

2015 Mutual Fund Voting on Proxy Access Proposals

An analysis of the voting records of top U.S. mutual funds

The scorecard is issued by the Nathan Cummings Foundation, with data provided by Fund Votes and analysis provided by the 50/50 Climate Project.

Background & Key Takeaways

- Investors and corporate governance experts alike have coalesced around the idea that "proxy access" - access to a company's proxy for shareholder nominated directors - is a fundamental shareholder right with positive implications for firm value. For example, the CFA Institute recently concluded from a review of academic studies "that proxy access would serve as a useful tool for shareowners in the United States and would ultimately benefit both the markets and corporate boardrooms, with little cost or disruption to companies and the markets as a whole." The Council of Institutional Investors, a nonprofit, nonpartisan association of pension and endowment funds representing over \$3 trillion in assets, believes "proxy access would invigorate board elections and make boards more responsive to shareowners and more vigilant in their oversight of companies."*
- In 2015, the NYC Comptroller's office submitted "proxy access" shareholder proposals at 75 companies, 43 of which received majority support. Companies were chosen based on risks to shareholder value related to climate change, diversity, and executive compensation. At least nine additional proxy access proposals were filed by shareholders in 2015 and over one hundred companies have now adopted meaningful proxy access provisions.
- Despite this unprecedented movement, recent data from the the Securities and Exchange Commission (SEC) on proxy access votes cast by mutual funds indicates that the industry is deeply divided in its approach to this fundamental shareholder right.
- Of the top 10 mutual fund companies in the U.S., 7 supported proxy access proposals the majority of the time, with Blackrock, T. Rowe Price, and PIMCO supporting proxy access proposals over 90% of the time.
- In contrast, the SEC's data shows low or no support for proxy access from Vanguard, Fidelity, and JPMorgan. If these funds had voted for proxy access, the proposal would have likely passed at 17 additional companies, including Exxon Mobil. A higher vote for proxy access would increase the likelihood that additional companies would modify their by-laws to give shareholders the ability to nominate directors.

* CFA Institute, *Proxy Access in the United States*, August 2014; Council of Institutional Investors, http://www.cii.org/proxy_access

Mutual Fund Proxy Access Voting Scorecard

Scorecard Methodology

- Data on mutual fund voting was provided by *Fund Votes*, an independent project that tracks mutual fund proxy voting in the U.S. and Canada. Since 2004, U.S. mutual fund companies have been required by the SEC to publicly disclose how they cast their proxy votes.
- A vote of 'for', 'against' or 'abstain' for a particular proposal is assigned to a fund family if at least 75% of funds within the family vote accordingly on a single resolution.
- The data *does not* include votes on competing management proposals requiring a 5% ownership threshold for proxy access. The Council of Institutional Investors opposes the 5% threshold, noting that "proxy access may not be consistently and realistically viable, even by a group of shareowners, if a uniform ownership threshold were set at 5% or higher."*

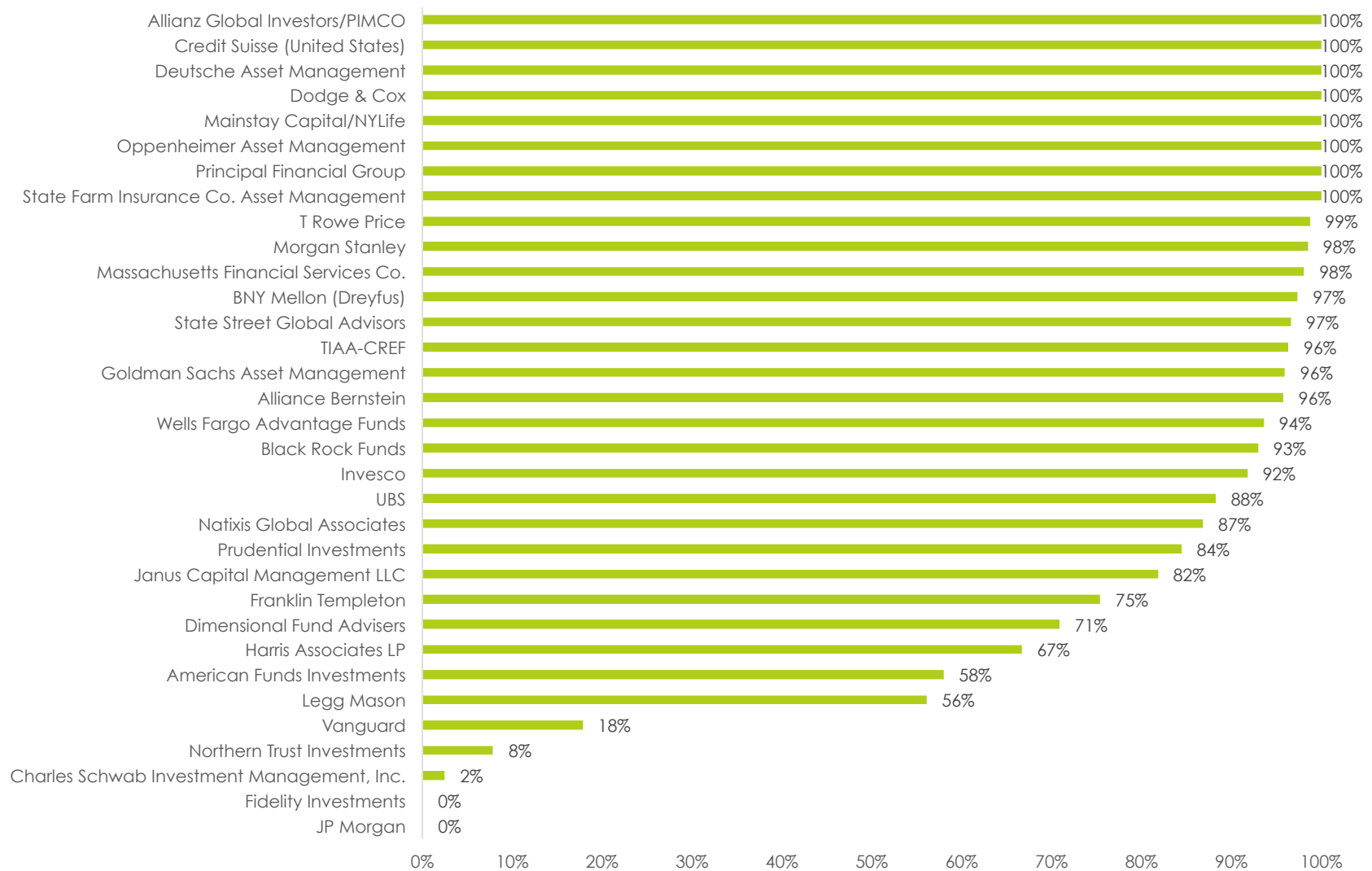
*Council of Institutional Investors, *Proxy Access: Best Practices*, August 2015

Scorecard: Top 10 Mutual Fund Families

Rank	Fund Family	Assets (\$billions)	Proxy Access Support
1	Vanguard	\$2,739	18%
2	Fidelity Investments	\$1,204	0%
3	American Funds	\$1,126	58%
4	Blackrock/iShares	\$975	93%
5	T. Rowe Price	\$446	99%
6	Franklin Templeton Investments	\$399	75%
7	State Street Global Advisors	\$389	97%
8	PIMCO	\$317	100%
9	JPMorgan	\$264	0%
10	Dimensional Fund Advisors	\$248	71%

Assets under management data as of September 30, 2015 from Morningstar U.S. Asset Flows Update. See <http://corporate.morningstar.com/us/documents/pr/AssetFlowsOct2015.pdf>, page 4. Includes all asset classes.

Support for Proxy Access: Top Fund Families



Voting Scenario: If Vanguard, Fidelity & JPMorgan Supported Proxy Access in 2015...

Company	Final Vote	Vanguard as % Shares Voted	Fidelity as % Shares Voted	JPM as % Shares Voted	Potential Vote Outcome
Regeneron Pharmaceuticals, Inc.	28.0%	3.7%	6.1%	1.4%	35.4%
Expeditors International of Washington Inc.	35.0%	10.1%			45.1%
Westmoreland Coal Co.	35.8%	3.4%			39.2%
Arch Coal Inc.	36.3%	14.8%			51.1%
Urban Outfitters Inc.	40.6%	6.4%	1.1%	3.9%	52.0%
NVR, Inc.	41.5%	7.0%	4.4%	1.8%	54.7%
PACCAR Inc.	42.0%	6.6%	0.9%	6.1%	49.0%
Noble Energy, Inc.	42.3%	6.0%	13.1%		61.4%
Level 3 Communications, Inc.	43.6%	7.4%	3.6%		47.2%
Exelon Corporation	43.6%	8.1%	4.2%	2.3%	58.2%
New York Community Bancorp Inc.	44.4%	9.8%			54.2%
Cabot Oil & Gas Corporation	45.3%	9.0%	7.1%	2.6%	63.9%
VCA Inc.	45.9%	7.2%	4.5%		50.4%
Southern Company	46.2%	9.1%	1.7%		57.0%
SBA Communications Corp.	46.3%	7.1%			53.4%
FleetCor Technologies, Inc.	46.9%	5.8%	3.7%		50.7%
CONSOL Energy Inc.	47.0%	8.9%	2.2%	2.1%	60.1%
Peabody Energy Corp.	48.7%	9.1%	10.2%	1.5%	69.4%
Alexion Pharmaceuticals, Inc.	49.2%	6.0%	12.5%	3.0%	70.7%
Pioneer Natural Resources Co.	49.4%	6.5%	2.8%	1.2%	59.9%
Exxon Mobil Corporation	49.4%	9.6%	1.0%	0.8%	60.7%
Chipotle Mexican Grill, Inc.	49.9%	9.0%	14.4%	1.9%	75.2%

*Vanguard votes in yellow were voted FOR proxy access, and are not included in Potential Vote Outcome totals.