



## **A RESPONSIBLE INVESTOR**

TIAA-CREF'S COMMITMENT TO  
SOUND CORPORATE GOVERNANCE



FINANCIAL SERVICES  
FOR THE GREATER GOOD®

A photograph of a modern building's interior, featuring a series of tall, white, cylindrical columns and large glass windows. The floor is highly reflective, mirroring the columns and windows. The lighting is bright, suggesting a sunny day outside. The overall aesthetic is clean and architectural.

## **A GLOBAL LEADER IN CORPORATE GOVERNANCE**

In the mid-1980s, a movement gained force among large institutional investors to take a more active role in exercising their rights as responsible owners of public companies. The goal was to use a combination of voting power and direct engagement to promote sound management practices and increase shareholder value.

On behalf of our three million participants, TIAA-CREF became a leading proponent of this movement and a standard-bearer for shareholder rights and excellence in corporate governance. We believe that shareholders have a duty to monitor and engage with companies on issues of sound governance, social responsibility and overall performance. By doing so, we encourage practices that can help companies remain competitive and financially viable over time, thereby maximizing long-term investment potential.



## **A COMMITMENT TO SOUND COMPANIES AND SOUND MARKETS**

In an investing environment often dominated by short-term thinking, TIAA-CREF holds firmly to its expectation that companies should focus on the creation of long-term value. As an investor with a long-term horizon, TIAA-CREF views corporate governance and social responsibility as essential to fostering effective business strategy, management of risk and shareholder value.

TIAA-CREF is a universal owner with over \$400 billion invested in securities listed on public markets, covering most of the world's publicly traded companies. Our ability to deliver value for our participants depends not just on the strength of individual companies, but on the efficiency and health of the capital markets where their securities are traded. Because good corporate governance strengthens markets and economies as well as companies, we act as a global advocate for reforms essential to protect our interests worldwide.

## **TIAA-CREF'S APPROACH TO CORPORATE GOVERNANCE ENGAGEMENT**

Our governance efforts are carried out to fulfill policies and goals established by the TIAA and CREF Committees on Corporate Governance and Social Responsibility. Our guiding principles include:

### **A duty to ensure accountability**

We take an active role in ensuring that board decisions and policies are carried out in the best interests of our participants. We hold boards of directors, who are shareholders' elected representatives, to very high standards of accountability and we are willing to use our power as shareholders to uphold those standards.

### **A commitment to productive engagement**

TIAA-CREF views its relationship with portfolio companies as that of a concerned owner rather than an adversary. Our preferred approach is to collaborate with companies, holding confidential discussions to negotiate for change in policies and behavior. We have been extremely effective in producing positive results at companies using this strategy. In addition, we often encourage prominent companies to take a leadership role on important issues in order to produce a marketwide impact.

### **A respect for board Independence**

TIAA-CREF recognizes that boards of directors should oversee the business of companies. We do not seek to encroach upon the responsibilities of boards, second-guess management decisions or micromanage business strategy.

### **A practice of acting with deliberation and care**

Before adopting a governance policy, we analyze the pros and cons carefully, conducting a thorough internal review and considering whether the policies we endorse for portfolio companies are suitable for adoption by TIAA-CREF.

## **COMPONENTS OF OUR PROGRAM**

### **Proxy Voting**

As an equity investor in publicly traded companies, TIAA-CREF exercises its rights and fulfills its fiduciary responsibilities by diligently voting proxies. We recognize that the outcome of such votes can affect investment value.

Over the past several decades, TIAA-CREF has developed procedures to carefully analyze and vote on all proxy proposals brought before portfolio companies. We make voting decisions on a case-by-case basis in keeping with broad policies approved by the TIAA and CREF Committees on Corporate Governance and Social Responsibility. We use our votes to promote board and management accountability and encourage a reasonable approach to social responsibility.

Our diligence in proxy voting is widely respected. In a 2007 study sponsored by the Conference Board, TIAA-CREF ranked number one among 29 major mutual fund firms for voting most consistently to limit excesses in executive compensation.

### **Engagement**

TIAA-CREF believes that once companies have chosen to access capital from the public markets, they are obligated to give priority to shareholder interests and seek to maximize long-term performance. We engage with companies on issues that may pose economic risks or impact long-term shareholder value, including shareholder rights, governance practices, and social and environmental issues. Where necessary, we file



shareholder resolutions or employ other more aggressive methods to promote constructive dialogue. In our view, engaging with companies in this way is more effective in changing their behavior than public confrontation or divestment of our shares.

### **Thought Leadership**

TIAA-CREF participates in the public debate on corporate governance issues in domestic and international markets. Our policies and advocacy are influential in the development of legislation and regulation, as well as corporate policies.

## **A GLOBAL PERSPECTIVE**

With international holdings in over 50 countries and a long history of acting to improve governance standards globally, TIAA-CREF is recognized as one of the most influential investors in the world. We expect portfolio companies to adopt practices in line with international governance standards. However, we take a nuanced approach to foreign markets, respecting cultural and historical differences. We also work through global shareholder organizations to help bring about market reforms.

Our international governance activities, like our domestic programs, are designed to protect and grow our investments, mitigate risk and contribute to sustainable economic development.

## **LEADING BY EXAMPLE**

Although TIAA-CREF is not a publicly traded company, we seek to embody the principles we advocate for others in the conduct of our own business. To cite one of many examples, TIAA-CREF has a long-standing policy of transparency in accounting and compensation practices. In 2006, TIAA became the first U.S. company to voluntarily offer an advisory vote on our executive compensation policies to our participants.

## **A HISTORY OF ACCOMPLISHMENTS ON BEHALF OF OUR INVESTORS**

TIAA-CREF has a long-standing record of engagement and shareholder advocacy.

### **1960s**

TIAA-CREF exercises proxy voting rights in an effort to improve management policies and shareholder value in portfolio companies.

### **1970s**

TIAA-CREF becomes one of the first institutional investors to pressure portfolio companies to take positive steps for change in confronting issues such as U.S. automotive safety standards (“Campaign G.M.”), apartheid in South Africa, nuclear power regulation, minority hiring practices and corporate governance.

### **1980s**

CREF establishes the Trustee Committee on Corporate Governance and Social Responsibility to develop guidelines for the voting of CREF shares and initiating shareholder resolutions on South Africa, anti-takeover measures (e.g., “poison pills”), board independence and corporate governance issues.

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### **1990s**

CREF initiates Corporate Assessment Program to systematically review governance procedures of portfolio companies. TIAA-CREF also issues a Policy Statement on Corporate Governance, the first comprehensive document seeking to encourage specific improvements in governance policies at U.S. and foreign corporations. This set of principles, reviewed by corporate and academic leaders before publication, reflected a broad consensus and helped guide the many governance initiatives that were launched through the decade.

### **2000s**

CREF continues to hold private discussions with corporate managers on behalf of our participants and engages with companies using proxy votes and shareholder resolutions. CREF takes a leadership position on majority voting in director elections, shareholder advisory votes on executive compensation, and shareholder access to the proxy for nominating directors. TIAA-CREF periodically updates its Policy Statement on Corporate Governance, expanding its scope to encompass the global investment community and integrating social and environmental issues within the governance responsibilities of boards of directors.

The following examples show how specific governance initiatives over time have produced tangible benefits for TIAA-CREF participants and other investors.

## **SHAREHOLDER ADVOCACY: EXAMPLES**

### **Domestic Governance Advocacy: Majority Voting in Director Elections**

TIAA-CREF believes that directors of U.S. companies should be elected by a majority of votes cast, not just a plurality. In 2004, TIAA-CREF took the lead in a three-year campaign to promote the majority vote standard in the election of directors at U.S. companies. After internal review, our trustees approved the adoption of the majority vote standard internally. Today 44% of Fortune 500 companies have adopted majority voting. It is becoming the accepted standard in the U.S., as it has been in other parts of the world.

### **Domestic Governance Advocacy: Advisory Vote on Executive Compensation**

Executive compensation has long been an area of concern for shareholders. TIAA-CREF has taken the lead in advocating for increased director accountability through an advisory shareholder vote on executive compensation. Our Overseers and Trustees adopted an advisory vote for TIAA participants in 2007, making us the first entity in the U.S. to do so. Our 2008 engagement campaign seeks to implement advisory vote proposals at 14 portfolio companies. We are convinced that, over time, companies will recognize that an advisory vote can help them develop executive compensation as a strategic tool to improve performance and increase long-term value.

### **Global Governance Advocacy: Restrictions on Voting**

TIAA-CREF supports the principle that shareholders' voting rights should be proportional to their economic stake in companies. In 2006, TIAA-CREF participated in a global shareholder coalition engaging with companies in France to eliminate voting restrictions that violate the principle of one share-one vote. We have been able to persuade a number of companies to reduce voting restrictions or to take other constructive steps to improve shareholder rights.

### **Global Social Responsibility Advocacy: Sudan**

TIAA-CREF is concerned about business operations that may contribute to violations of human rights. In 2006, TIAA-CREF began engaging with portfolio companies that have business operations in Sudan or financial ties to its government. Many of these companies have terminated their Sudan business or have implemented human rights assistance programs in Darfur. We are continuing to dialogue with companies, urging them to carefully evaluate the business and reputational risks in the Sudan and to support humanitarian efforts.

### **Social Responsibility Advocacy: Climate Change**

TIAA-CREF is a signatory of the Carbon Disclosure Project, an investor initiative requesting that companies disclose their carbon emissions and describe their strategies for addressing climate change. We encourage companies to analyze the impact of climate change on their business as part of their strategic planning. Our engagement program targets companies and market participants on the issue of global warming and climate change.

## **AN ENDURING COMMITMENT**

We believe that sound governance practices help companies improve performance, reduce risk and enhance shareholder value. By asserting our rights as shareholders, providing leadership in advocating for sound governance principles and putting those principles into practice in our own operations, TIAA-CREF helps promote greater accountability and responsiveness among public companies.

With the goal of protecting our own participants and investors everywhere, we will continue to be watchful on broad investor issues in the United States and in global markets to ensure that companies operate fairly and that shareholders get proper treatment and value. Our commitment to these principles, and to taking action where appropriate on behalf of our participants, will remain an integral part of our mission of "serving those who serve the greater good."

### **TIAA-CREF POLICY STATEMENT OF CORPORATE GOVERNANCE**

This statement, available for public review, sets forth guidelines that TIAA-CREF uses for influencing corporations on governance issues, including:

- Domestic and global corporate governance standards
- Board diversity and independence
- Shareholder rights and proxy voting
- Executive compensation
- Fiduciary oversight
- Corporate social responsibility
- Securities lending policies

A copy of the statement is available at:

[http://www.tiaa-cref.org//about/press/about\\_us/-releases/pressrelease202.html](http://www.tiaa-cref.org//about/press/about_us/-releases/pressrelease202.html)

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