10)
Entergy Corp.	Cap executive pay	Morse, R.	omitted	# (H-3)
	Eliminate supermajority provision	Rossi Family	omitted	# (I-10)
	Majority vote to elect directors	Sheet Metal Workers	44.5 %	
Exelon Corp.	Repeal classified board	SEIU	not in proxy	##
	Golden parachutes	IBEW	43.5 %	##
Exxon Mobil Corp.	Link executive pay to social criteria	School Srs./Notre Dame	9.1 %	(pre)
	Adopt cumulative voting	Rossi Family	34 %	
	Nominate directors with energy expertise	ICCR	6.3 %	
	Establish outside director qualifications	Steiner, K.	6.9 %	##
	Independent board chairman	RAM Trust	34.4 %	
	Link executive pay to social criteria	Northstar	12.9 %	(pre)
	Majority vote to elect directors	Steiner, W.	52.2 %	(P)
	Restrict director compensation	Catholic Funds	7.6 %	
	Cap executive pay	Morse, R.	omitted	#
Indep. director-shareholder dialogue	Conn. Retirement Plans	not in proxy		
Federal Realty Investment Trust	Majority vote to elect directors	UBCJA	withdrawn	
Federated Department Stores, Inc.	Limit number of directorships	CWA	awaiting tally	
First Mariner Bancorp	Independent board chairman	Maas, J.	43.6 %	
First United Corp.	Maximize shareholder value	Eric L. Smith	awaiting tally	#
FirstEnergy Corporation	Golden parachutes	IBEW	49.1 %	
	Eliminate supermajority provision	Chevedden, R.	73.4 %	(P)
Fiserv, Inc.	Majority vote to elect directors	UBCJA	49.6 %	
Fluor Corp.	Award performance-based stock options	Laborers' Local Union	29.2 %	
FMC Technologies, Inc.	- Require option shares to be held	AFSCME	withdrawn	

Company	Resolution	Sponsor/Coordinator	Mtg Date/Status	Footnote
Ford Motor Company	Independent board chairman	Chevedden, J.	18.9 %	##
	Disclose executive compensation	Davis, E.	9.4 %	
	Link executive pay to environmental criteria	Long, Russell	4.8 %	
	Cap executive pay	Morse, R.	omitted	# (I-2)
	Adopt cumulative voting	Leeds, J.	13.9 %	
	Eliminate dual class stock	Chevedden, R.	22.9 %	
	Study sale or spin-off	Joanette, S.	omitted	# (I-7)
Fortune Brands, Inc.	Repeal classified board	Rossi Family	66 %	## (P) (pre)
	Link pay to performance	UBCJA	34.8 %	(pre)
Freeport-McMoRan Copper & Gold Inc.	Majority vote to elect directors	Sheet Metal Workers	withdrawn	
Gannett Co., Inc.	Majority vote to elect directors	UBCJA	withdrawn	##
	Independent board chairman	Teamsters	46.1 %	
	Repeal classified board	Davis, E.	80.1 %	(P)
General Dynamics Corp.	No nominee without majority in last election	Bebchuk, L.	35.7 %	(B) (pre)
	Independent board chairman	Chevedden, J.	33.8 %	(pre)
	Majority vote to elect directors	UBCJA	37.9 %	(pre)
General Electric Co.	Limit number of directorships	Steiner, W.	33.8 %	
	Adopt cumulative voting	Davis, E.	22.3 %	
	Majority vote to elect directors	UBCJA	19.4 %	
	Nominate non-executive retiree to board	Freed, William	4.2 %	
	Independent board chairman	Quirini, H.	15 %	
General Motors Corp.	Majority vote to elect directors	Lauve, J.	60.5 %	(P)
	Restrict/reform executive compensation	Hartnagel, R.	omitted	# (B-1)
	Independent board chairman	Lauve, L.	omitted	# (I-11)
	Recoup Unearned Mgt. Bonuses	Kessler, L.	43 %	
	Adopt cumulative voting	Chevedden, R.	55.4 %	(P)
	Independent board chairman	Cath. Healthcare West	18.5 %	
	Abolish stock options	Davis, E.	6.5 %	
	Redeem or vote on poison pill	Rossi Family	omitted	# (I-10)
	Cap executive pay	Morse, R.	not in proxy	
Genzyme Corp.	Golden parachutes	IBEW	57.9 %	(P)
	Repeal classified board	LongView	withdrawn	
Golden Telecom, Inc.	Elect director	Rostelcom	awaiting tally	
Google Inc	Eliminate dual class stock	Bricklayers	awaiting tally	
Granite Construction Inc.	Majority vote to elect directors	Laborers	withdrawn	
Greater Bay Bancorp	Do not use preferred stock for poison pill	Armstrong, G.	43.7 %	(P) (pre)

Company	Resolution	Sponsor/Coordinator	Mtg Date/Status	Footnote
Halliburton Co.	Majority vote to elect directors	UBCJA	awaiting tally	(P) (pre)
	Redeem or vote on poison pill	Bebchuk, L.	awaiting tally	(B)
	Golden parachutes	LongView	omitted	# (I-9) (B)
HCA, Inc.	- Require option shares to be held	LongView	19 %	(pre)
	Award performance-based stock options	Massachusetts Laborers' P	35 %	(pre)
	Disclose transactions of company & execs/directors	SEIU	withdrawn	#
	Majority vote to elect directors	UBCJA	withdrawn	
HealthSouth Corp.	majority may set/change number of directors	Scrusy, R.	omitted	# (I-2) (B)
Hercules Inc.	Repeal classified board	Steiner, W.		(P) (pre)
Hewlett-Packard Co.	Recoup Unearned Mgt. Bonuses	Rossi Family	11.7 %	## (pre)
	Majority vote to elect directors	UBCJA	45.1 %	## (pre)
Hilton Hotels Corp.	Redeem or vote on poison pill	Unite Here	68 %	(P) (B)
	Majority vote to elect directors	Sheet Metal Workers	48 %	
Home Depot, Inc. (The)	Advisory vote on compensation committee report	AFSCME	40.3 %	
	Disclose executive compensation	Bebchuk, L.	44.2 %	(B)
	Majority vote to elect directors	UBCJA	56 %	(P)
	- Approve and/or disclose SERPs	Laborers	45.3 %	
	Independent board chairman	Steiner, W.	40.7 %	#
	Nominate director	Dean Ferrin	not in proxy	#
	Majority vote shareholder committee	IBEW	withdrawn	
	Eliminate supermajority provision	Steiner, W.	omitted	# (I-10)
	Restrict director compensation	Catholic Funds	not in proxy	
Redeem or vote on poison pill	Chevedden, J.	not in proxy	##	
Honeywell International, Inc.	Recoup performance awards if restatement	Miller, C.	awaiting tally	
	Approve executive compensation	Kreutzer, J.	awaiting tally	
	Restrict director compensation	Catholic Funds	awaiting tally	
	Majority vote to elect directors	AFSCME	49 %	# (B) (pre)
	Golden parachutes	Kreutzer, J.	not in proxy	+
	Redeem or vote on poison pill	Chevedden, J.	not in proxy	##
	Majority vote to elect directors	Laborers	withdrawn	#
Majority vote to elect directors	Steiner, W.	withdrawn	#	
Host Hotels & Resorts Inc.	Majority vote to elect directors	UBCJA	95.4 %	(P)
Humana Inc.	Majority vote to elect directors	Laborers	not in proxy	
Huntington Bancshares Inc.	Restrict/reform executive compensation	O'Connor, R.	not in proxy	#

Company	Resolution	Sponsor/Coordinator	Mtg Date/Status	Footnote
Icos Corp.	Majority vote to elect directors	NYC funds	not in proxy	
	Majority vote shareholder committee	NYCFire	awaiting tally	
	Repeal classified board	NYCERS	awaiting tally	
Illinois Tool Works Inc.	Majority vote to elect directors	UBCJA	38 %	(pre)
Imperial Sugar Company	Restrict executive compensation	Schultze Asset Mgt.	23 %	
IMS Health Inc.	Redeem or vote on poison pill	Rossi Family	awaiting tally	
Ingersoll-Rand Company Limited	- Approve and/or disclose SERPs	UBCJA	withdrawn	
	- Approve and/or disclose SERPs	UBCJA	withdrawn	
Intel Corp.	Cap executive pay	Morse, R.	omitted	# (B-2)
InterDigital Communications Corp.	Repeal classified board	Cohen, M.	awaiting tally	(P) (pre)
INTERMEC INC	Repeal classified board	Mathis, H.	pending	
International Business Machines Corp.	Adopt cumulative voting	Davis, E.	40 %	
	Provide pension choices	Leas, J.	13.7 %	
	Pension fund surplus	Parry, D.	43.4 %	
	Majority vote to elect directors	UBCJA	40.1 %	
	Eliminate supermajority provision	Rossi Family	61.6 %	# (P)
	Reduce DRIP fees	Kearney, A.	omitted	# (C)
	Disclose executive compensation	Krueger, J.	41.7 %	
	Independent board chairman	Steiner, W.	withdrawn	
	Elect individual to board	Dean Ferrin	omitted	# (B-2)
International Paper Co.	Majority vote to elect directors	UBCJA	66 %	(P) (pre)
	Repeal classified board	Steiner, W.	78 %	(P) (pre)
J. C. Penney Co., Inc (HLDG CO)	Repeal classified board	LongView	not in proxy	
	Link pay to performance	UBCJA	awaiting tally	
Janus Capital Group Inc.	Majority vote to elect directors	NYC funds	not in proxy	
Johnson & Johnson	Majority vote to elect directors	Sheet Metal Workers	39 %	
	Eliminate supermajority provision	Steiner, W.	omitted	# (I-10)

Company	Resolution	Sponsor/Coordinator	Mtg Date/Status	Footnote
JPMorgan Chase & Co.	Independent board chairman	Dee, R.	38.5 %	
	Redeem or vote on poison pill	Steiner, W.	17.7 %	##
	Restore right to call a special meeting	SEIU	65.1 %	(P)
	Abolish stock options	Davis, E.	awaiting tally	
	Adopt cumulative voting	Rossi Family	45.9 %	
	Limit number of directorships	Steiner, K.	5.4 %	
	Add performance criteria to equity-based awards	AFSCME	53.4 %	(P)
	Recoup performance awards if restatement	Chevedden, R.	22.7 %	
Kaman Corp.	Majority vote to elect directors	Inman, F.	not presented	
KB Home	Independent board chairman	IBEW	omitted	(E-2)
Kerr-McGee Corp.	Indep. director-shareholder dialogue	NYC funds	6.3 %	
KeySpan Corporation	No stock ownership guidelines for directors	Karpen, D.	omitted	# (B-1)
	Eliminate supermajority provision	Rossi Family	8/17/2006	##
Kimberly-Clark Corp.	Repeal classified board	Rossi Family	78 %	(P)
	Majority vote to elect directors	UBCJA	60.4 %	(P)
Kimco Realty Corp.	Implement policy on related party transactions	Massachusetts Laborers' P	32.3 %	
Kindred Healthcare, Inc.	Study sale or spin-off	North Star Partners LP	awaiting tally	
King Pharmaceuticals Inc.	Repeal classified board	NYC funds	awaiting tally	
Kohl's Corp.	Majority vote to elect directors	UBCJA	61.6 %	(P)
Lear Corporation	Repeal classified board	Chevedden, J.	91 %	(P) (pre)
Lehman Brothers Holdings Inc.	Repeal classified board	Davis, E.	withdrawn	#
Lennar Corp.	Award performance-based stock options	Massachusetts Laborers' P	7.2 %	
	Repeal classified board	IBEW	23.8 %	##
Level 3 Communications, Inc.	Repeal classified board	NYC funds	withdrawn	
Liberty Property Trust	Majority vote to elect directors	UBCJA	withdrawn	
LifePoint Hospitals, Inc.	Limit number of directorships	LongView	withdrawn	
Liz Claiborne, Inc.	Majority vote to elect directors	UBCJA	43.3 %	

Company	Resolution	Sponsor/Coordinator	Mtg Date/Status	Footnote
Lockheed Martin Corp.	Eliminate supermajority provision	Chevedden, J.	57.1 %	(P)
	Disclose executive compensation	Davis, E.	5.9 %	
Loews Corp.	Adopt cumulative voting	Davis, E.	26.8 %	
Luby's, Inc.	Repeal classified board	Mathis, H.	59.3 %	(P)
Lucent Technologies Inc.	Link pay to performance/retiree benefits	Minter, F.	20.3 %	(P)
	Award performance-based stock options	Raschke, J.	57.9 %	
	Pension fund surplus	Stickel, J.	53.2 %	
M.D.C. Holdings, Inc.	Majority vote to elect directors	Laborers	not in proxy	
Mack-Cali Realty Corp.	Majority vote to elect directors	UBCJA	not presented	
Marathon Oil Corp	Eliminate supermajority provision	Rossi Family	83.4 %	(P)
	Majority vote to elect directors	UBCJA	67.7 %	(P)
Marriott International Inc.	Majority vote to elect directors	Sheet Metal Workers	95 %	(P) (pre)
Marsh & McLennan Companies, Inc.	Majority vote to elect directors	UBCJA	46 %	(pre)
Marshall & Ilsley Corp.	Repeal classified board	Armstrong, G.	50.3 %	(pre)
Matrix Bancorp, Inc.	Repeal classified board	Armstrong, G.	awaiting tally	
Mattel, Inc.	Link pay to performance	UBCJA	47.7 %	(pre)
	Cap executive pay	Morse, R.	omitted	# (I-7)
	Independent board chairman	Chevedden, J.	51 %	(P) (pre)
McCormick & Company, Inc.	Majority vote to elect directors	UBCJA	withdrawn	#
McDonald's Corp.	Majority vote to elect directors	UBCJA	not in proxy	# (I-7)
	Adopt financial risk strategy	Levin, M.	omitted	
	Golden parachutes	Bricklayers	awaiting tally	
McKesson Corporation	Repeal classified board	Steiner, W.	7/26/2006	
MeadWestvaco Corp.	Repeal classified board	Steiner, W.	omitted	# (I-10)
	Majority vote to elect directors	UBCJA	34.3 %	##
Medtronic, Inc.	Majority vote to elect directors	UBCJA	8/24/2006	

Company	Resolution	Sponsor/Coordinator	Mtg Date/Status	Footnote
Mellon Financial Corp.	Repeal classified board	AFSCME	withdrawn	
	Eliminate supermajority provision	Calpers	73.5 %	(B)
Merck & Co., Inc.	Eliminate supermajority provision	Steiner, W.	78.8 %	(P)
	Link pay to performance	LongView	omitted	# (I-11)
	Abolish stock options	Davis, E.	4.4 %	
Merrill Lynch & Co., Inc.	Adopt cumulative voting	Davis, E.	43.5 %	
	Restrict director compensation	Catholic Funds	9.1 %	
	Advisory vote on compensation committee report	AFSCME	35.6 %	
Metlife, Inc	Majority vote to elect directors	IBEW	withdrawn	
Millennium Pharmaceuticals, Inc.	Award performance-based stock options	NYC funds	withdrawn	
Monsanto Co.	Independent board chairman	ICCR	32.5 %	
Monster Worldwide, Inc.	Board inclusiveness	Domini	awaiting tally	
Moody's Corporation	Repeal classified board	Rossi Family	50.1 %	
Morgan Stanley	Majority vote to elect directors	AFSCME	40 %	
	Eliminate supermajority provision	Rossi Family	59.3 %	(P)
	Golden parachutes	LongView	55.5 %	(P)
Motorola, Inc.	Redeem or vote on poison pill	Steiner, W.	77.9 %	(P)
	Majority vote to elect directors	UBCJA	withdrawn	
National Fuel Gas Co.	Restrict director compensation	Belfield, R.	9.7 %	
Nationwide Financial Services, Inc.	Link pay to performance	UBCJA	awaiting tally	
New York Community Bancorp, Inc.	Repeal classified board	Steiner, W.	not presented	
Newell Rubbermaid Inc.	Repeal classified board	NYC funds	83.4 %	(P)
	Redeem or vote on poison pill	Steiner, W.	84.6 %	(P)
	Majority vote shareholder committee	NYC funds	withdrawn	
	Majority vote to elect directors	NYC funds	not in proxy	
Newmont Mining Corp. (Holding Company)	Independent board chairman	Rossi Family	27.6 %	##
Nicor Inc.	Independent board chairman	Rossi Family	14.4 %	

Company	Resolution	Sponsor/Coordinator	Mtg Date/Status	Footnote
NiSource Inc.	Majority vote to elect directors Repeal classified board	Massachusetts Laborers' P Chevedden, R.	67 % withdrawn	(P)
Noble Energy, Inc.	Independent board chairman	Lloyd Noble Trust	22.7 %	
Norfolk Southern Corp.	Majority vote to elect directors	Teamsters	withdrawn	#
Northern Trust Corp.	Majority vote to elect directors	Laborers	withdrawn	#
Northrop Grumman Corp.	Independent board chairman Eliminate supermajority provision	Chevedden, J. Barthel, G.	35.6 % omitted	# (I-10)
Novell, Inc.	Majority vote to elect directors	UBCJA	62 %	(P) (pre)
Novellus Systems, Inc.	Add performance criteria to equity-based awards	LongView	52 %	(P) (pre)
Nucor Corp.	Majority vote to elect directors	UBCJA	41.9 %	##
Occidental Petroleum Corp.	Cap executive pay Majority vote to elect directors	Morse, R. Rossi Family	3.5 % 56.8 %	## #
Office Depot, Inc.	Majority vote to elect directors	Sheet Metal Workers	56.8 %	(P) (pre)
OfficeMax Inc	Majority vote shareholder committee No nominee who opposed declassification Repeal classified board	IBEW Calpers Bricklayers	53 % withdrawn withdrawn	(P) #
Overseas Shipholding Group, Inc.	Commit to/report on board diversity	Episcopal Church	withdrawn	
Paccar Inc.	Majority vote to elect directors Repeal classified board	Sheet Metal Workers Chevedden, J.	32.1 % 45 %	
Panera Bread Company	Commit to/report on board diversity	Calvert	withdrawn	
Peabody Energy Corp.	Repeal classified board Majority vote to elect directors Majority vote shareholder committee	AFL-CIO Sheet Metal Workers SEIU	74.8 % 44.2 % 35.8 %	(P) ##
Pepco Holdings, Inc.	Majority vote to elect directors	UBCJA	withdrawn	
PepsiAmericas, Inc.	Majority vote to elect directors	Teamsters	27.3 %	
PepsiCo, Inc.	Link pay to performance	UBCJA	withdrawn	

Company	Resolution	Sponsor/Coordinator	Mtg Date/Status	Footnote
PerkinElmer Inc.	Majority vote to elect directors	UBCJA	60.1 %	(P)
Pfizer Inc.	Adopt cumulative voting	Steiner, W.	39.6 %	
	- Approve and/or disclose SERPs	AFL-CIO	omitted	# (I-10)
	Eliminate supermajority provision	Rossi Family	omitted	# (I-10)
	Director tenure/retirement age	Davis, E.	6.8 %	
	Independent board chairman	ICCR	38.4 %	
	Disclose executive compensation	Conn. Retirement Plans	withdrawn	#
PG&E Corp.	Independent board chairman	Rossi Family	22.8 %	
	Eliminate supermajority provision	Levine, S.	not in proxy	
	Redeem or vote on poison pill	Chevedden, R.	30 %	
	Majority vote to elect directors	Levine, S.	omitted	# (I-2)
Pinnacle West Capital Corp.	Repeal classified board	Rossi Family	83 %	(P) (pre)
Piper Jaffray Cos	Repeal classified board	Armstrong, G.	awaiting tally	#
Plum Creek Timber Company, Inc.	Majority vote to elect directors	UBCJA	28 %	(pre)
PMC-Sierra, Inc.	Disclose executive compensation	Conn. Retirement Plans	withdrawn	
Post Properties, Inc.	Majority vote to elect directors	UBCJA	40 %	(pre)
PPL Corp.	Eliminate supermajority provision	Rossi Family	awaiting tally	(P) (pre)
Praxair, Inc.	Repeal classified board	Rossi Family	omitted	# (I-10)
Principal Financial Group, Inc.	Majority vote to elect directors	UBCJA	withdrawn	
Progress Energy, Inc.	Repeal classified board	LongView	withdrawn	
	Majority vote to elect directors	Plumbers, Pipefitters	withdrawn	
	Golden parachutes	Bricklayers	withdrawn	
ProLogis	Majority vote to elect directors	UBCJA	withdrawn	
Prudential Financial Inc	Golden parachutes	Ciocca, J.	57.4 %	(P)
Pulte Homes Inc.	Repeal classified board	Bricklayers	63.5 %	(P)
	Award performance-based stock options	Massachusetts Laborers' P	50.5 %	(P)
	Adopt cumulative voting	IBEW	49.2 %	
	Majority vote to elect directors	Sheet Metal Workers	45.1 %	

Company	Resolution	Sponsor/Coordinator	Mtg Date/Status	Footnote
Qwest Communications International Inc.	Recoup Unearned Mgt. Bonuses	Graham, P.	20 %	(pre)
	- Approve and/or disclose SERPs	Floyd, H.	32 %	(pre)
	Majority vote to elect directors	AFSCME	% For=45	(B) (pre)
	Independent board chairman	Armstrong, G.	16 %	(pre)
R. R. Donnelley & Sons Co.	Repeal classified board	Steiner, W.	77 %	(P) (pre)
	- Approve and/or disclose SERPs	UBCJA	not in proxy	
R.H. Donnelley Corp.	Redeem or vote on poison pill	Rossi Family	not in proxy	
Radioshack Corp.	Redeem or vote on poison pill	Steiner, W.	omitted	# (I-10)
Rayonier Inc.	Majority vote to elect directors	UBCJA	withdrawn	
Raytheon Co.	Do not change annual meeting location	Fullerton, J.	not in proxy	#
	Golden parachutes	AFSCME	not in proxy	
	Adopt cumulative voting	Chevedden, J.	50.3 %	(pre)
	- Approve and/or disclose SERPs	AFL-CIO	awaiting tally	
	Independent board chairman	Chevedden, R.	47 %	## (pre)
	Majority vote to elect directors	UBCJA	55.9 %	## (P) (pre)
Regions Financial Corp.	Repeal classified board	Armstrong, G.	59.8 %	
Reliant Energy Inc.	Repeal classified board	Mathis, H.	awaiting tally	
Republic Services, Inc.	Golden parachutes	LongView	withdrawn	
Rite Aid Corp.	Majority vote to elect directors	UBCJA	awaiting tally	
	Shareholder approval of auditors	NYC funds	not in proxy	
	Study sale or spin-off	Goldberg, M.	omitted	# (I-7)
Safeway Inc.	Majority vote to elect directors	UBCJA	withdrawn	
	Indep. director-shareholder dialogue	NYC funds	6.8 %	
	Golden parachutes	Rossi Family	28.9 %	
	Adopt cumulative voting	Davis, E.	32.9 %	
	Independent board chairman	NETFund	omitted	# (B-1)
Saks Incorporated	Adopt cumulative voting	Davis, E.	awaiting tally	
Schering-Plough Corp.	Repeal classified board	Steiner, W.	omitted	# (I-10)
	Majority vote to elect directors	Sheet Metal Workers	44 %	(pre)
	Eliminate supermajority provision	Miller, C.	awaiting tally	## (P) (pre)
Sempra Energy	Redeem or vote on poison pill	Chevedden, R.	omitted	# (I-10)
	Repeal classified board	Rossi Family	omitted	# (I-10)
	Award performance-based stock options	Laborers' Local Union	awaiting tally	

Company	Resolution	Sponsor/Coordinator	Mtg Date/Status	Footnote
Sierra Pacific Resources	Repeal classified board	Rossi Family	not in proxy	
Simon Property Group, Inc.	Majority vote to elect directors	SEIU	awaiting tally	
Smurfit - Stone Container Corp.	Cap executive pay	Morse, R.	not in proxy	#
Snap-on Incorporated	Independent examiner for franchisees' litigation	Meehan, K.	omitted	# (E-2)
Southwest Airlines Co.	Eliminate supermajority provision	Chevedden, J.	61 %	(P) (pre)
Span-America Medical Systems, Inc.	Repeal classified board	Farnum Street Partners	28.6 %	
Sprint Nextel Corp	Adopt cumulative voting Majority vote to elect directors	Telephone Coordinating AFL-CIO	46 % 67 %	(P)
SPX Corp.	Golden parachutes	LongView	47 %	(pre)
Staples, Inc.	Majority vote to elect directors Repeal classified board	UBCJA Chevedden, J.	45.6 % omitted	# (I-10)
Starwood Hotels & Resorts Worldwide, Inc.	Golden parachutes	Bricklayers	not in proxy	
State Street Corp. (Boston)	Redeem or vote on poison pill	Jorstad, P.	78.1 %	(P)
Station Casinos, Inc.	Redeem or vote on poison pill	Unite Here	48.2 %	
Stratus Properties Inc.	Repeal classified board	Mathis, H.	77.8 %	(P)
SunTrust Banks, Inc.	Repeal classified board	AFSCME	56.1 %	(P) (pre)
SUPERVALU Inc.	Majority vote to elect directors	UBCJA	withdrawn	
Sybase, Inc.	Repeal classified board	LongView	77.4 %	(P) (pre)
Synovus Financial Corp.	Majority vote to elect directors	UBCJA	30 %	(pre)
Target Corporation	Majority vote to elect directors Golden parachutes	Laborers' Local Union Bricklayers	withdrawn withdrawn	
TD Ameritrade Holdings Corp.	Commit to/report on board diversity	Calvert	withdrawn	

Company	Resolution	Sponsor/Coordinator	Mtg Date/Status	Footnote
Team Financial, Inc.	Repeal classified board Redeem or vote on poison pill	Brown, L. McCaffree Financial	awaiting tally awaiting tally	
Temple-Inland Inc.	Majority vote to elect directors	UBCJA	withdrawn	
Teradyne, Inc.	Majority vote to elect directors	UBCJA	43 %	(pre)
Texas Instruments Inc.	Majority vote to elect directors	UBCJA	withdrawn	
Textron Inc.	Majority vote to elect directors	UBCJA	60 %	(P)
The Allstate Corp.	Eliminate supermajority provision Majority vote to elect directors	Rossi Family Massachusetts Laborers' P	72.4 % 45.3 %	## (P) (pre)
The Bank Of New York Co., Inc.	- Approve and/or disclose SERPs Restrict director compensation Adopt cumulative voting Shareholders recover proxy contest costs	UBCJA Catholic Funds Davis, E. AFSCME	withdrawn not in proxy 51.1 % 4.3 %	(P) (pre) ## (pre)
The Black & Decker Corp.	Link pay to performance	UBCJA	46.6 %	
The Boeing Co.	Eliminate supermajority provision Independent board chairman Majority vote to elect directors Repeal classified board Redeem or vote on poison pill	Olson, E. Chevedden, J. Watt, D. Finnegan, T. Chevedden, R.	withdrawn 36.2 % 58.4 % withdrawn not in proxy	(P) ##
The Brinks Company	- Approve and/or disclose SERPs	UBCJA	withdrawn	
The Charles Schwab Corp.	Majority vote to elect directors Golden parachutes	Sheet Metal Workers Bricklayers	47 % awaiting tally	## (pre)
The Cheesecake Factory, Inc.	Commit to/report on board diversity	Calvert	withdrawn	
The Chubb Corp.	Majority vote to elect directors	UBCJA	51.8 %	(P)
The Coca-Cola Company	Performance/time-based restricted shares Cap executive pay Golden parachutes	Shepherd, E. Morse, M. Teamsters	32.3 % omitted withdrawn	# (H-3)
The Dow Chemical Company	Eliminate supermajority provision Repeal classified board	Rossi Family Rossi Family	omitted omitted	# (C) # (I-10)
The Goodyear Tire & Rubber Co.	Eliminate supermajority provision	Rossi Family	73.3 %	

Company	Resolution	Sponsor/Coordinator	Mtg Date/Status	Footnote
The Hartford Financial Services Group, Inc.	Majority vote to elect directors	UBCJA	withdrawn	
The Interpublic Group of Companies, Inc.	Recoup Unearned Mgt. Bonuses	Steiner, K.	3.9 %	
	Independent board chairman disclose financial reporting deficiencies	Steiner, W. LongView	7.6 % withdrawn	
The Kroger Co.	- Approve and/or disclose SERPs	UBCJA	withdrawn	
The Macerich Co.	Link pay to performance	UBCJA	awaiting tally	
The McGraw-Hill Companies, Inc.	Repeal classified board	Rossi Family		(P) (pre)
The Ryland Group, Inc.	- Approve and/or disclose SERPs Golden parachutes	Laborers IBEW	awaiting tally 73 %	## (P) (pre) ## (P) (pre)
The Scotts Miracle-Gro Co.	Repeal classified board	Harrington, J.	45.8 %	
The Servicemaster Company	Repeal classified board	Rossi Family	86.4 %	(P)
The Smith & Wollensky Restaurant Group, Inc	Repeal classified board	Heartland Advisors	awaiting tally	
The St. Paul Travelers Companies, Inc.	Majority vote to elect directors	UBCJA	60.7 %	(P)
The Stanley Works	Repeal classified board	Conn. Retirement Plans	% For=69	(P) (pre)
The TJX Companies, Inc.	Majority vote to elect directors	UBCJA	34 %	(pre)
The Walt Disney Company	Adopt antigreenmail provision	Davis, E.	20.9 %	
The Williams Companies, Inc.	Majority vote to elect directors	Sheet Metal Workers	50.4 %	(P)
Thermo Electron Corp.	Majority vote to elect directors	UBCJA	43 %	(pre)
Tidewater Inc.	Repeal classified board	Mathis, H.	pending	
Tiffany & Co.	Redeem or vote on poison pill	Steiner, W.	omitted	# (I-10)

Company	Resolution	Sponsor/Coordinator	Mtg Date/Status	Footnote
Time Warner Inc	Independent board chairman	CBIS	awaiting tally	
	Add performance criteria to equity-based awards	AFSCME	withdrawn	
	Eliminate supermajority provision	Steiner, W.		(P) (pre)
	Eliminate supermajority provision	Calpers	omitted	# (I-11)
	Independent board chairman	Steiner, K.	omitted	# (I-11)
Tollgrade Communications, Inc.	Repeal classified board	LongView	78.8 %	(P)
Torchmark Corp.	Commit to/report on board diversity	Christus Health	10.2 %	
Tribune Co.	Repeal classified board	Davis, E.	46 %	(pre)
Tripos, Inc.	Study sale or spin-off	Magnoli, A.	withdrawn	
TXU Corp.	Majority vote to elect directors	UBCJA	46 %	(pre)
U.S. Bancorp	Advisory vote on compensation committee report	AFSCME	40.8 %	
	Repeal classified board	Armstrong, G.	70.7 %	(P)
Union Pacific Corp.	Majority vote to elect directors	Sheet Metal Workers	53 %	(P)
	Independent board chairman	Teamsters	35.6 %	
Unisys Corp.	Repeal classified board	LongView	withdrawn	
United Rentals, Inc.	Majority vote to elect directors	Sheet Metal Workers	awaiting tally	
	Repeal classified board	LongView	68 %	(P) (pre)
United Technologies Corp.	Director tenure/retirement age	Davis, E.	3.8 %	
	Majority vote to elect directors	AFSCME	withdrawn	# (B)
UnitedHealth Group Incorporated	Majority vote to elect directors	UBCJA	44 %	
Universal Health Realty Income Trust	Independent board chairman	not available	39.5 %	
Univision Communications Inc.	Independent board chairman	Steiner, W.	omitted	# (B-2)
UnumProvident Corporation	Majority vote to elect directors	UBCJA	withdrawn	
	Majority vote shareholder committee	NYC funds	awaiting tally	
URS Corp.	Majority vote to elect directors	Laborers	61.5 %	(P)
UST Inc.	Repeal classified board	Rossi Family	64.9 %	(P)

Company	Resolution	Sponsor/Coordinator	Mtg Date/Status	Footnote
Verizon Communications	Redeem or vote on poison pill	Rossi Family	omitted	# (I-10)
	Majority vote to elect directors	Steiner, W.	omitted	# (I-12)
	Add performance criteria to equity-based awards	Jones, C.	20 %	(pre)
	No interlocking directorships	CWA	19 %	## (pre)
	Adopt cumulative voting	Davis, E.	44 %	(pre)
	Increase board independence	BellTell Retirees	25 %	(pre)
	Independent board chairman	IBEW	48 %	(pre)
	Majority vote to elect directors	UBCJA	61 %	(P) (pre)
Viacom Inc.	Commit to/report on board diversity	GBPUMC	withdrawn	
Vishay Intertechnology, Inc.	Eliminate dual class stock	LongView	25 %	(pre)
Visteon Corporation	Repeal classified board	Leeds, J.	84.1 %	(P)
Wachovia Corp.	Independent board chairman	Dee, R.	16.5 %	
	Repeal classified board	AFSCME	withdrawn	
	Golden parachutes	Bricklayers	57.3 %	(P)
	Repeal classified board	IBEW	withdrawn	#
	Majority vote to elect directors	Sheet Metal Workers	37.5 %	#
Wal-Mart Stores, Inc.	Report on stock options by race/sex	Northstar	10.2 %	
	Disclose executive compensation	ICCR	3.7 %	##
	Majority vote to elect directors	UBCJA	22.3 %	
	Adopt cumulative voting	Steiner, W.	not in proxy	#
Washington Mutual, Inc	Repeal classified board	AFSCME	withdrawn	
Waste Management, Inc.	Majority vote to elect directors	Teamsters	67.5 %	(P)
Wells Fargo & Company	Restrict director compensation	Catholic Funds	7.4 %	##
	Majority vote to elect directors	UBCJA	withdrawn	
	Majority vote to elect directors	AFSCME	39 %	(B)
	Independent board chairman	Armstrong, G.	36.1 %	
WesBanco, Inc.	Study sale or spin-off	Jewelcor Management	awaiting tally	
Weyerhaeuser Co.	Link pay to performance	UBCJA	6.5 %	
	Majority vote to elect directors	Sheet Metal Workers	54.6 %	(P)
	Eliminate supermajority provision	Rossi Family	68.6 %	(P)
	Independent board chairman	Teamsters	27.3 %	
WGL Holdings, Inc.	Adopt cumulative voting	Davis, E.	36.4 %	
	Independent board chairman	Taylor, G.	12.5 %	
Whole Foods Market, Inc.	Eliminate supermajority provision	Chevedden, J.	24.6 %	

Company	Resolution	Sponsor/Coordinator	Mtg Date/Status	Footnote
Wyeth	Eliminate supermajority provision	Rossi Family	78.4 %	(P)
	Majority vote to elect directors	Steiner, W.	55.4 %	
	Independent board chairman	ICCR	38 %	
Xcel Energy Inc.	Independent board chairman	Armstrong, G.	36.1 %	##
Xerox Corp.	Majority vote to elect directors	UBCJA	41 %	(pre)
	Link pay to performance	Association of Retired Xe	awaiting tally	+
Xilinx, Inc.	Majority vote to elect directors	UBCJA	7/26/2006	
Young Broadcasting Inc.	Study/sell company	Yake S.	awaiting tally	##
Zimmer Holdings Inc	Repeal classified board	Rossi Family	76 %	(P) (pre)

Footnotes

- withdrawn The proponents withdrew the proposal, usually after an agreement with the company.
- omitted The Securities and Exchange Commission staff issued a letter indicating it will not pursue legal action against the company for omitting the proposal from the proxy statement.
- # The company challenged the proposal at the SEC.
- ## The SEC staff has rejected the company's challenge.
- + The company challenged the proposal at the SEC. The SEC said the proposal must appear in proxy statement if the proponent revises it according to SEC guidelines.
- (P) The proposal passed, in addition to receiving a majority of the votes cast.
- (pre) Preliminary voting results, not confirmed as final by the company.
- (B) The proposal was offered in the form of a mandatory bylaw amendment.

Sponsors or Coordinators

AFL-CIO – American Federation of Labor – Congress of Industrial Organizations	Laborers – Laborers’ International Union of North America
AFSCME – American Federation of State, County and Municipal Employees	LongView Fund – LongView Collective Investment Fund
Bricklayers - Bricklayers and Trowel Trades International Pension Fund	NYC funds – Pension funds of New York City
Calpers – California Public Employees’ Retirement System	Nycers – New York City Employees’ Retirement System
CBIS – Christian Brothers Investment Services	Plumbers, Pipefitters – Plumbers and Pipefitters pension funds
CWA – Communications Workers of America	SEIU – Service Employees International Union
IBEW – International Brotherhood of Electrical Workers	Teamsters – International Brotherhood of Teamsters
ICCR – Interfaith Center on Corporate Responsibility	UBCJA – United Brotherhood of Carpenters and Joiners of America pension funds
	UFE/Resp. Wealth – United for a Fair Economy/Responsible Wealth

Securities and Exchange Commission Staff Decisions

- (b)-1 Proponent failed to meet requirements for stock ownership
- (b)-2 Proponent did not provide verification of stock ownership
- (c) Proponent allowed only one proposal
- (d) Supporting statement exceeds 500 words
- (e)-2 Resolution was filed too late for consideration
- (h)-3 Proponent did not have "good cause" for failure to present proposal at meeting
- (i)-1 Is improper under state law
- (i)-2 Is a violation of state, federal or foreign law
- (i)-3 Contains false or misleading statements
- (i)-4 Relates to a personal claim or redress of a personal grievance
- (i)-5 Relates to less than 5 percent of the company's total assets and less than 5 percent of net earnings and gross sales and "is not significantly related" to the company's business
- (i)-6 Deals with a matter beyond the company's power to effectuate
- (i)-7 Relates to the conduct of the company's ordinary business
- (i)-8 Relates to an election to office
- (i)-9 Is counter to a proposal to be submitted by management at the same meeting
- (i)-10 Is moot by being substantially implemented by the company
- (i)-11 Is a duplicate of an earlier-submitted proposal
- (i)-12 Did not receive the required number of votes cast at a previous shareholder meeting
- (i)-13 Relates to specific amounts of cash or stock dividends