This first edition of ProxyPulse summarizes shareholder voting trends at 1,053 U.S. public company shareholder meetings that occurred in the July 1 to December 31, 2015 “mini-season.” We also look at how voting trends may impact governance developments in the 2016 proxy season.
**DIRECTOR ELECTIONS**

Average shareholder support for directors declined by 2 percentage points from the 2014 mini-season, to 92%. Over 125 directors failed to receive majority shareholder support. In total, almost 400 failed to surpass the 70% support threshold—a level closely watched by proxy advisors and some institutional investors.

Companies and shareholders cannot take the outcomes of director elections for granted. Strong shareholder support at one annual meeting can be followed by opposition at the next annual meeting. Low support levels can persist from one year to the next. Fifty-five percent of companies that had a director election in the 2014 mini-season where a director failed to reach the 70% threshold, also had a director fail to achieve 70% support in the 2015 mini-season.

Among retail investors that voted, 89% of their shares were cast in favor of directors. Ninety-three percent of institutional shares voted were cast in favor.

**DIRECTOR SUPPORT 2015 MINI-SEASON**

<table>
<thead>
<tr>
<th>Shareholder Approval Level</th>
<th>% of Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>90-100%</td>
<td>70%</td>
</tr>
<tr>
<td>80-89%</td>
<td>13%</td>
</tr>
<tr>
<td>70-79%</td>
<td>7%</td>
</tr>
<tr>
<td>60-69%</td>
<td>4%</td>
</tr>
<tr>
<td>50-59%</td>
<td>3%</td>
</tr>
<tr>
<td>&lt;50%</td>
<td>4%</td>
</tr>
</tbody>
</table>

*Numbers may not add to 100% due to rounding.*

**SAY-ON-PAY**

Although voting support for executive compensation plans remained strong on average, there were pockets of weakness in the 2015 mini-season. Eight percent of say-on-pay votes failed to attain majority shareholder approval, and 20% failed to surpass the 70% support threshold.

Among companies that failed to surpass the 70% support threshold, retail investors cast 66% of their votes in favor—while institutions cast 65% of their votes against.

**COMPANIES WITH <70% SUPPORT FOR SAY-ON-PAY**

<table>
<thead>
<tr>
<th>INSTITUTIONAL SHARES VOTED</th>
<th>RETAIL SHARES VOTED</th>
</tr>
</thead>
<tbody>
<tr>
<td>35% 66%</td>
<td>65% 34%</td>
</tr>
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</table>

For Against/Abstain
GOVERNANCE DEVELOPMENTS EXPECTED TO IMPACT THE 2016 PROXY SEASON AND BEYOND

Data continues to show that engagement of the retail investor base can play an instrumental role in the outcome of a shareholder meeting.

Proxy advisor policies to change on “over-boarding.” Beginning in February 2017, ISS may recommend a vote against a public company CEO sitting on more than two other public company boards (in addition to their own). For directors who are not CEOs of public companies, ISS may issue a negative recommendation if they are sitting on more than five public company boards. Glass Lewis may also lower its threshold to two public company boards (including their own) for directors who are executives, and five for directors who are not executives, in 2017.

Anticipating new compensation disclosures. Though not effective until the 2018 proxy season, companies are beginning to prepare to disclose the ratio of pay between the CEO and median employee. Several other anticipated disclosure rules are not yet finalized, including those related to executive pay-versus-performance, clawbacks of incentive-based executive compensation, and disclosure of employee and director hedging of company shares.

Push for transparency continues. Pressure is mounting on boards to increase disclosures in several additional areas: (1) SEC Chair White is considering expanded disclosure on board diversity, (2) some institutional investors want information about board refreshment practices, (3) audit committees are being asked to disclose details on their oversight of independent auditors, and (4) BlackRock CEO Larry Fink wrote to S&P 500 CEOs encouraging companies to be more transparent about their plans for growth, and urging increased disclosure on the execution of such plans.

Transparency expectations will likely increase throughout 2016.
ABOUT

ProxyPulse is based in part on Broadridge’s processing of shares held in street name, which accounts for over 80% of all shares outstanding of U.S. publicly-listed companies. Shareholder voting trends during a proxy season represent a snapshot in time and may not be predictive of full-year results.

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About the PwC 2015 Annual Corporate Directors Survey. The annual survey was conducted in the summer of 2015. 783 public company directors responded to the survey, of which 74% serve on the boards of companies with more than $1 billion in annual revenue.

TO HAVE A DEEPER CONVERSATION ABOUT HOW THIS SUBJECT MAY AFFECT YOUR BUSINESS, PLEASE CONTACT:

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