In the first edition of ProxyPulse we provided data showing that retail shareholders own about one third of all beneficial shares, and are highly supportive of management recommendations, but vote only about 30% of their shares. We asserted that better engagement of retail shareholders may improve voting outcomes and that opportunities exist for companies to better connect with all of their shareholders. In the second edition, we took a deeper dive into shareholder behavior and looked at voting trends based on company size.

This third and final edition of the 2013 proxy season compares the voting behaviors of institutional and retail shareholders — covering 4,037 shareholder meetings from January 1, to June 29, 2013. In addition, we provide comparative data for the 2012 proxy season, and analysis of director elections, say on pay, proxy material distribution and the mechanics of shareholder voting.

Key Year Over Year Trends:
- Fewer shareholder meetings this season
- Fewer individual directors up for election
- More say on pay proposals
- Similar levels of institutional and retail voting support compared to last year
- Increase in institutional equity ownership
VOTING RATES BY SHAREHOLDER SEGMENT

Retail voting participation continues to significantly lag participation by institutions. Retail shareholders voted about 30% of their shares – a decrease of about one percentage point from 2012. While low levels of retail turnout have been attributed to retail “investor apathy,” there are other potential factors that may affect retail voter turnout. Increasing numbers of companies are adopting “notice and access” for proxy material distribution, given the cost savings. However, with the addition of another step in the process, the result is less than 5% of the recipients of a mailed notice actually vote. In contrast, institutional shareholders voted 90% of their shares, consistent with last year.

OWNERSHIP BY SHAREHOLDER SEGMENT

Institutional equity ownership continues to increase. In total, institutional shareholders own 67% of street shares versus 33% for retail – reflecting an increase of about 2 percentage points in institutional ownership from 2012. This increase is consistent with a shift in equity ownership patterns that began in the 1980s, and largely reflects the broader move of many individuals into institutionally managed accounts.

OWNERSHIP COMPOSITION

<table>
<thead>
<tr>
<th>Year</th>
<th>Institutions</th>
<th>Retail</th>
<th>Not Voted</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>67%</td>
<td>33%</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>65%</td>
<td>35%</td>
<td></td>
</tr>
</tbody>
</table>

2013:
- 90% VOTED
- 10% NOT VOTED
- 30% VOTED
- 70% NOT VOTED

2012:
- 90% VOTED
- 10% NOT VOTED
- 31% VOTED
- 69% NOT VOTED

A CLOSER LOOK:
Institutional voting rates were highest at mid and small caps (93%) and lowest at micro caps (80%), with large caps in the middle at 89%.

Retail voting rates were highest at micro caps (32%) - up 4 percentage points from last year, but dropped by 10 percentage points at mid caps from 28% to 18%.

Key defining company size: Large Cap: $10b+ • Mid Cap: $2b–$10b • Small Cap: $300m–$2b • Micro Cap: $300m or less
DIRECTOR VOTING

Directors continue to be elected with substantial shareholder support. On average, Directors were elected with 95% of the shares voted in favor, consistent with 2012. More than four out of five directors received at least 90% of beneficial shares voted in their favor. And nearly 90% of directors received at least 80% support. About 2% of directors failed to receive majority shareholder support.

There could be a correlation between negative sentiment toward directors and negative sentiment on say on pay. For example, there were a total of 170 companies with director proposals that did not receive majority support and 104 companies with say on pay proposals that did not receive majority support. Of these, 26 companies had both say on pay proposals and director proposals that did not receive majority support. It’s possible that when shareholders are unhappy with a company’s pay plan, they may express that dissatisfaction in director voting.

DIRECTOR APPROVAL LEVELS

<table>
<thead>
<tr>
<th>SHAREHOLDER APPROVAL LEVEL</th>
<th># OF DIRECTORS 2013</th>
<th># OF DIRECTORS 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>90 - 100%</td>
<td>17,764</td>
<td>18,617</td>
</tr>
<tr>
<td>80 - 89%</td>
<td>1,968</td>
<td>2,516</td>
</tr>
<tr>
<td>70 - 79%</td>
<td>951</td>
<td>1,009</td>
</tr>
<tr>
<td>60 - 69%</td>
<td>550</td>
<td>612</td>
</tr>
<tr>
<td>50 - 59%</td>
<td>340</td>
<td>393</td>
</tr>
<tr>
<td>&lt;10 - 49%</td>
<td>380</td>
<td>428</td>
</tr>
<tr>
<td>TOTAL</td>
<td>21,953</td>
<td>23,575</td>
</tr>
</tbody>
</table>

A CLOSER LOOK:

219 directors of micro caps (2%) did not receive majority shareholder support versus only 21 directors of large caps (0.7%).

10 QUESTIONS DIRECTORS SHOULD ASK:

1. What is the institutional and retail mix of our company’s share ownership?
2. Do we fully understand the impact of retail voting at our company?
3. How does our company's size and mix of institutional and retail ownership impact the voting participation of our shareholders?
4. Does the company have a communication program that allows for adequate engagement with all shareholders?
5. How does our company's shareholder support compare to that of our peers?
6. Does the company anticipate a close shareholder vote on a sensitive issue?
7. Are there situations where additional outreach to retail shareholders might make the difference on a close or sensitive voting issue?
8. Do we understand the concerns of significant shareholders who may decide to vote against one or more of our directors, and/or pay plan, and what have we done to engage them?
9. Have we done sufficient cost/benefit analysis of our distribution method(s) for proxy materials and their effect on voting participation?
10. Have we had sufficient discussions around potential changes to how the company distributes proxy material?
SAY ON PAY APPROVAL RATES

Say on pay proposals received slightly more favorable support this season than in 2012. On average, 2013 pay plans were approved with 89% of the shares voted in favor, a slight increase from 2012. Shareholders supported pay plans at rates over 90% at two-thirds of companies and nearly nine of ten companies received at least 70% support. This increased support may be attributable to the changes companies have made as a result of their previous year’s vote. For example, according to PwC’s 2013 Annual Corporate Directors’ survey, 47% of companies modified proxy statement compensation disclosures, 36% made compensation more performance-based, and 27% increased their communications with proxy advisory firms. The companies most likely to have revised their compensation practices were those that received less than 70% support for their pay plans last year, nearly all of which changed their approach in some way.

Although pay proposals received more favorable support on average across all companies, individual company results can show significant variability year to year. Across market caps, there are examples of individual companies that received high levels of favorable support in 2012 (90%+) that then saw favorable voting decrease to less than 70%. This is a reminder that companies need to remain focused on outreach and engagement to all shareholders every year.

A CLOSER LOOK:

While retail and institutional support of say on pay was generally comparable, we observed differences in shareholder support at companies with favorable voting below 50%. At those companies, retail shareholders supported say on pay at higher rates than institutions at all large and mid cap companies. At small and micro caps, retail support exceeded institutional support at 97% and 62% of companies respectively.

SAY ON PAY VOTING

<table>
<thead>
<tr>
<th>SHAREHOLDER APPROVAL LEVEL</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>90 - 100%</td>
<td>1,725</td>
<td>1,519</td>
</tr>
<tr>
<td>80 - 89%</td>
<td>393</td>
<td>352</td>
</tr>
<tr>
<td>70 - 79%</td>
<td>186</td>
<td>173</td>
</tr>
<tr>
<td>60 - 69%</td>
<td>131</td>
<td>107</td>
</tr>
<tr>
<td>50 - 59%</td>
<td>80</td>
<td>64</td>
</tr>
<tr>
<td>&lt;10 - 49%</td>
<td>104</td>
<td>97</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2,619</td>
<td>2,312</td>
</tr>
</tbody>
</table>

However, about 12% of companies (315) had favorable say on pay votes of less than 70% and 104 proposals failed to achieve majority favorable vote in 2013 - compared to 97 companies that failed to achieve majority favorable vote in 2012. At those companies with less than 70% support, there was slightly more favorable voting by retail shareholders than by institutions.

Key defining company size: Large Cap: $10b+ • Mid Cap: $2b–$10b • Small Cap: $300m–$2b • Micro Cap: $300m or less
RETAIL VOTE RETURN METHODS

The pervasiveness of electronic voting continues to grow – but 70% of retail street shares went un-voted in 2013. How and whether shareholders voted changed in 2013. Institutional shareholders voted 84% of all beneficial shares through an electronic platform in 2013. However, retail shareholders used a mix of voting methods. About 68% of all voted retail shares were cast via the internet, 27% via paper ballot and 5% via touch tone phone. The rate of retail shares voted via the internet increased by 5% over 2012 while shares voted via hard copy decreased by 5 percentage points from last year.

While use of notice and access has likely reduced the average rate of retail voting, overall voting rates of retail voters remained constant year over year. After 6 years of experience with notice and access, companies and shareholders have had additional time to customize or stratify their communications based on their needs or preferences. With the adoption of smart phones and tablet computers which bring more opportunities for retail shareholders to engage via the internet, companies should continue to leverage the channels shareholders use to maintain voting participation, and also improve the experience in order to generate an increase in retail voting. Some companies are making more electronic platforms available to engage shareholders while online, and many are using more sophisticated segmentation and analysis to understand voting patterns and improve voting participation.

RETAIL VOTE

Percent of Shares Voted

| JAN-JUNE 2013 | 5% | 68% | 27% |
| JAN-JUNE 2012 | 5% | 63% | 32% |

- Telephone
- ProxyVote.com
- Paper Ballot

A CLOSER LOOK:

There was a 3% drop this year in the number of full paper packages of proxy materials delivered, due largely to increased use of notice and access by large caps, mid caps and small caps.

RETAIL PROXY MATERIAL DISTRIBUTION METHODS

Companies have shifted some distribution of proxy materials from full paper package to notice delivery. The majority of institutional shareholders holding beneficial shares received proxy materials through an electronic platform. In 2013, 26% of retail shares received a notice – an increase from 23% last year. For retail shareholders, full paper package delivery fell slightly from 47% in 2012 to 44% in 2013, likely reflecting the increased use of notice. Larger companies (those with more than 300,000 street name shareholders) were far more likely to use notice and access (approximately 80% did so in 2013) because of the greater cost savings on print and postage. Electronic delivery continues to be an important channel for almost a third of all retail shares, holding steady at 30% in both 2012 and 2013.

RETAIL PROXY DELIVERY METHODS

Percent of Shares Sent

| JAN-JUNE 2013 | 30% | 26% | 44% |
| JAN-JUNE 2012 | 30% | 23% | 47% |

- E-Delivery
- Mailed Notice
- Mailed Full Set

Key defining company size:
- Large Cap: $10b+
- Mid Cap: $2b–$10b
- Small Cap: $300m–$2b
- Micro Cap: $300m or less
The analysis in this ProxyPulse is based upon 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 the proxy season represent a snapshot in time and may not be predictive of full-season results.

Broadridge Financial Solutions is the leading third-party processor of shareholder communications and proxy voting. Each year it processes over 600 billion shares at over 12,000 meetings.

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