The Asset Management Industry
SERVING INDIVIDUAL INVESTORS
INVESTMENT COMPANY INSTITUTE

**NEWS RELEASE**

November 11, 2010

# Funds Address Changing Mix of Proxy Proposals During Crisis

Funds Address Changing Mix of Proxy Proposals During Crisis

## ICI Study Examines 10 Million Fund Proxy Votes from 2007 to 2009

Washington, DC, November 11, 2010 - The 2007–2009 financial crisis altered the mix of proxy proposals that funds must vote on, according to a comprehensive new study from the Investment Company Institute. ICI's examination of more than 10 million fund votes cast during this period suggests that funds, as they contended with these changes, were guided by the principle of voting for proxy proposals on their merits, in accordance with fund policies and voting guidelines designed to advance the interests of fund shareholders.

The study, Trends in Proxy Voting by Registered Investment Companies, 2007–2009, finds that funds' approval of all types of shareholder proposals was 50 percent in 2009, up from 35 percent in 2007. This appears to reflect a change in the mix of shareholder proposals toward proposals that advance the economic rights of shareholders, including funds. Notably, these years saw a sharp increase in shareholder proposals seeking the right to call special shareholder meetings and proposals seeking an advisory vote on executive compensation.

"Surveying millions of fund proxy votes reveals a clear picture," said Investment Company Institute President and CEO Paul Schott Stevens. "Funds adhere to their voting guidelines and cast ballots to advance the interest of their investors."

Updating ICI's groundbreaking 2008 research into fund proxy voting, the study provides an overview of the proxy voting process and examines fund proxy votes on proposals from shareholders and management.

As in past years, funds voted more than 90 percent of the time in favor of management proposals, almost three-quarters of which concern election of directors. Broadly in line with vote recommendations of proxy advisory firms, funds generally gave high rates of approval to management's director nominees. However, the proportion of times that funds withheld votes from director nominees increased noticeably from 2007 to 2009. Some funds, to express concerns about executive pay, withheld votes more often from directors on board compensation committees.

Funds also addressed executive compensation in “say-on-pay” votes, a type of proposal that gained prominence during the years of the financial crisis. The report examined funds’ voting in 2009 on two distinct types of proposal:

- Shareholder say-on-pay: In 2009, funds voted nearly 60 percent of the time in favor of shareholder-sponsored say-on-pay proposals. These proposals, which ask management to add an advisory up or down vote on executive compensation to the company’s proxy statement, are a relatively new phenomenon in the United States.
- Management say-on-pay: In 2009, funds voted about 80 percent of the time in favor of management-sponsored say-on-pay proposals. These proposals, which are fundamentally different from shareholder say-on-pay proposals, give shareholders the chance to express approval or disapproval, on an advisory basis, of executive pay packages. Thus, funds expressed disapproval of executive compensation packages nearly 20 percent of the time.

Additionally, the report examines who sponsors shareholder proxy proposals and why. The majority of shareholder proposals are sponsored by a small number of proponents. For example, over the three-year period from 2007 to 2009, shareholders sponsored a total of 1,882 proposals at the 3,000 largest publicly traded U.S. companies. Just 12 separate proponents sponsored about half of these proposals (976 proposals), with three individuals by themselves accounting for nearly 25 percent of all proposals (447 proposals). Remaining shareholder sponsors were much less prolific: 246 other shareholders on average sponsored 3.7 proposals each, or slightly more than one proposal per year.

---