



State of Connecticut  
Office of the Treasurer

Summary of Vote Recommendations  
Global Proxy Voting Policies

*May, 2000*

**I. FINANCIAL REPORTING AND AUDITORS ISSUES**

**A. Director, Auditor and Financial Statement Reports**

The CRPT would:

- Vote FOR approval of financial statements and director and auditor reports, unless:
  - there are concerns about the accounts presented or audit procedures used; or
  - the company is not responsive to shareholder questions about specific items that should be publicly disclosed.

**B. Appointment of Auditors and Auditor Compensation**

The CPRTF would:

- Vote FOR the reelection of auditors and proposals authorizing the board to fix auditor fees, unless:
  - there are serious concerns about the accounts presented or the audit procedures used;
  - the auditors are being changed without explanations; or
  - nonaudit-related fees are substantial or are routinely in excess of standard annual audit fees.
- Vote AGAINST the appointment of external auditors if they have previously served the company in an executive capacity or can otherwise be considered affiliated with the company.

- ABSTAIN if a company changes its auditors and fails to provide to shareholders explanation for the change.

### **C. Appointment of Internal Statutory Auditors**

The CRPTF would:

- Vote FOR the appointment or reelection of statutory auditors, unless:
  - there are serious concerns about the statutory reports presented or the audit procedures used;
  - questions exist concerning any of the statutory auditors being appointed; or
  - the auditors have previously served the company in an executive capacity or can otherwise be considered affiliated with the company.

## **II. AMENDMENTS TO ARTICLES OF ASSOCIATION**

### **A. Change in Company Fiscal Term**

The CRPTF would:

- Vote FOR resolutions to change a company's fiscal term unless a company's motivation for the change is to postpone its annual general meeting (AGM).

### **B. Lower Disclosure Threshold for Stock Ownership**

The CRPTF would:

- Vote AGAINST reductions that could act as a pretext for an antitakeover device.
- Vote FOR resolutions to lower the stock ownership disclosure threshold in the interests of providing more disclosure by significant shareholders.

### **C. Transact Other Business**

The CRPTF would:

- Vote AGAINST other business when it appears as a voting item.

## **III. Board of Directors**

#### **A. Director and Supervisory Board Member Elections**

The CRPTF would:

- Vote FOR management nominees in the election of directors, unless:
  - there are clear concerns about the past performance of the company or the board;
  - the board fails to meet minimum corporate governance standards, (e.g., board independence, executive compensation that is performance based, disclosure);
  - the board takes actions that are not in shareholders' best interests (excessive executive compensation, adopting antitakeover devices, failure to respond to shareholder concerns/wishes, or demonstrating a "lack of duty or care"); or
  - the board has been insensitive to labor interests, human rights, supplier codes of conduct, or has engaged in other corporate activities that affect the reputation of the company.

#### **B. Director Fees**

The CRPTF would:

- Vote FOR proposals to award director fees unless the amounts are excessive relative to other companies in the country or industry.
- Vote AGAINST proposals to introduce retirement benefits for nonexecutive directors.

#### **C. Discharge of Board and Management**

The CRPTF would:

- Vote CASE-BY-CASE on the discharge of the board and management.

#### **D. Liability, Indemnification for Directors, Officers, and Auditors**

The CRPTF would:

- Vote CASE-BY-CASE on proposals that provide director liability for actions on behalf of the company.
- ABSTAIN on proposals that provide for director liability where national law dictates that a shareholder who casts a FOR vote forfeits legal rights, such as the right to sue a company.

- Vote FOR proposals to allow indemnification of directors and officers when actions were taken on behalf of the company and no criminal violations occurred.
- Vote AGAINST proposals to indemnify auditors.
- Vote AGAINST proposals to reduce or eliminate directors' personal liability when litigation is pending against current board members.

**E. Board Structure**

The CRPTF would:

- Vote FOR proposals to fix board size.
- Vote AGAINST the introduction of classified boards and mandatory retirement ages for directors.
- Vote AGAINST proposals to alter board structure or size in the context of a fight for control of the company or the board.

**IV. CAPITAL SYSTEMS**

**A. Authorized Capital System**

**B. Conditional Capital System**

**C. Share Issuance Request**

**D. Specific Issuances**

**E. For A through D Issues**

The CRPTF would:

- Vote FOR general issuance requests with preemptive rights up to 50 percent of issued capital;
- Vote FOR general issuance requests without preemptive rights up to 10 percent of issue capital; and
- Vote FOR specific issuance requests with or without preemptive rights up to any amount.

**F. Increase in Authorized Capital**

The CRPTF would:

- Vote FOR nonspecific proposals to increase authorized capital up to 50 percent over the current authorization.
- Vote FOR specific proposals to increase authorized capital to any amount, unless:  
the specific purpose of the increase (such as a share-based acquisition or merger) does not meet the guidelines for the purpose being proposed.  
Vote AGAINST proposals to adopt unlimited capital authorizations.

## **V. INCREASE IN CAPITAL STRUCTURES**

The CRPTF would:

- Vote FOR resolutions that seek to maintain or convert to a one share, one vote capital structure.
- Vote AGAINST requests for the creation or continuation of dual class capital structures or the creation of new or additional super-voting shares.

### **A. Preferred Stock and Blank Check Preferred Stock**

The CRPTF would:

- Vote AGAINST the creation of blank check preferred stock.
- Vote proposals to increase blank check preferred authorizations on a CASE-BY-CASE basis.

### **B. Debt Issuance Requests**

The CRPTF would:

- Vote debt issuance requests on a CASE-BY-CASE basis, with or without preemptive rights.
- Vote AGAINST an issuance of convertible bonds with preemptive rights if the conversion increases the company's outstanding shares by more than fifty percent (50%).
- Vote AGAINST an issuance of convertible bonds without preemptive rights if the conversion increases the company's share capital by more than ten percent (10%) over the current outstanding capital.

### **C. Pledging of Assets for Debt**

The CRPTF would:

- Vote proposals to approve the pledging of assets for debt on a CASE-BY-CASE basis.

**D. Increase in Borrowing Powers**

The CRPTF would:

- Vote proposals to approve increases in a company's borrowing powers on a CASE-BY-CASE basis.

**E. Share Repurchase Plans**

The CRPTF would:

- Vote AGAINST if there is evidence of past abuse of the authority or the plan contains no safeguards against selective buybacks.
- Vote AGAINST if additional investment is needed in business upgrades.

**F. Capitalization of Reserves for Bonus Issues/Increase in Par Value**

The CRPTF would:

- Vote FOR requests to capitalize reserves for bonus issues of shares to increase par value.

**G. Stock (SCRIP) Dividend Alternative and Dividend Reinvestment Plans**

The CRPTF would:

- Vote FOR stock (scrip) dividend proposals.
- Vote AGAINST proposals that do not allow for a cash option unless management demonstrates that the cash option is harmful to shareholder value.

**VI. RESTRUCTURING AND TRANSACTIONS**

**A. Reorganizations/Restructuring**

The CRPTF would:

- Vote reorganizations and restructuring on a CASE-BY-CASE basis.

**B. Mergers and Acquisitions**

The CRPTF would:

- Vote FOR mergers and acquisitions, unless:

- the impact on earnings or voting rights for one class of shareholders is disproportionate to the relative contributions of the group; or
  - the company's structure following the acquisition or merger does not reflect good corporate governance (this will be defined differently within each market context, but should consider such basic provisions as board independence, performance based executive compensation and disclosure of major corporate reorganizations); or
  - there is a high degree of job loss with no reasonable explanation; or
  - there is a significant reduction in basic labor standards.
- Vote AGAINST if the companies do not provide sufficient information upon request to make an informed voting decision.
  - ABSTAIN if there is insufficient information available to make an informed voting decision.

### **C. Reincorporation Proposals**

The CRPTF would:

- Vote reincorporation proposals on a CASE-BY-CASE basis.
- Vote against the reincorporations to countries, states, or provinces with less stringent disclosure requirements or corporate governance provisions that may be management attempts to lessen accountability to shareholders.
- Vote AGAINST reincorporations to new jurisdictions that diminish basic labor rights and standards.

### **D. Expansion of Business Activities**

The CRPTF would:

- Vote FOR resolutions to expand business activities unless the new business takes the company into risky business.

### **E. Related Party Transactions**

The CRPTF would:

- Vote related party transactions on a CASE-BY-CASE basis.
- ABSTAIN from voting when details of a particular arrangement are not available.

## **VII. COMPENSATION PLANS**

### **A. Stock Options Plans**

The CRPTF would:

- Vote compensation plans on a CASE-BY-CASE basis, taking into account the dilution that will arise from the plan and by analyzing the key features of such plans. Among the criteria that PVS examines in evaluating stock option plans are the following, generally organized from criteria of greater importance to criteria of lesser importance..

#### **1. Shares Reserved for Issuance of Options Under the Plan**

The CRPTF would:

- Vote FOR plans that feature dilution levels of up to five percent (5%) at mature companies and of up to ten percent (10%) at growth oriented companies.

#### **2. Exercise Price and Discounts**

The CRPTF would:

- Vote FOR plans that permit discounts up to 15 percent, but only for grants that are a part of a broad-based employee plan, including all nonexecutive employees.
- Vote AGAINST plans that allow for grants of discounted options to executive officers and/or nonexecutive directors.

#### **3. Plan Administration**

The CRPTF would:

- Vote FOR plans that are administered by individuals who are unable to participate in the plan, as long as all of the other plan terms are in line with guidelines.
- Vote AGAINST plans that allow the administering committee to grant options to itself due to the potential for "backscratching" abuse.

#### **4. Performance Criteria and Vesting Provisions**

The CRPTF would:

- Vote on a CASE-BY-CASE.



## **B. Other Features**

### **1. Option Repricing**

The CRPTF would:

- Vote AGAINST plans that include provisions allowing for option repricing when the exercise price is reduced in response to a drop in the share price.
- Vote AGAINST the introduction of plans where there is a history of repricing options.
- Vote AGAINST proposals seeking shareholder approval to reprice options.

### **2. Financial Assistance**

The CRPTF would:

- Vote FOR plans that allow for the use of loans in option plans as long as such loans are full-recourse, are set at market rates, and have a reasonable term.

### **3. Restricted Stock**

The CRPTF would:

- Vote AGAINST the use of restricted stock in option plans, unless there are strict limits on the number of awards that may be granted as restricted stock.

## **C. Incentive Plans**

The CRPTF would:

- Vote proposals to adopt incentive plans on a CASE-BY-CASE basis, employing the criteria used to examine stock option plans outlined in Section A in the Global Proxy Voting Guidelines.

## **D. Employee Share Purchase Plans**

The CRPTF would:

- Vote FOR broad-based, employee-directed share purchase plans with discounts up to fifteen percent (15%).
- Vote FOR plans that allow for the use of loans in employee share purchase plans, unless there are specific concerns with the terms of the loans.

#### **E. Grants Outside of Plans**

The CRPTF would:

- Vote proposals to approve grants outside of formal plans on a CASE-BY-CASE basis, employing the criteria used to examine stock option plans outlined in Section A in the Global Proxy Voting Guidelines.

### **VIII. ANTITAKEOVER MECHANISMS**

The CRPTF would:

- Vote AGAINST all antitakeover proposals unless they are structured in such a way that they give shareholders the ultimate decision on any proposal or offer.
- Vote AGAINST the adoption of poison pills unless they meet ALL of the criteria outlined in Section VII-C of the Proxy Voting Guidelines.
- Vote AGAINST the introduction of depository receipts and priority shares.

### **IX. SHAREHOLDER PROPOSALS**

#### **A. Corporate Governance Proposals**

The CRPTF would:

- Generally vote FOR shareholder social, workforce, and environmental proposals that create good corporate citizens while enhancing long-term shareholder value.
- Generally vote FOR disclosure reports that seek additional information that is not available elsewhere and that is not proprietary, particularly when it appears companies have not adequately addressed shareholders' social, workforce, and environmental concerns.

#### **B. Special Policy Review and Shareholder Advisory Committees**

The CRPTF would:

- Vote FOR proposals calling for special policy review and shareholder advisory committees when they appear to offer a potentially effective method for enhancing shareholder value.

**C. Environmental Reporting, Codes of Conduct and the CERES Principles**

The CRPTF would:

- Vote FOR proposals on codes of conduct that improve the company's public image, reduces exposure to liabilities, and establish standards so that environmentally responsible companies and markets are not at a competitive disadvantage.
- Vote FOR adoption of reports to shareholders on environmental issues.
- Vote FOR the adoption of the CERES principles.

**D. MacBride Principles**

The CRPTF would:

- In compliance with Connecticut state statutes, vote FOR proposals to support the implementation of the MacBride Principles for operations in Northern Ireland that requests companies to abide by equal employment opportunity policies within the legal requirements of the law.

**E. Contract Supplier Standards**

The CRPTF would vote for proposals that:

- Seek publication of a "Code of Conduct" to the company's foreign suppliers and licensees, requiring they satisfy all applicable standards and laws protecting employees' wages, benefits, working conditions, freedom of association, and other rights.
- Request a report summarizing the company's current practices for enforcement of its Code of Conduct.
- Establishes independent monitoring programs in conjunction with local and respected religious and human rights groups to monitor supplier and licensee compliance with the Code of Conduct.
- Create incentives to encourage suppliers to raise standards rather than terminate contracts.
- Implement policies for ongoing wage adjustments, ensuring adequate purchasing power and a sustainable living wage for employees of foreign suppliers and licensees.
- Request public disclosure of contract supplier reviews on a regular basis.

- Adopt labor standards for foreign and domestic suppliers to ensure that the company will not do business with foreign suppliers that manufacture products for sale in the U.S. using forced labor, child labor, or that fail to comply with applicable laws protecting employee's wages and working conditions.

**F. Corporate Conduct, Human Rights, and Labor Codes**

The CRPTF would:

- Vote FOR principles or Codes of Conduct relating to company investment in countries with patterns of human rights abuses (Northern Ireland, Burma, former Soviet Union, and China) and that are in accordance with the provisions of the General statutes of Connecticut, Sections 3-13, 45a-203 and 45a-541.
- Vote FOR proposals that support implementation and reporting on ILO codes of conduct.
- Vote FOR proposals that support independent monitoring programs in conjunction with local and respected religious and human rights groups to monitor supplier and licensee compliance with Codes.