

# PIRC Summary Report Appendix

US

**AIR PRODUCTS & CHEMICALS INC AGM Date: 2011-01-27**

**1.02 Re-elect Michael J. Donahue** **Withhold**

Non-Executive Director. Independent by company, not independent by PIRC since he has served on the board for more than nine years. We note he was Group Executive Vice President and Chief Operating Officer of the former KPMG Consulting Inc., now BearingPoint, Inc., which had just completed its legal separation from the KPMG LLP audit firm in February 2001. This is not considered to be material as KPMG LLP was first engaged as the Company's independent auditors in 2002. There is insufficient independent representation on the board in our view.

For: 96.87% - Abstain: 3.13%

**1.03 Re-elect Ursula O. Fairbairn** **Withhold**

Non-Executive Director. Independent by the Company, not independent by PIRC she has served on the Board for more than nine years. There is insufficient independent representation on the board in our view.

For: 96.01% - Abstain: 3.99%

**3 To consider an advisory vote on compensation of the named executive officers** **Oppose**

As a result of new SEC legislation that has entered into force (Section 951 of The Dodd-Frank Wall Street Reform and Consumer Protection Act), the company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. Our detailed commentary on the disclosures made by the company are contained in the body of this report and the voting outcome for this resolution reflects the balance of our opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment. The PIRC Compensation Rating is: BDC (Disclosure Rating of B; Reward Balance Rating of D; and Contracts Rating of C).

B) The company has disclosed targets for the annual bonus and under the long-term plan. Non-financial individual performance measures are not disclosed.

D) Potentially compensation may be excessive due to restricted stock being awarded without performance conditions attached. Stock options have no performance hurdles attached and they vest ratably over three years. PIRC believes long-term awards should vest after a performance period of at least 3 years.

C) The change in control agreements are potentially excessive in PIRC's view considering accelerated vesting of long-term incentives followed by a change-in-control. The company has a recoupment policy, which we welcome.

Based on this rating we recommend an oppose vote.

For: 82.90% - Oppose: 14.41% - Abstain: 2.69%

**4 To approve the frequency of the advisory vote on executive compensation** **1**

The Company is providing shareholders with an advisory vote on whether the advisory vote on executive compensation should be held every one, two or three years. The Board is required by Section 951 of The Dodd-Frank Wall Street Reform and Consumer Protection Act to offer this vote on the frequency of a say-on-pay proposal not less than every six years, although they have the option to offer this proposal more often.

The Board of Directors recommends a vote for a "3 Year" frequency. PIRC views an annual vote on executive compensation to be best practice for companies. Executive compensation comprises of both fixed and variable pay elements, with the variable including share based incentive awards and cash bonuses over which the compensation committee have discretion. Decisions affecting the quantum and design of variable pay are made annually by the committee and it is therefore appropriate that shareholder approval is sought at the maximum frequency permitted by the new legislation. Contentious compensation payments and issues could occur in the intervening years between votes, if the frequency is less than annually, we therefore recommend a one year frequency.

**5 Approve the Annual Incentive Plan terms to permit exclusion from tax deduction limits** **Oppose**

The board is seeking shareholder approval to re-approve the material terms under the company's Annual Incentive Plan (the Plan). The material terms include the persons covered under the Plan, a list of performance criteria and the maximum bonus amount of \$4,000,000 that may be paid to any one person for any one fiscal year. The purpose of asking stockholders to re-approve the material terms under the Plan is in order to ensure that certain incentive awards granted under the Plan qualify as tax-deductible performance-based compensation under Section 162(m) of the Internal Revenue Code.

Performance conditions may be attached to awards at the Compensation Committee's discretion, and we have concerns that not all awards are subject to performance hurdles, and that there is insufficient information to determine whether targets attached to awards are sufficiently challenging. The rationale of 162(m) is to enable shareholders to implement the principle of performance-related pay for all awards above \$1 million. Tax treatment of performance pay is intended to act as an incentive towards linking pay with performance. Unless there is prior disclosure of performance thresholds and their relation to payout allowing shareholders to determine if rewards are linked to a commensurate performance, then such plans should not justify favourable tax treatment.

Given the above noted considerations, a vote to oppose the Plan is recommended.

For: 97.10% - Oppose: 2.63% - Abstain: 0.28%

**EMERSON ELECTRIC CO. AGM Date: 2011-02-01**

**1.01 Re-elect D.N. Farr Withhold**

Chairman, CEO and President. Combined roles at the top of the company. As there are insufficient independent directors on the board by PIRC's guidelines, we recommend shareholders withhold on his election.

**1.04 Re-elect J.W. Prueher Withhold**

Non-Executive Director. Independent by the company, not independent by PIRC since he has served on the board for over nine years. There is insufficient independent representation on the board in our view.

**1.05 Re-elect R.L. Ridgway Withhold**

Non-Executive Director. Independent by the company, not independent by PIRC as she has served on the board for more than nine years. There is insufficient independent representation on the board in our view.

**2 Re-approval of the Performance Measures Under the Emerson Electric Co. 2006 Incentive Shares Plan. Oppose**

The board is seeking shareholder approval to re-approve the performance measures under the Emerson Electric Co. 2006 Incentive Shares Plan (Plan). The purpose of asking stockholders to re-approve the performance measures under the Plan is in order to ensure that certain incentive awards granted under the Plan qualify as tax-deductible performance-based compensation under Section 162(m) of the Internal Revenue Code.

The rationale of 162(m) is to enable shareholders to implement the principle of performance-related pay for all awards above \$1 million. Tax treatment of performance pay is intended to act as an incentive towards linking pay with performance. We welcome the company has stated specific performance measures for the Plan but we consider them to generic. Also, unless there is prior disclosure of performance thresholds and their relation to payout allowing shareholders to determine if rewards are linked to a commensurate performance, then such plans should not justify favourable tax treatment.

Given the above noted considerations, an oppose vote is recommended.

**3 Approval of the Emerson Electric Co. 2011 Stock Option Plan. Oppose**

Shareholders are requested to approve the Emerson Electric Co. 2011 Stock Option Plan (Plan), administered by the Compensation Committee, to award employees, stock options. If this Plan is approved by the stockholders no further awards will be granted under the 2001 Stock Option Plan. A total of 20 million shares are available under the Plan, which has a dilutive impact of 2.6%. The Compensation Committee has discretion to determine the people eligible under the Plan, awards to be granted, the number of shares to be subject to each award. Upon a change-in-control awards will vest under certain specified circumstances. The maximum number of shares that may be granted by the Compensation Committee to each individual per year is 1,000,000 shares of common stock.

We welcome the disclosure of maximum levels of awards but we consider that the scheme allows the committee too much discretion to determine the size, type and term of awards. Stock options have no performance hurdles attached and they vest ratably over three years. It is considered best practice that long-term awards should vest after a performance period of at least three years. Given the above noted considerations, we recommend a vote to oppose the Plan.

**5 To consider an advisory vote on compensation of the named executive officers Oppose**

As a result of new SEC legislation that has entered into force (Section 951 of The Dodd-Frank Wall Street Reform and Consumer Protection Act), the company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The detailed

commentary on the disclosures made by the company are contained in the body of this report and the voting outcome for this resolution reflects the balance of our opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment. The Compensation Rating is: DDC (Disclosure Rating of D; Reward Balance Rating of D; and Contracts Rating of C).

D) The company does not disclose specific performance targets for the annual bonus plan and for the long-term scheme.

D) Potentially compensation may be excessive due to the compensation committee's use of discretion when awarding annual bonuses. In addition, the compensation committee does not provide enough information to assure shareholders that targets are challenging. Stock options have no performance hurdles attached.

C) The company does not have severance agreements between the company and all the NEOs. PIRC considers that companies should have severance agreements in place so that shareholders can see that payouts are within reasonable limits. There is an accelerated vesting of long-term incentives followed by a change-in-control.

Based on this rating an oppose vote is recommended.

**6 To consider an advisory vote on the frequency of the advisory vote on compensation of the named executive officers 1**

The Company is providing shareholders with an advisory vote on whether the advisory vote on executive compensation should be held every one, two or three years. The Board is required by Section 951 of The Dodd-Frank Wall Street Reform and Consumer Protection Act to offer this vote on the frequency of a say-on-pay proposal not less than every six years, although they have the option to offer this proposal more often.

The Board of Directors recommends a vote for a “3 Year” frequency. An annual vote on executive compensation is considered to be best practice for companies. Executive compensation comprises of both fixed and variable pay elements, with the variable including share based incentive awards and cash bonuses over which the compensation committee have discretion. Decisions affecting the quantum and design of variable pay are made annually by the committee and it is therefore appropriate that shareholder approval is sought at the maximum frequency permitted by the new legislation. Contentious compensation payments and issues could occur in the intervening years between votes, if the frequency is less than annually. On this basis, a one year frequency is recommended.

---

**APPLE INC AGM Date: 2011-02-23**

---

<b>1.01 Re-elect William V. Campbell</b>	<b>Withhold</b>
Non-Executive Director. Independent by company, not independent by PIRC as he was an executive of the company from 1983 to 1987 and of a subsidiary (of the company) from 1987 to 1991. Also, he has served on the board for over nine years. There are insufficient independent directors on the board.	
<b>1.02 Re-elect Millard S. Drexler</b>	<b>Withhold</b>
Non-Executive Director. Independent by company, not independent by PIRC as he has served on the board for more than nine years. There are insufficient independent directors on the board.	
<b>1.05 Re-elect Andrea Jung</b>	<b>Withhold</b>
Co-Lead Director. Independent by company, not independent by PIRC as the Company enters into commercial dealings of undisclosed value with Avon Products Inc, where Ms. Jung is Chairman and CEO. There are insufficient independent directors on the board.	
<b>1.06 Re-elect Arthur D. Levinson</b>	<b>Withhold</b>
Co-Lead Director. Independent by company, not independent by PIRC as he has served on the Board for over nine years. Furthermore, the Company enters into commercial dealings of undisclosed value with Genentech Inc, where Dr. Levinson is Chairman. There are insufficient independent directors on the board.	
<b>3 Approval of an advisory vote on executive compensation</b>	<b>Abstain</b>
Our rating analysis is based upon the CD&A disclosures made by the company which reflects our opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment.	

The Compensation Rating is: BCA (Disclosure Rating of B; Reward Balance Rating of C increased from a D; and Contracts Rating of A). Based on this rating, an abstain vote is recommended.

**4 To hold an advisory vote on the frequency of the advisory vote on executive compensation 1**

The Company is providing shareholders with an advisory vote on whether the advisory vote on executive compensation should be held every one, two or three years. The Board is required by Section 951 of The Dodd-Frank Wall Street Reform and Consumer Protection Act to offer this vote on the frequency of a say-on-pay proposal not less than every six years, although they have the option to offer this proposal more often.

The Board of Directors recommends an annual vote for shareholders on their executive compensation. An annual vote on executive compensation is considered to be best practice for companies, and a vote with the Board recommendation for a vote every year vote is recommended.

---

**HEWLETT-PACKARD CO AGM Date: 2011-03-23**

---

**1.03 Re-elect L. T. Babbio Jr. Abstain**

Non-Executive Director. Independent by company, not independent by PIRC as he has served on the board for over nine years since he was a director of Compaq Corp from 1995 until 2002, when it was acquired by HP. There is also concern over his role as the chairman of the Compensation Committee and delegation of functions to a "Plan Committee" to act on certain compensation and benefit matters with regard to the HP 2005 Pay-for-Results Plan.

**3 Approve Pay Structure Oppose**

As a result of new SEC legislation that has entered into force (Section 951 of The Dodd-Frank Wall Street Reform and Consumer Protection Act), the Company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The voting outcome for this resolution reflects the balance of our opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment. The Compensation Rating is: CDC (Disclosure Rating of C; Reward Balance Rating of D; and Contracts Rating of C).

C: Specific performance targets used for the vesting of annual bonuses are not disclosed as well as cash-flow targets used for long-term awards. The compensation committee is not fully independent and the remuneration advisors are appointed by executives, rather than by the compensation committee.

D: The lack of specific performance criteria does not allow shareholder to determine if targets are challenging. In addition, TSR-based awards during the year vested for performance below median. Long-term awards vest over a three-year period, rather than after a minimum three-year period.

C: The Board has the discretion to accelerate vesting of all stock and stock option awards upon a change in control. In addition, the compensation committee may also exercise its discretion to release restrictions on equity-based awards in case of 'for cause' in individual cases. Finally 'for cause' and 'not for cause' are not fully described.

Based on this rating, an oppose vote is recommended.

**4 Advisory vote on the frequency of holding future advisory votes on executive compensation. 1**

The Company is providing shareholders with an advisory vote on whether the advisory vote on executive compensation should be held every one, two or three years. The Board is required by Section 951 of The Dodd-Frank Wall Street Reform and Consumer Protection Act to offer this vote on the frequency of a say-on-pay proposal not less than every six years, although they have the option to offer this proposal more often.

The Board of Directors recommends an annual vote for shareholders on their executive compensation. An annual vote on executive compensation is considered to be best practice for companies, and a vote with the Board for a vote every year vote is recommended.

**6 Amend the Hewlett-Packard Company 2005 Pay-for-Results Plan. Oppose**

The Board seeks shareholder approval for the amendment of The Hewlett-Packard Company 2005 Pay-for-Results Plan (the "PfR Plan"). The HR and Compensation Committee (the "Committee") uses the PfR Plan to reward accomplishments achieved or recognized during the performance period. The Board believes that the PfR Plan benefits stockholders because it creates a strong incentive for executives to meet or exceed specified financial goals. Stockholders are being asked to approve an amendment to the PfR Plan to remove the expiration date so that the PfR Plan will continue until terminated by the Committee and to fulfill the requirements to qualify the amounts paid pursuant to the PfR Plan for a United States federal income tax deduction by HP. Other than the removal of the plan expiration, all terms of the PfR Plan remain unchanged.

There are concerns over this plan as: there seems to be a lot of discretion over the performance criteria; no targets are disclosed; the cap is considered to be too large at \$10m per person per annum; the plan is only open to 12 Executive Officers but not Non-Executive Officers; the Committee has complete discretion, and can delegate to a 'Plan Committee' made up of employees

including the Treasurer and Executive Vice President of HR. Due to these concerns an oppose vote is recommended.

---

**WALT DISNEY CO. AGM Date: 2011-03-23**

---

**1b Re-elect John E. Bryson** **Oppose**

Non-Executive Director. Not independent by company, not independent by PIRC as he has served on the Board for over nine years. Furthermore, his wife, Louise Bryson, served as President of Lifetime Entertainment Television during 2008, in which Walt Disney Co. has an "indirect 50% equity interest". There is insufficient independent representation on the Board.

**1d Re-elect Judith L. Estrin** **Oppose**

Non-Executive Director. Independent by company, not independent by PIRC as she has served on the board for over nine years. There is insufficient independent representation on the Board.

**1f Re-elect Steven P. Jobs** **Oppose**

Non-Executive Director. Not independent by company, not independent by PIRC as Mr. Jobs was the Chairman and CEO of Pixar (CEO since 1986, and Chairman and CEO since 1991), a firm that he was the beneficial owner of 50.6% of the equity, which was acquired by the company during the 2006 fiscal year. In March 2007, an investigation by the Disney Company Audit Committee of executive compensation at Pixar concluded that "while options were backdated at Pixar prior to the acquisition, no one currently associated with the Company engaged in any intentional or deliberate acts of misconduct." PIRC notes that Mr. Jobs requested for the board to exclude him from receiving compensation for his services as a director. Mr. Jobs currently holds 7.3% of the equity of The Walt Disney Company. There is insufficient independent representation on the Board.

**1i Re-elect Monica C. Lozano** **Oppose**

Non-Executive Director. Independent by company, not independent by PIRC as she has served on the Board for over nine years. Furthermore, she was not independent on appointment; Ms Lozano is the daughter of Ignacio Lozano Jr. who was a board member at the time that the board approved her appointment, in 2000. In addition, we have concerns over her aggregate time commitments. There is insufficient independent representation on the Board.

**3 Approve new long term incentive plan** **Oppose**

The 2011 Plan would govern grants of stock-based awards to employees and non-employee directors and is intended to replace the Amended and Restated 1995 Stock Incentive Plan and the Amended and Restated 2005 Stock Incentive Plan, each of which expires during 2011. The 2011 Plan provides that shares that remain available for issuance pursuant to the 1995 Plan and the 2005 Plan and shares that become available under those plans as a result of forfeitures may be issued under the 2011 Plan. As of January 26, 2011, 70.5 million shares were available under the 1995 Plan and the 2005 Plan. In addition, the 2011 Plan includes authorization for the issuance of an additional 64.0 million shares of Disney common stock thereunder. The total potential dilution possible equates to 7.11%.

The 2011 Plan provides for acceleration of vesting of options upon termination of employment due to disability, which makes treatment of these awards on disability consistent with the treatment of restricted stock units. The 2011 Plan allows awards to continue to vest when an employee is transferred to an entity in which the Company holds an investment even if the entity does not meet the formal definition of Affiliate. The term of the 2011 Plan is 10 years.

Subject to the express limitations of the Plan, the Compensation Committee shall have authority in its discretion to determine the Eligible Persons to whom, and the time or times at which, Awards may be granted. The Committee shall also have the right to delegate to one or more officers of the Company the authority of the Committee to grant and determine the terms and conditions of Awards granted under the Plan. The annual award limit under the plan is USD 100,000. PIRC does not consider the maximum potential annual award to be excessive. However the company stated that the vesting conditions will be set at the date of grant and as such have not been disclosed at this point. It also stated that the compensation committee has the discretion of accelerating the vesting or even grant fully vested awards, which we consider to be against best practice. Therefore an oppose vote is recommended.

**4 Approve the Compensation Report** **Oppose**

As a result of new SEC legislation that has entered into force (Section 951 of The Dodd-Frank Wall Street Reform and Consumer Protection Act), the company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The detailed commentary on the disclosures made by the company are contained in the body of this report and the voting outcome for this resolution reflects the balance of our opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment. The compensation rating is: BDC

Disclosure rating: B

Balance rating: D

Contracts rating: C

Based upon this rating an oppose vote is recommended.

**5 An advisory vote on the frequency of holding an advisory vote on executive compensation. 1**

The Company is providing shareholders with an advisory vote on whether the advisory vote on executive compensation should be held every one, two or three years. The Board is required by Section 951 of The Dodd-Frank Wall Street Reform and Consumer Protection Act to offer this vote on the frequency of a say-on-pay proposal not less than every six years, although they have the option to offer this proposal more often.

The Board of Directors recommends an annual vote for shareholders on their executive compensation. An annual vote on executive compensation is considered to be best practice for companies, and a vote with the Board for a vote every year vote is recommended.

**For Private Circulation only**

Copyright 2011 PIRC Ltd.