



Mr. John Castellani  
President and CEO  
Business Roundtable  
1717 Rhode Island Avenue, NW  
Suite 800  
Washington, DC 20036

May 7, 2010

Dear Mr. Castellani:

I am writing to inform Business Roundtable and its members that the Council of Institutional Investors recently revised its best-practice corporate governance policy on majority voting for director elections and adopted a set of principles designed to foster effectiveness and efficiency in the proxy voting system.

The Council is a nonprofit association of public, union and corporate pension funds representing more than \$3 trillion in assets, and a leading voice for good corporate governance and strong shareowner rights. Council General Members approved the new majority voting policy and proxy voting system principles on April 13, 2010.

### **Majority Voting for Director Elections**

The Council has long advocated that in uncontested elections, directors should be elected by a majority of votes cast. However, until now, Council policy allowed boards some leeway to reappoint directors who failed to win a majority of votes cast. The revised policy eliminates board discretion to overrule the shareowner vote. Council members were dismayed to learn that directors were losing elections but not their board seats. In 2009, 91 directors at 49 U.S. companies failed to win a majority of votes yet did not relinquish their board seats, according to RiskMetrics Group. All 49 companies used plurality voting, but the trend set a disturbing precedent that boards of majority-vote companies could seize on to reappoint failed directors.

The new language below reflects the fundamental principle that a board should respect the will of the company's shareowners. It is consistent with existing Council policy, which calls on boards to take actions recommended in shareowner proposals that receive a majority of votes cast for and against. The revised policy states that:

“Directors in uncontested elections should be elected by a majority of the votes cast. In contested elections, plurality voting should apply. An election is contested when there are more director candidates than there are available board seats.

Directors who fail to receive the support of a majority of votes cast should step down from the board and not be reappointed. A modest transition period may be appropriate under certain circumstances, such as for directors keeping the company in compliance with legal or listing standards. But any director who does not receive the majority of votes cast should leave the board as soon as practicable.”

## Proxy Voting Principles

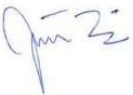
Given the growing importance of proxy voting, Council members adopted the principles below to promote sound proxy voting processes. The principles will inform the Council's response to expected Securities and Exchange Commission proposals to overhaul of the mechanics of proxy voting. The new principles state that:

"The Council believes the public equity market and its stakeholders are best served by a proxy voting system characterized by:

- **Timeliness**—voting related communications should reach eligible voters in sufficient time to allow for careful review of the materials and to facilitate voter participation.
- **Accessibility**—technology should be used to improve the proxy voting process. However, mechanisms should be in place to ensure that shareowners receive proxy materials and can vote even if they do not use electronic voting and communications methods.
- **Accuracy**—all votes properly cast should be correctly tallied.
- **Certainty**—the proxy voting system should provide for end-to-end confirmation enabling both companies and shareowners to confirm that votes properly cast were included in the final tally as directed.
- **Cost-effectiveness**—the costs of transmitting proxy materials and votes should be reasonable."

The new majority voting policy is section 2.2 of the Council's corporate governance policies. Those policies and the new proxy voting system principles are available online at <http://www.cii.org/policies>. If you have any questions regarding the policy or principles, please contact me at 202-261-7088 or [justin@cii.org](mailto:justin@cii.org).

Sincerely,



Justin Levis  
Senior Research Associate