

Press Release  
February 13, 2013

## **The North Carolina Department of State Treasurer and the Shareholder Rights Project Announce the Results of their 2012 Collaboration**

CAMBRIDGE, MA – The North Carolina Department of State Treasurer, the fiduciary for the North Carolina Retirement Systems (NCRS), and the Shareholder Rights Project (SRP) are pleased to announce the results of their work during 2012. NCRS and the SRP worked together on board declassification proposals submitted to 25 S&P 500 companies for presentation at their 2012 annual meetings. This work led to the following outcomes:

- 14 negotiated agreements for companies to bring management declassification proposals;
- Nine successful precatory proposals recommending declassification, with average support of 83 percent;
- 11 companies that have already declassified; and
- At least two companies that will be bringing management proposals to declassify to a vote in 2013.

Following active engagements by NCRS and the SRP, 14 S&P 500 companies receiving proposals entered into agreements to put forward management declassification proposals (see the table below for a list of these companies and additional details). Thirteen of these agreements called for the companies to put forward agreed-upon management proposals for approval at the companies' annual meeting in 2012, and one in 2013.

Ten of the 13 agreed-upon management proposals voted on in 2012 passed, resulting in the declassification of 10 S&P 500 companies (listed in the table below). At three companies the agreed-upon management proposal won a substantial majority but did not pass due to a supermajority provision requiring approval by 80 percent of shares outstanding. One agreed-upon management proposal will go to a vote of shareholder approval in 2013.

Where NCRS and the SRP were unable to reach negotiated outcomes, shareholder proposals urging board declassification went to a vote at the 2012 annual meetings of 11 S&P 500 companies (listed in the table below). Nine of the 11 shareholder proposals passed, receiving average shareholder support of 83 percent of votes cast.

As a result of these successful shareholder proposals, one of these companies has since declassified, and one of these companies has announced its intention to bring a management declassification proposal to a

vote in 2013 (see details in the table below). Additional companies are expected to heed the strong support for declassification expressed in the shareholder votes.

NCRS and the SRP have continued to engage with the other S&P 500 companies where proposals received majority support in 2012. The SRP, on behalf of NCRS, has submitted new shareholder declassification proposals to those companies that had not committed to declassify prior to the proposal submission. It is hoped that, as occurred during the 2012 proxy season, the dialog with these companies will result in further agreements to bring management declassification proposals for a shareholder vote.

Annual elections are widely viewed as corporate governance best practice. A move to annual elections could make directors more accountable and thereby contribute to improving performance and increasing firm value.

NCRS managed assets with a value exceeding \$77 billion, and provided retirement benefits and savings for more than 875,000 North Carolinians, including teachers, state employees, firefighters, police officers, and other public workers, as of September 30, 2012. More information regarding NCRS can be found at [www.nctreasurer.com](http://www.nctreasurer.com).

The SRP is a clinical program at Harvard Law School. The SRP is working on behalf of eight public pension funds and charitable organizations seeking to improve corporate governance at publicly traded companies in which they are shareowners, as well as on research and policy projects related to corporate governance. During 2012, the SRP assisted SRP-represented investors with selecting companies for proposal submission, designing proposals, engaging with companies, negotiating and executing agreements by companies to bring management declassification proposals, and presenting proposals at annual meetings. Any views expressed and positions taken by the SRP and its representatives should be attributed solely to the SRP and not to Harvard Law School or Harvard University. More information regarding the SRP can be found at <http://srp.law.harvard.edu>.

Inquiries should be directed to Emily Lewis, Administrative Director of the SRP, at (617) 495-8254 or [emlewis@law.harvard.edu](mailto:emlewis@law.harvard.edu).

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The table below shows the outcome of each shareholder declassification proposal submitted by NCRS in collaboration with the SRP (percentages shown are of votes cast).

#### **Outcome of NCRS-SRP Collaboration during 2012**

<b>Company</b>	<b>Outcome</b>
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	<b>Company</b>	<b>Outcome</b>
1.	Alcoa Inc. (AA)	Agreed-upon management declassification proposal received majority support but did not pass due to 80% supermajority requirement.
2.	Bemis Company, Inc. (BMS)	Precatory proposal passed (75% support); BOARD DECLASSIFIED by subsequent board-adopted bylaw amendment.
3.	Cabot Oil & Gas Corporation (COG)	BOARD DECLASSIFIED after agreed-upon management declassification proposal passed in 2012.
4.	Cameron International Corporation (CAM)	BOARD DECLASSIFIED after agreed-upon management declassification proposal passed in 2012.
5.	Flowserve Corporation (FLS)	BOARD DECLASSIFIED after agreed-upon management declassification proposal passed in 2012.
6.	FMC Technologies, Inc. (FTI)	BOARD DECLASSIFIED after agreed-upon management declassification proposal passed in 2012.
7.	Helmerich & Payne (HP)	BOARD DECLASSIFIED after agreed-upon management declassification proposal passed in 2012.
8.	Hess Corporation (HES)	PRECATORY PROPOSAL PASSED (78% support); a precatory proposal was submitted for the 2013 annual meeting and dialog continued.
9.	Intuitive Surgical, Inc. (ISRG)	BOARD DECLASSIFIED after agreed-upon management declassification proposal passed in 2012.
10.	Janus Capital Group Inc. (JNS)	BOARD DECLASSIFIED after agreed-upon management declassification proposal passed in 2012.
11.	Kellogg Company (K)	Precatory proposal did not pass; a precatory proposal was submitted for the 2013 annual meeting and dialog continued.
12.	L-3 Communications Holdings, Inc. (LLL)	Agreement reached; agreed-upon MANAGEMENT DECLASSIFICATION PROPOSAL going to a vote in 2013.
13.	Lexmark International, Inc. (LXK)	PRECATORY PROPOSAL PASSED (93% support); a precatory proposal was submitted for the 2013 annual meeting and dialog continued.
14.	MEMC Electronic Materials, Inc. (WFR)	PRECATORY PROPOSAL PASSED (96% support); company has announced MANAGEMENT DECLASSIFICATION PROPOSAL going to a vote in 2013.
15.	NRG Energy, Inc. (NRG)	BOARD DECLASSIFIED after agreed-upon management proposal passed in 2012.

	<b>Company</b>	<b>Outcome</b>
16.	PACCAR Inc. (PCAR)	Precatory proposal did not pass; a precatory proposal was submitted for the 2013 annual meeting and dialog continued.
17.	People's United Financial, Inc. (PBCT)	PRECATORY PROPOSAL PASSED (91% support); a precatory proposal was submitted for the 2013 annual meeting and dialog continued.
18.	PPG Industries, Inc. (PPG)	Agreed-upon management declassification proposal received majority support but did not pass due to 80% supermajority requirement; a precatory proposal was submitted for the 2013 annual meeting and dialog continued.
19.	Rowan Companies, Inc. (RDC)	BOARD DECLASSIFIED after agreed-upon management declassification proposal passed in 2012.
20.	Ryder System, Inc. (R)	PRECATORY PROPOSAL PASSED (88% support); a precatory proposal was submitted for the 2013 annual meeting and dialog continued.
21.	SCANA Corporation (SCG)	PRECATORY PROPOSAL PASSED (60% support); a precatory proposal was submitted for the 2013 annual meeting and dialog continued.
22.	Snap-On Incorporated (SNA)	PRECATORY PROPOSAL PASSED (85% support); a precatory proposal was submitted for the 2013 annual meeting and dialog continued.
23.	Stanley Black & Decker, Inc. (SWK)	BOARD DECLASSIFIED after agreed-upon management declassification proposal passed in 2012.
24.	Teradata Corporation (TDC)	Agreed-upon management declassification proposal received majority support but did not pass due to 80% supermajority requirement; a precatory proposal was submitted for the 2013 annual meeting and dialog continued.
25.	United States Steel Corporation (X)	PRECATORY PROPOSAL PASSED (82% support); a precatory proposal was submitted for the 2013 annual meeting and dialog continued.