NEW YORK CITY PENSION FUNDS

2013 SHAREOWNER INITIATIVES

POSTSEASON REPORT

New York City Comptroller
John C. Liu

FALL 2013

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE PROGRAM OVERVIEW

The New York City Comptroller, as investment adviser to the five New York City pension funds (collectively "the NYC Funds"), is responsible for voting the funds' domestic proxies and developing and implementing the funds' shareowner initiatives. The NYC Funds are:

- New York City Board of Education Retirement System (BERS)
- New York City Employees' Retirement System (NYCERS)
- New York City Fire Department Pension Fund (Fire)
- New York City Police Pension Fund (Police)
- New York City Teachers' Retirement System (TRS)

Consistent with the fiduciary obligations of the funds' boards of trustees, the proxy voting and shareowner initiatives programs actively promote sound corporate governance, responsible executive compensation and sustainable business practices at portfolio companies in order to protect and enhance the long-term value of the funds' investments.

The Environmental, Social and Governance (ESG) program of the New York City Comptroller's Office develops and implements the proxy voting and shareowner initiatives programs of the five funds, including engagement with management and directors at portfolio companies. The ESG program staff present the proposed programs to the Proxy Committee of each fund for review and approval. Each Proxy Committee acts on behalf of its respective Board of Trustees.

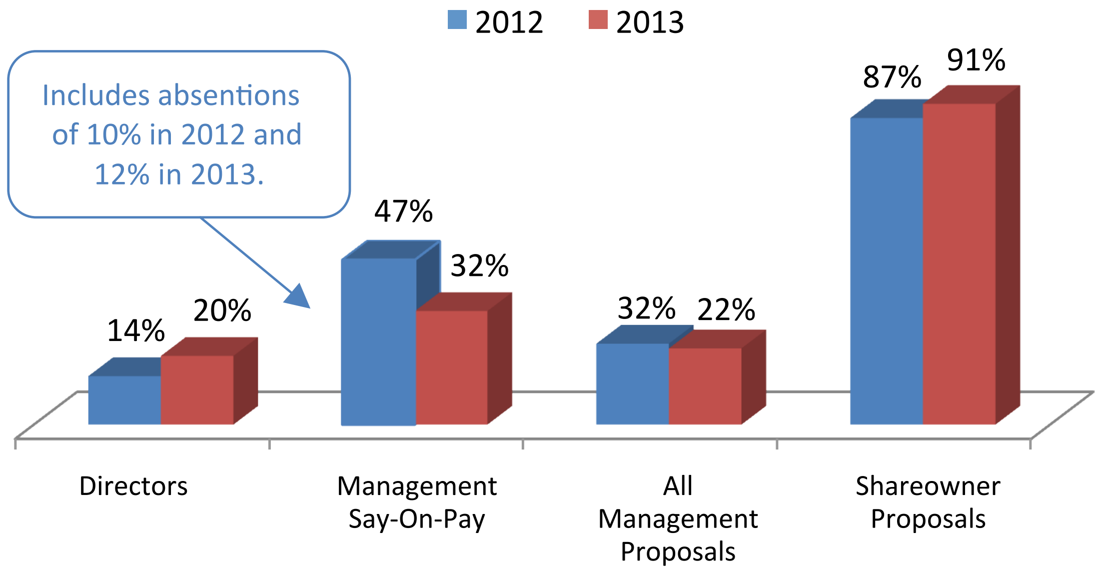
PROXY VOTING

For the 12 months ending June 30, 2013 (which corresponds to the City's fiscal year), the Comptroller's Office voted on 29,046 individual ballot items at 3,482 annual and special meetings for portfolio companies. Major proxy voting issues included (a) the election of directors; (b) management proposals to ratify auditors and approve executive compensation, changes in corporate governance and mergers and acquisitions; and (c) shareowner proposals on a wide range of environmental, social and governance (ESG) policies and practices.

Of all votes cast, 77.9 percent were for the management-recommended vote, although the NYC Funds voted for most shareowner proposals despite management opposition. In accordance with the City pension funds' proxy voting guidelines, the Comptroller's Office generally votes in favor of shareowner proposals to strengthen board of director independence and accountability, align executive pay with long-term performance, and promote transparent, sustainable and responsible business practices.

During fiscal 2013, these included, but were not limited to, shareowner proposals calling on companies to name an independent chair, require directors to stand for annual election, adopt a board diversity policy, report on energy efficiency, prepare an annual sustainability report, perform a human rights risk assessment, and disclose corporate political and lobbying spending.

VOTES AGAINST MANAGEMENT RECOMMENDATIONS



The City pension funds also voted against, or abstain, on 32 percent of management's Say-on-Pay proposals in 2013, down from 47 percent in 2012. An abstain vote, which NYC Funds rarely cast on issues other than Say-on-Pay, generally indicates that (a) a company with pay-for-performance problems has recently disclosed changes to plan structure but it is too soon to assess their impact or (b) a company has reasonable pay levels but a number of problematic pay practices, such as discretionary bonuses or no stock ownership requirements.

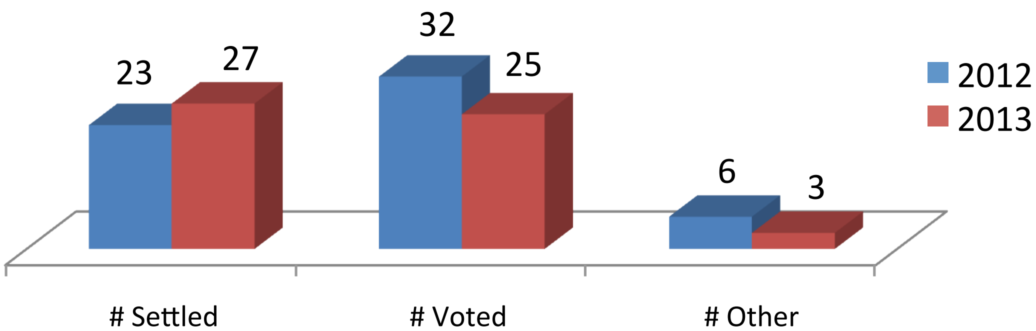
SHAREOWNER INITIATIVES

In addition to proxy voting, the NYC Funds also pro-actively advance reforms to strengthen corporate governance, align executive pay with long-term performance, and promote sustainable business practices at select companies in which they are shareowners. The NYC Funds are among the most active institutional investors in terms of filing shareowner proposals and also engage with portfolio companies through letters and dialogue, often in collaboration with other institutional investors. Finally, in certain circumstances of serious board failure, the NYC Funds may publicly oppose the election of directors by leading "vote no" campaigns or publicly supporting "vote no" efforts led by other shareowners.

2013 SHAREOWNER INITIATIVE HIGHLIGHTS

The NYC Funds had a productive 2013 proxy season, reaching negotiated agreements with 27 of the 55 companies that received shareowner proposals; an additional focus company, Avalon Bay, acted on the proposal prior to submission in response to a high vote in 2012. The funds' 49 percent settlement rate compares favorably to 2012, when the Comptroller's Office settled 38 percent of the funds' proposals, and to the average settlement rate of roughly 20 percent.

SUMMARY PROPOSAL STATISTICS



Responsive companies took meaningful steps to align executive pay with long-term performance, enhance director accountability, promote workplace diversity, disclose corporate political spending; and promote transparency and sustainability in their global supply chains, including with respect to human and worker rights. Among the highlights:

- Four financial firms — **Capital One**, **Citigroup**, **Encore Capital** and **Wells Fargo** — and three pharmaceutical firms – **Boston Scientific**, **Johnson & Johnson** and **Merck** – adopted clawback policies empowering the board to recoup pay from senior executives responsible for improper conduct or excessive risk taking.
- **Chesapeake Energy** agreed to propose a bylaw amendment to grant shareowners access to the corporate proxy to nominate directors as part of a major overhaul of its board and governance. Since the NYC Funds led a successful director "vote no" campaign in 2012, the company has reconstituted its board, named an independent chairman and hired a new CEO, and its share price has outperformed its peers.
- Health insurer **Wellpoint** agreed to name an independent chairman upon the April 2013 retirement of its existing chair, and to maintain the position for at least two years.
- **Energen** agreed to take steps to require all directors to stand for election annually and **GEO Group** adopted majority voting for director elections.
- **EMC**, **Gap**, **NIKE**, **Target** and **Texas Instruments** agreed to promote greater transparency of their suppliers' compliance with internationally recognized standards on workplace safety and human and worker rights by encouraging key suppliers to prepare sustainability reports using Global Reporting Initiative (GRI) protocols.
- **AIG**, **Bank of NY Mellon** and **U.S. Bancorp** agreed to disclose the breakdown of their workforce by race and gender for major job categories, including senior management.
- **Anadarko Petroleum**, **Domino's Pizza**, **Philip Morris** and **Ralph Lauren** expanded their EEO policies to prohibit discrimination based on gender identity.
- **Lowe's Companies** and **WellCare Health Plans** agreed to disclose all direct and indirect political spending.
- **Avalon Bay**, **Kimco Realty** and **SL Green Realty** agreed to prepare annual sustainability reports based on the GRI and specifically addressing greenhouse-gas emissions, water conservation, waste minimization and energy efficiency. All three are residential REITs with significant property holdings in New York City.

Three of the 24 proposals that went to a vote received majority support, and several other proposals received noteworthy support. Among the highlights:

- A proposal to require an independent board chairman at **Netflix** received 73.4 percent of votes cast, the highest vote ever on an independent board chair proposal; a similar proposal received the majority of votes cast by unaffiliated shareowners of **Urban Outfitters**, but did not pass due to substantial insider ownership.
- A proposal to require the **CF Industries** board to include women and minority candidates in the pool from which board nominees are chosen received a 50.7 percent vote, the first time a proposal on board diversity has received majority support.
- A proposal to grant substantial, long-term shareowners of **Nabors Industries** the right to include director nominees in the company's proxy statement received 52.1 percent of votes cast, the first such proposal to receive majority support for two consecutive years.
- A first-time proposal calling on **Exxon Mobil** to release quantitative data on its efforts to safeguard the public and the environment from its hydraulic fracturing ("fracking") operations received 30.2 percent of votes cast, demonstrating broad investor demand for hard data to assess the environmental and safety risks posed by fracking.

Finally, this year the NYC Funds publicly opposed the election of directors at three companies:

Cablevision

The NYC Funds led a "vote no" campaign against five Cablevision directors, three of whom had failed to receive majority shareowner support in 2010 and 2012. In a letter to Cablevision shareowners and filed with the SEC, Comptroller Liu cited Cablevision's fundamental lack of board accountability, poor performance, excessive executive pay, and pervasive conflicts of interest involving the Dolan family, which controls 73 percent of the voting power despite owning less than one quarter of the company. The five directors were each opposed by at least 39 percent of votes cast, including two directors who failed to receive majority support. The board reseated all five directors.

Hewlett-Packard

The NYC Funds opposed two Hewlett-Packard directors who failed to protect investors from a series of ill-advised acquisitions (Autonomy, EDS and Palm) and boardroom fiascos that destroyed tens of billions of dollars in shareowner value. The Comptroller's Office detailed the NYC Funds' concerns with the directors, who were the subject of a vote no campaign led by the CtW Investment Group, in a press release that was also filed with the SEC. Shareowners subsequently cast 45 percent and 46 percent, respectively, against the directors' election. In a major victory for shareowners, both directors resigned two weeks later.

Wal-Mart

The NYC Funds opposed nine Wal-Mart directors due to the board's poor oversight of compliance, lack of independence and unresponsiveness to investor concerns, as detailed in a Comptroller's Office press release filed with the SEC. Four of the directors – including the Chairman, CEO, former CEO and audit committee chairman – received particularly high opposition votes: excluding the Walton family, which controls approximately 50 percent of the company's shares, unaffiliated shareowners cast about 21 percent to 30 percent of their votes against their election.

It was the second consecutive year the four directors received strong opposition. Since last year's no confidence vote, which was driven by reports that executives attempted to cover up alleged bribery in Mexico, Wal-Mart's board has become less independent, even as it has reportedly expanded its investigation into possible bribery to additional countries.

2013 SUMMARY STATISTICS

SUMMARY FILING STATISTICS BY PROPOSAL, 2013

Issue By Category	Filed	Omitted	Settled	Other	Voted
Corporate Governance					
Independent Board Chair	7	--	1	--	6
Proxy Access	2	--	1	--	1
Diversity/Board of Directors	2	--	--	--	2
Board Declassification	1	--	1	--	--
Majority Voting	1	--	1	--	--
Executive Pay - Clawbacks	7	--	7	--	--
Executive Pay - Compliance Costs	1	--	--	--	1
Executive Pay - Multiple Metrics	2	1	--	--	--
Subtotal	**23**	**1**	**11**	**0**	**11**
Environmental & Social Issues					
EEO-1 Report Disclosure	5	--	3	--	2
Sexual Non-Discrimination	7	--	4	--	3
Political Spending Disclosure	8	--	2	1	5
Fracking Risk/Quantitative Metrics	1	--	--	--	1
Sustainability Reporting	3	--	[1]2	--	1
Gainful Employment Metrics	2	1	--	--	1
Supplier Sustainability Reporting	6	--	5	--	1
Subtotal	**32**	**1**	**16**	**1**	**14**
Total	**55**	**2**	**27**	**1**	**25**

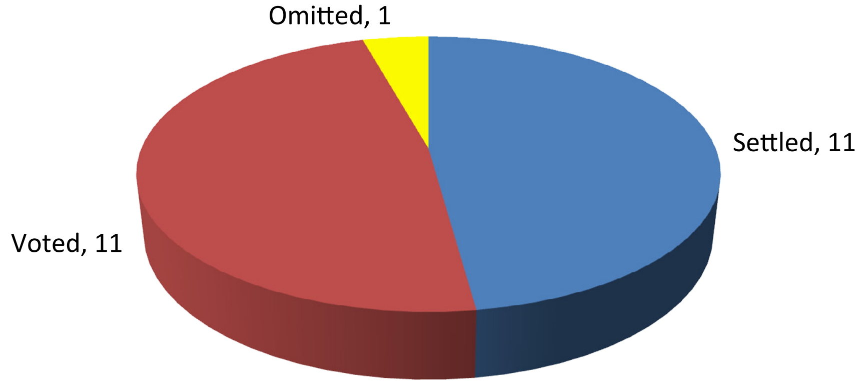
[1]Excludes proposal settled prior to re-submission in response to high vote in 2012.

The Comptroller's Office generally, but not necessarily, files individual shareowner proposals on behalf of all five pension funds. For 2013, all five of the NYC Funds jointly sponsored each of the 55 proposals.

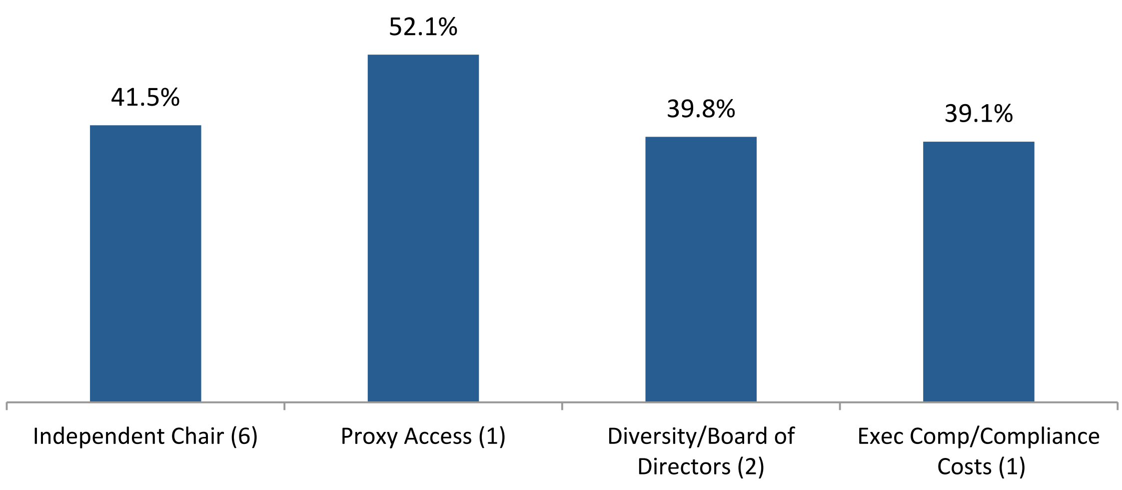
CORPORATE GOVERNANCE INITIATIVES

The Comptroller's Office withdrew eleven of the 23 corporate governance proposals after the companies agreed to adopt the requested reform either in whole or in part, or took steps to address the NYC Funds' underlying concerns. In most cases, the companies either adopted more robust executive compensation clawback policies or strengthened board of director accountability by adopting majority voting for director elections, declassifying their board or taking steps to implement proxy access. Ten corporate governance proposals went to a vote prior to publication, three of which received majority support, and an eleventh vote is pending.

CORPORATE GOVERNANCE PROPOSALS



AVERAGE VOTE BY CORPORATE GOVERNANCE ISSUE



INDEPENDENT BOARD CHAIRMAN

	2012	2013
Aetna Inc.	--	33.3%
Johnson Controls, Inc.	--	29.8%
JPMorgan[1]	--	32.2%
Mylan Inc.	35.5%	41.6%
Netflix, Inc.	--	73.4%
Urban Outfitters, Inc.	--	[2]38.9%
Wellpoint Inc.	--	Settled

[1]Co-sponsored with the AFSCME Employees Pension Plan (lead filer), Connecticut and Hermes Equity Ownership Services

[2]Excluding votes cast by insiders, the proposal received an estimated 53.6% vote.

The NYC Funds submitted shareowner proposals to seven companies calling for an independent board chairman. Shareowners are best served when a CEO runs the business on one hand and reports to an independently-led board on the other. The role of the board is to oversee the CEO. An irresolvable conflict of interest arises when those roles are reversed.

While the proposal at JPMorgan prompted a national debate on the merits of an independent chairman and captured more media attention than any shareowner proposal in recent memory, the proposal also produced noteworthy outcomes at several other companies, particularly Wellpoint and Netflix. The decision to co-sponsor the proposal at JPMorgan, which is among the NYC Funds' largest holdings and among the world's largest and most complex financial institutions, followed the $6 billion "London Whale" trading loss in 2012. The loss exposed serious risk management weaknesses and damaged the bank's credibility with its regulators.

Despite JPMorgan's aggressive efforts to defeat the proposal, it received 32 percent of votes cast, which is in line with the average vote on the issue but below the 40 percent vote it garnered in 2012. In a positive but incremental step, the JPMorgan board responded by strengthening the role of its lead independent director, who now has the authority to call meetings at any time and to approve agendas and add agenda items.

Wellpoint, which was facing the imminent transition of both its Chairman and CEO, agreed to maintain an independent chair for the initial contract term of its next CEO (provided that such period shall not be less than two years). Subsequent to the agreement, Joseph R. Swedish joined Wellpoint as its new CEO and the board named George A. Schaefer, Jr., an independent director since 2001, as independent Chairman.

At Netflix, the proposal received 73.4 percent of votes cast, which appears to be the highest vote ever cast in support of an independent chair proposal. The proposal also received strong support at Mylan and Urban Outfitters. At Urban Outfitters, which has high insider ownership, the Comptroller's Office estimates that the proposal received a 53.6 percent of votes cast by outside shareowners.

SHAREOWNER ACCESS TO THE PROXY TO NOMINATE DIRECTORS

	2012	2013
Chesapeake Energy Co.	62.3%	Settled
Nabors Industries[1]	56.2%	52.1%

[1]Co-sponsored by CalSTRS, Connecticut and North Carolina.

Following majority votes in 2012, the NYC Funds re-submitted proposals calling on two companies to amend their bylaws to allow substantial, long-term shareowners to include their director nominees in the company's proxy statements. Both companies' boards of directors have histories of awarding excessive CEO compensation and ignoring shareowner concerns.

The proposal terms mirrored those in a Securities and Exchange Commission (SEC) rule approved in 2010 that the U.S. Chamber of Commerce and Business Roundtable successfully challenged in federal court: shareowners holding at least three percent of the stock for three years could nominate up to 25 percent of the board and place the names on the ballot. Additionally, the proposal at Chesapeake Energy was binding.

The Comptroller's Office withdrew the proposal at Chesapeake after the board agreed to put forward a management proposal to implement the requested bylaw change at its 2013 annual meeting. Management's proposal received more than 98 percent of votes cast, but fell short of the two-thirds of outstanding shares required to amend Chesapeake's bylaws due to insufficient voter turnout. The Comptroller's Office is reviewing next steps with the company.

The NYC Funds' shareowner proposal went to a vote at Nabors and once again received the majority of votes cast. In an extraordinary step that is not permitted for U.S. companies, the Bermuda-incorporated company included broker nonvotes—votes cast by brokers on behalf of retail clients who fail to provide voting instructions—as against votes. As a result, Nabors reported that the proposal received a 45.9 percent vote and therefore did not to pass.

BOARD DIVERSITY

	2013
CF Industries	50.7%
Freeport-McMoRan Copper & Gold, Inc.	28.9%

The NYC Funds submitted proposals calling on the nominating committees of two S&P 500 companies with few, if any, female or minority directors to adopt a policy on board diversity. Among other provisions, the requested policy would require each nominating committee to include women and minority candidates in the pool from which board nominees are chosen and to include nominees from both non-executive corporate positions and non-traditional environments such government, academia, and non-profit organizations.

A growing body of empirical research indicates a significant positive relationship between firm value and the percentage of women on boards. According to an August 2012 report by Credit Suisse Research Institute, which evaluated the performance of 2,360 companies globally over the six years ending December 2011, companies with one or more women on the board delivered higher average returns on equity, lower leverage, better average growth and higher price/book value multiples.

The proposal at **CF Industries** received 50.7 percent of votes cast, the first time a shareowner proposal on board diversity has received a majority vote, while the proposal at **Freeport McMoran** received a 28.9 percent vote.

BOARD DECLASSIFICATION

	2012	2013
Energen Corporation	83.1%	Settled

Energen, an oil and gas exploration and production company, agreed to take the necessary steps to declassify its board. Management's subsequent proposal to amend the company's certificate of incorporation to provide for one-year terms for directors, rather than staggered three-year terms, received 95 percent of votes cast at Energen's 2013 annual meeting.

Classified boards, in which directors serve staggered multi-year terms, insulate directors from annual accountability to shareowners and can serve as an anti-takeover device. Academic studies have also shown that classified boards are linked to lower shareowner returns.

MAJORITY VOTE STANDARD FOR DIRECTOR ELECTIONS

	2012	2013
GEO Group	64.7%	Settled

The **GEO Group**, a private corrections facility provider, agreed to adopt majority voting for director elections. Nearly 80 percent of S&P 500 companies have adopted majority voting over the past decade, but plurality voting – in which a director only needs one vote to be elected – remains prevalent at smaller companies. According to 2012 data from ISS, 41 percent (vs. 34 percent in 2011) of S&P MidCap companies and 21 percent (vs. 15 percent in 2011) of SmallCap companies have adopted majority voting. Although the GEO Group is not in any S&P index, its $2.5 billion market capitalization is in line with some of the smaller companies in the S&P 500.

EXECUTIVE COMPENSATION – CLAWBACKS AND COMPLIANCE

	2012	2013
Boston Scientific Corporation[1]	--	Settled
Capital One Financial Corporation	--	Settled
Citigroup Inc.	--	Settled
Encore Capital Group	--	Settled
Johnson & Johnson	--	Settled
Merck & Co., Inc.	--	Settled
Wells Fargo & Company	--	Settled
Abbott Laboratories[2]	34.5%	39.1%

[1] Co-sponsored by UAW Retirees Medical Benefits Trust (RMBT).

[2] Related proposal not clawback-specific; co-sponsored by Amalgamated Bank, F&C Asset Management, New York State, and UAW RMBT.

The NYC Funds submitted shareowner proposals to eight companies seeking to both increase financial accountability for senior executives and encourage more effective legal and regulatory compliance. All of the companies – including four financial services firms and four pharmaceutical companies – have paid costly fines in recent years to settle allegations of deceptive or improper business practices. Most of the proposals focused on strengthening compensation "clawback" policies, but focused on the treatment of compliance costs when determining incentive compensation.

Clawbacks

In response to NYC Fund proposals, seven companies adopted policies empowering their respective boards to recover, or "claw back," incentive pay from executives who are responsible for misconduct that causes serious financial or reputational harm to their company, either through their actions or through a failure to supervise others. Previously, the boards could generally only claw back pay from executives who committed intentional or gross misconduct, a higher threshold that generally also results in termination, or in the event of a financial restatement. The new policies are intended to serve as a deterrent to future violations of company policy or law.

In addition to stronger policies, the four financial services firms – Capital One, Citigroup, Encore Capital and Wells Fargo included precedent-setting language regarding disclosure of clawback actions taken, with the strongest commitments coming from Capital One and Encore Capital. In the event of a clawback, the two companies will disclose the total amount clawed back in connection with any event, so long as the underlying event has already been publicly disclosed to investors.

The clawback proposals submitted to Johnson & Johnson and Merck were part of a collaborative engagement with the pharmaceutical industry led by the UAW Retiree Medical Benefits Trust (RMBT). The 18-month initiative was completed in April 2013 when six companies – Eli Lilly, Pfizer, Amgen, Merck, Bristol-Myer Squibb, and Johnson & Johnson – joined with 13 institutional investors to announce a set of clawback principles that were adopted by each of the company's boards. The principles are similar to the policies adopted by the financial services firms, but aimed at deterring violations of health care law. They are intended to set an industry standard on clawbacks related to health care.

The NYC Funds separately reached a similar agreement with Boston Scientific, a manufacturer of pharmaceutical equipment that had paid hundreds of millions of dollars in the prior three years to settle claims that it and it violated the law in connection with a defibrillator device.

Compliance Costs and Incentive Pay

Finally, the NYC Funds re-submitted a proposal to prohibit the board of pharmaceutical giant Abbott Laboratories from excluding compliance costs when evaluating financial performance for purposes of determining incentive compensation for senior executives. Abbott has paid billions in fines and settlements in recent years for Medicare fraud, off-label marketing of its drugs, and other violations. In 2010, the company adjusted net earnings by six cents per share, for the purposes of determining executive bonuses, to exclude the costs of a product recall and drug withdrawal. The proposal received a 39.1 percent vote, up from 34.5 percent in 2012.

EXECUTIVE COMPENSATION - MULTIPLE PERFORMANCE METRICS

	2012	2013
Oracle Corporation[1]	[1]31.8%	Fall mtg.
Rite Aid Corporation	21.0%	Omitted

[1]Excluding votes cast by insiders, the proposal received an estimated 46.7% vote in 2012.

The NYC Funds re-submitted a proposal to two companies requesting that the compensation committee, in setting performance measures for top executives, include multiple weighted metrics that correctly reflect both individual and business accomplishments over an established multiyear period. The proposals also requested that the committee disclose to shareowners any changes made in the basket of metrics during the multiyear period.

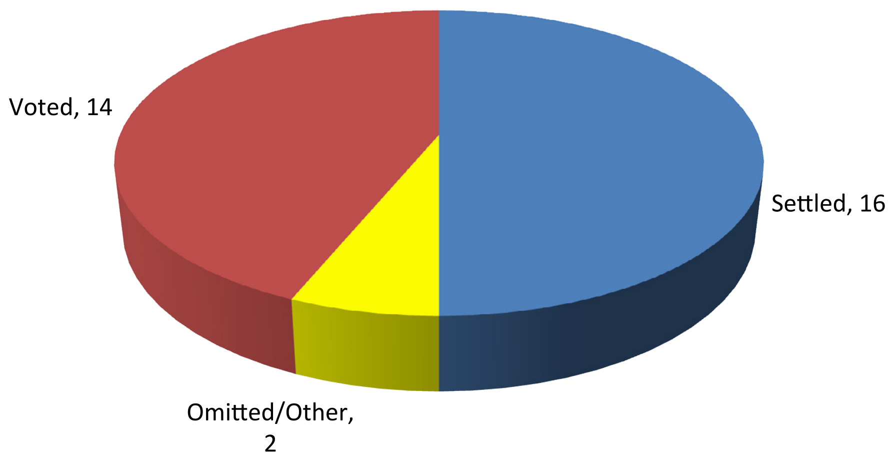
Oracle is a perennial over-compensator and its CEO, Larry Ellison, was the highest paid CEO in 2012, according to the AFL-CIO's Executive Paywatch. He received total compensation of $96.2 million for 2012, including $90.7 million in options, a 24 percent jump despite shareowner returns of negative 22 percent for the year. Moreover, Mr. Ellison has made more than $851 million in option exercise profits over the past six years, a staggering sum made possible by annual grants of seven million stock options each year, according to GMI Ratings' "2013 CEO Pay Survey."

The NYC Funds' proposal, which received a 31.8 percent vote (46.7 percent excluding votes cast by insiders) at the company's fall 2012 annual meeting (too late for publication in the 2012 Postseason Report), will be voted on at Oracle's fall 2013 meeting. **Rite Aid** received permission from the SEC to exclude the proposal, arguing that it had been substantially implemented.

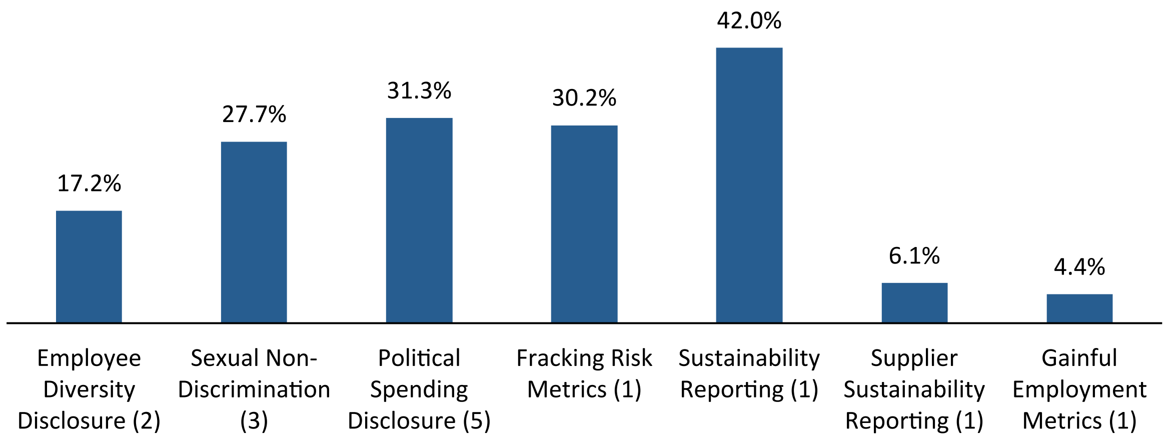
ENVIRONMENTAL AND SOCIAL ISSUE INITIATIVES

The Comptroller's Office withdrew 16 of the 32 environmental and social proposals after the companies agreed to adopt the requested reform, either in whole or in part. Fourteen proposals went to a vote, including one that received majority support, and two more proposals were not voted because of omission of the proposal or acquisition of the company.

ENVIRONMENTAL AND SOCIAL PROPOSALS



AVERAGE VOTE BY ENVIRONMENTAL/SOCIAL ISSUE



WORKPLACE DIVERSITY/EEO-1 REPORT DISCLOSURE

	2012	2013
American International Group	--	Settled
Bank of NY Mellon Corporation	--	Settled
Interpublic Group of Companies	--	7.9%
Omnicom Group	33.8%	26.4%
U.S. Bancorp	--	Settled

The NYC Funds submitted proposals to five major financial services and advertising firms requesting that they annually disclose the EEO-1 report that each is required to file with the U.S. Equal Employment Opportunity Commission. The requests were part of an ongoing effort to expand opportunities for women and minorities in the two industries, both of which have wide and enduring employment disparities, especially in senior positions.

Companies in both industries often cite their commitment to increasing diversity and describe their various efforts to recruit, retain, and promote minorities and women. Disclosure of the EEO report data, which details the composition of the company's workforce by race and gender across employment categories, would allow shareowners to evaluate and benchmark the effectiveness of these efforts.

In response to the requests, **AIG**, **Bank of NY Mellon** and **U.S. Bancorp** agreed to provide meaningful disclosure of the composition of their U.S. workforce by race and gender across major job categories, including senior management. The NYC Funds continued to face resistance to disclosure from the advertising industry. As a result, the proposals at both **Omnicom** and **Interpublic** went to a vote.

SEXUAL NON-DISCRIMINATION – SEXUAL ORIENTATION/GENDER IDENTITY

	2011	2012	2013
Anadarko Petroleum Corporation[1]	33.6%	43.2%	Settled
Crosstex Energy	22.3%	37.8%	15.6%
Domino's Pizza[1]	--	--	Settled
Philip Morris International[1]	--	--	Settled
Ralph Lauren Corporation[1]	--	--	Settled
Leggett & Platt	41.1%	42.4%	43.8%
TECO Energy	25.7%	27.5%	23.7%

[1]Gender identity only.

In response to shareowner proposals, **Ralph Lauren**, **Domino's Pizza**, **Philip Morris**, and **Anadarko Petroleum** agreed to expand their Equal Employment Opportunity (EEO) policies, which already prohibited discrimination based on sexual orientation, to also prohibit discrimination based on gender identity. The settlement with Anadarko marked a noteworthy breakthrough as it was the sixth consecutive year that the NYC Funds submitted the proposal.

As they have for the past several years, the NYC Funds also submitted the proposal to **Leggett & Platt** and **TECO Energy**, which do not offer their employees protections against discrimination based on either sexual orientation or gender identity; and to **Crossstex**, which does not prohibit discrimination based on gender identity.

The strengthened policies help ensure that all employees are treated equally and also help ensure a broader, more competitive pool of candidates for jobs. Twelve states and the District of Columbia have laws prohibiting employment discrimination based on sexual orientation and gender identity.

POLITICAL SPENDING DISCLOSURE

	2011	2012	2013
Charles Schwab	30.9%	23.5%	25.3%
DTE Energy	27.5%	28.7%	30.1%
FedEx	27.7%	25.5%	25.4%
Lowe's Companies	--	--	Settled
PPL Corporation	--	--	38.6%
Regions Financial	27.8%	38.2%	36.9%
Sprint Nextel	53.3%	20.9%	Acquired
WellCare Health Plans[1]	42.4%	52.6%	Settled

[1]Co-sponsored proposal submitted by Amalgamated Bank.

The NYC Funds submitted proposals to eight companies calling for board oversight and disclosure of all direct and indirect corporate political spending. Overall, investors submitted at least 115 proposals on corporate political spending and lobbying in 2013, making it once again the most common proposal topic.

Following a majority vote on the proposal in 2012, WellCare Health Plans responded to the 2013 proposal by agreeing to provide comprehensive disclosure of all direct and indirect political spending. The company subsequently issued its inaugural report, which is exemplary in that it includes all payments to trade associations, all 501c4 contributions, and 501c3 organizations that write model legislation, even when the company's payments were zero.

Lowe's Companies agreed to revise its Governance Committee Charter to reference that the Committee exercises oversight over political activities and to substantially improve its disclosure. The company will list all national and local trade associations in which it is a member, the aggregate amount of its payments to these trade associations, and the approximate amount of the payments that supports non-deductible lobbying activities. The agreement marks substantial progress for a company that had received among the lowest scores in the 2012 CPA-Zicklin Index of Political Accountability and Disclosure.

HYDRAULIC FRACTURING/QUANTITATIVE RISK DISCLOSURE

	2013
Exxon Mobil Corporation[1]	30.2%

[1]Filed jointly with As You Sow

The NYC Funds filed a shareowner proposal calling on **Exxon Mobil** to release quantitative data on its efforts to safeguard the public and the environment from its hydraulic fracturing ("fracking") operations. Among the concerns, toxic chemical leaks, spills, and explosions that could harm the health and safety of communities and the environment near drilling sites as well as contaminate the drinking water of communities both near and far.

These concerns, which have prompted bans and moratoria on fracking in the U.S. and around the globe, create significant legal, regulatory and reputational risks for Exxon. For example, the U.S. Department of Justice sued an Exxon subsidiary, XTO Energy, in July 2013, for allegedly polluting groundwater with fracking waste from its hydraulic fracturing operations in Pennsylvania.

The proposal called on Exxon to provide annual data on its reductions in fracking air emissions per region per year; the number and type of community complaints or grievances it has received and whether the complaints are still open or resolved; its goals to reduce the use of potentially harmful chemicals in fracturing fluids and the systems it uses to reach those goals; and what it has done to both reduce its use of water and to protect groundwater from harmful chemicals.

The call for quantitative metrics is consistent with the U.S. Department of Energy's recommendations on shale gas production. The DOE recommended in 2011 that companies "adopt a more visible commitment to using quantitative measures as a means of achieving best practice and demonstrating to the public that there is continuous improvement in reducing the environmental impact of shale gas production."

The 30.2 percent vote in favor of the first-time proposal at Exxon's May 2013 annual meeting demonstrated broad investor demand for hard data to assess the environmental and safety risks posed by Exxon's fracking operations.

SUSTAINABILITY REPORTING

	2012	2013
Avalon Bay	47.6%	[1]Adopted
Equity Residential	45.1%	42.0%
Kimco Realty Corporation	--	Settled
SL Green Realty Corp.	--	Settled

[1]Company acted in response to high vote in 2012, obviating the need to re-submit the proposal for 2013.

The NYC Funds submitted proposals to three leading residential real estate investment trusts (REITs) with large holdings in New York City requesting that the board publish an annual sustainability report using the Global Report Initiative (GRI) framework. The GRI is considered the gold standard for sustainability reporting and encompasses direct economic impact, environmental practices, labor practices, work conditions, human rights, and social and product responsibility to the extent applicable to a particular company's operations.

The NYC Funds' proposals specifically requested disclosures relating to greenhouse gas emissions, water conservation, waste minimization, energy efficiency, and other environmental and social impacts the board deems relevant to the company's business. **Kimco Realty** and **SL Green** agreed to the request, while the proposal once again went a vote at **Equity Residential**. A fourth REIT, **Avalon Bay**, agreed to implement the proposal in response to the high vote in 2012, obviating the need to re-submit the proposal approved for 2013.

SUPPLIER SUSTAINABILITY REPORTING

	2012	2013
EMC Corporation	--	Settled
Gap, Inc.	--	Settled
Motorola Solutions	7.0%	6.1%
NIKE, Inc.	--	Settled
Target Corporation	--	Settled
Texas Instruments	--	Settled

The NYC Funds reached productive agreements in response to five of the six shareowner proposals requesting that companies require independently verifiable sustainability reports addressing, workplace safety, human and worker rights, and environmental compliance using internationally recognized standards and measurement protocols.

Gap, **Target**, **Nike**, **EMC**, and **Texas Instruments** each agreed to encourage significant suppliers to prepare sustainability reports based on the Global Reporting Initiative framework and to show preference to those that do; the specific agreements vary among the companies. The agreements with Gap, Target and Nike are the NYC Funds' first outside the technology sector since launching the initiative in late 2010.

The new policies represent tangible progress toward stronger, more transparent supply chains. They are intended to complement other necessary actions to mitigate the legal, reputational, and operational risks that the companies face as a result of poor worker rights and workplace safety practices in their supply chains. These include independent supplier audits and other steps that may be warranted by specific circumstances, such as those faced by companies like Gap and Target that source a significant amount of apparel from Bangladesh.

GAINFUL EMPLOYMENT METRICS/FOR-PROFIT COLLEGES

	2013
Career Education Corporation	4.4%
Devry Inc.	Omitted

The NYC Funds submitted proposals to two of the largest operators of for-profit colleges – **DeVry** and **Career Education** – requesting that the board annually report to shareowners on the expected ability of students to repay their student loans. Devry, however, successfully challenged the proposal at the SEC, which issued a no action letter permitting the company to exclude the proposal.

For each educational program, the requested report would include (1) a loan repayment rate showing the percentage of graduates' and non-completers' original federal student loan balances actively being repaid; and (2) a debt-to-income ratio showing the ratio of annual payments on student loans from all available sources to annual earnings for a typical graduate.

Both companies have lost substantial shareowner value in recent years amid scrutiny of the quality of the education they provide, the extensive federal subsidies they receive (equal to 79.2 percent of their revenue in 2010, according to a U.S. Senate report), the marketing tactics they use, and the success of their graduates in finding good jobs.

Recent reports by the U.S. Government Accountability Office and a U.S. Senate committee reinforce concerns that for-profit colleges use deceptive marketing practices and leave students with high debt and few employable skills. These concerns have prompted the Department of Education (DOE) to issue new "gainful employment" regulations and have also prompted extensive state and federal legislation.

Disclosure of the requested metrics would enable shareowners to evaluate program performance in preparing students for gainful employment and assess the companies' exposure to legal and regulatory risk, including the cutoff of federal subsidies.

2013 SHAREOWNER PROPOSAL RESULTS BY ISSUE

Company Name	Issue/Proposal	2011 Outcome	2012 Outcome	2013 Outcome
CF Industries	Diversity/Board of Directors	--	--	50.7%
Freeport-McMoRan Copper & Gold	Diversity/Board of Directors	--	--	28.9%
Aetna	Independent Board Chair	--	--	33.3%
Johnson Controls	Independent Board Chair	--	--	29.8%
JPMorgan	Independent Board Chair	--	--	32.2%
Mylan Inc.	Independent Board Chair	--	35.5%	41.6%
Netflix	Independent Board Chair	--	--	73.4%
Urban Outfitters	Independent Board Chair	--	--	38.9%
Wellpoint Inc.	Independent Board Chair	--	--	Settled
Chesapeake Energy	Proxy Access	--	62.3%	Settled
Nabors Industries	Proxy Access	--	56.2%	52.1%
Energen Corporation	Board Declassification	--	83.1%	Settled
GEO Group	Majority Voting	--	64.7%	Settled
Boston Scientific	Executive Pay Clawback	--	--	Settled
Capital One Financial	Executive Pay Clawback	--	--	Settled
Citigroup	Executive Pay Clawback	--	--	Settled
Encore Capital Group	Executive Pay Clawback	--	--	Settled
Johnson & Johnson	Executive Pay Clawback	--	--	Settled
Merck & Co.	Executive Pay Clawback	--	--	Settled
Wells Fargo	Executive Pay Clawback	--	--	Settled
Abbott Laboratories	Executive Pay - Compliance Costs	--	34.5%	39.1%
Oracle Corporation	Executive Pay - Multiple Metrics	--	31.8%	Fall meeting
Rite Aid	Executive Pay - Multiple Metrics	--	21.0%	Omitted
American International Group	EEO-1 Report Disclosure	--	--	Settled
Bank of NY Mellon	EEO-1 Report Disclosure	--	--	Settled
Interpublic Group of Companies	EEO-1 Report Disclosure	--	--	7.9%
Omnicom Group	EEO-1 Report Disclosure	--	33.8%	26.4%
U.S. Bancorp	EEO-1 Report Disclosure	--	--	Settled
Anadarko Petroleum	Sexual Non-Discrimination	33.6%	43.2%	Settled

2013 SHAREOWNER PROPOSAL RESULTS BY ISSUE *(continued)*

Company Name	Issue/Proposal	2011 Outcome	2012 Outcome	2013 Outcome
Crosstex Energy	Sexual Non-Discrimination	22.3%	37.8%	15.6%
Domino's Pizza	Sexual Non-Discrimination	--	--	Settled
Leggett & Platt	Sexual Non-Discrimination	41.1%	42.4%	43.8%
Philip Morris International	Sexual Non-Discrimination	--	--	Settled
Ralph Lauren	Sexual Non-Discrimination	--	--	Settled
TECO Energy	Sexual Non-Discrimination	25.7%	27.5%	23.7%
Charles Schwab	Political Spending Disclosure	30.9%	23.5%	25.3%
DTE Energy	Political Spending Disclosure	27.5%	28.7%	30.1%
FedEx	Political Spending Disclosure	27.7%	25.5%	25.4%
Lowe's Companies	Political Spending Disclosure	--	--	Settled
PPL Corporation	Political Spending Disclosure	--	--	38.6%
Regions Financial	Political Spending Disclosure	27.8%	38.2%	36.9%
Sprint Nextel	Political Spending Disclosure	53.3%	20.9%	Acquired
WellCare Health Plans	Political Spending Disclosure	42.4%	52.6%	Settled
Exxon Mobil	Fracking Risk/Quantitative Metrics	--	--	30.2%
AvalonBay Communities	Sustainability Reporting	--	47.6%	Adopted (not filed)
Equity Residential	Sustainability Reporting	--	45.1%	42.0%
Kimco Realty	Sustainability Reporting	--	--	Settled
SL Green Realty	Sustainability Reporting	--	--	Settled
EMC Corporation	Supplier Sustainability Reporting	--	--	Settled
Gap, Inc.	Supplier Sustainability Reporting	--	--	Settled
Motorola Solutions	Supplier Sustainability Reporting	--	7.0%	6.1%
NIKE	Supplier Sustainability Reporting	--	--	Settled
Target Corporation	Supplier Sustainability Reporting	--	--	Settled
Texas Instruments	Supplier Sustainability Reporting	--	--	Settled
Career Education Corporation	Gainful Employment Metrics	--	--	4.4%
Devry Inc.	Gainful Employment Metrics	--	--	Omitted

2013 SHAREOWNER PROPOSAL RESULTS BY COMPANY

Company Name	Issue/Proposal	2011 Outcome	2012 Outcome	2013 Outcome
Abbott Laboratories	Executive Pay - Compliance Costs	--	34.5%	39.1%
Aetna	Independent Board Chair	--	--	33.3%
American International Group	EEO-1 Report Disclosure	--	--	Settled
Anadarko Petroleum	Sexual Non-Discrimination	33.6%	43.2%	Settled
AvalonBay Communities	Sustainability Reporting	--	47.6%	Adopted (not filed)
Bank of NY Mellon	EEO-1 Report Disclosure	--	--	Settled
Boston Scientific	Executive Pay Clawback	--	--	Settled
Capital One Financial	Executive Pay Clawback	--	--	Settled
Career Education Corporation	Gainful Employment Metrics	--	--	4.4%
CF Industries	Diversity/Board of Directors	--	--	50.7%
Charles Schwab	Political Spending Disclosure	30.9%	23.5%	25.3%
Chesapeake Energy	Proxy Access	--	62.3%	Settled
Citigroup	Executive Pay Clawback	--	--	Settled
Crosstex Energy	Sexual Non-Discrimination	22.3%	37.8%	15.6%
Devry Inc.	Gainful Employment Metrics	--	--	Omitted
Domino's Pizza	Sexual Non-Discrimination	--	--	Settled
DTE Energy	Political Spending Disclosure	27.5%	28.7%	30.1%
EMC Corporation	Supplier Sustainability Reporting	--	--	Settled
Encore Capital Group	Executive Pay Clawback	--	--	Settled
Energen Corporation	Board Declassification	--	83.1%	Settled
Equity Residential	Sustainability Reporting	--	45.1%	42.0%
Exxon Mobil	Fracking Risk/Quantitative Metrics	--	--	30.2%
FedEx	Political Spending Disclosure	27.7%	25.5%	25.4%
Freeport-McMoRan Copper & Gold	Diversity/Board of Directors	--	--	28.9%
Gap, Inc.	Supplier Sustainability Reporting	--	--	Settled
GEO Group	Majority Voting	--	64.7%	Settled
Interpublic Group of Companies	EEO-1 Report Disclosure	--	--	7.9%
Johnson & Johnson	Executive Pay Clawback	--	--	Settled

2013 SHAREOWNER PROPOSAL RESULTS BY COMPANY *(continued)*

Company Name	Issue/Proposal	2011 Outcome	2012 Outcome	2013 Outcome
Johnson Controls	Independent Board Chair	--	--	29.8%
JPMorgan	Independent Board Chair	--	--	32.2%
Kimco Realty	Sustainability Reporting	--	--	Settled
Leggett & Platt	Sexual Non-Discrimination	41.1%	42.4%	43.8%
Lowe's Companies	Political Spending Disclosure	--	--	Settled
Merck & Co.	Executive Pay Clawback	--	--	Settled
Motorola Solutions	Supplier Sustainability Reporting	--	7.0%	6.1%
Mylan Inc.	Independent Board Chair	--	35.5%	41.6%
Nabors Industries	Proxy Access	--	56.2%	52.1%
Netflix	Independent Board Chair	--	--	73.4%
NIKE	Supplier Sustainability Reporting	--	--	Settled
Omnicom Group	EEO-1 Report Disclosure	--	33.8%	26.4%
Oracle Corporation	Executive Pay - Multiple Metrics	--	31.8%	Fall meeting
Philip Morris International	Sexual Non-Discrimination	--	--	Settled
PPL Corporation	Political Spending Disclosure	--	--	38.6%
Ralph Lauren	Sexual Non-Discrimination	--	--	Settled
Regions Financial	Political Spending Disclosure	27.8%	38.2%	36.9%
Rite Aid	Executive Pay - Multiple Metrics	--	21.0%	Omitted
SL Green Realty	Sustainability Reporting	--	--	Settled
Sprint Nextel	Political Spending Disclosure	53.3%	20.9%	Acquired
Target Corporation	Supplier Sustainability Reporting	--	--	Settled
TECO Energy	Sexual Non-Discrimination	25.7%	27.5%	23.7%
Texas Instruments	Supplier Sustainability Reporting	--	--	Settled
U.S. Bancorp	EEO-1 Report Disclosure	--	--	Settled
Urban Outfitters	Independent Board Chair	--	--	38.9%
WellCare Health Plans	Political Spending Disclosure	42.4%	52.6%	Settled
Wellpoint Inc.	Independent Board Chair	--	--	Settled
Wells Fargo	Executive Pay Clawback	--	--	Settled

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