



## United Methodist Foundation of New England

### Socially Responsible Investing (SRI) Proxy Voting Guidelines Summary

#### Introduction:

Socially responsible investors have dual objectives: financial and social. Socially responsible investors invest for economic gain, as do all investors, but they also require that companies in which they invest conduct their business in a socially responsible manner. These dual objectives carry through to the proxy voting activity, after the security selection process is completed. In voting their shares, socially responsible institutional shareholders are concerned not only with economic returns to shareholders and good corporate governance, but also with the ethical behavior of corporations and the social and environmental impact of their actions.

Since the United Methodist Foundation of New England (UMFNE) owns close to 1,000 companies in both domestic and international markets, researching and voting each proxy by hand would be very difficult and costly. UMFNE has hired the Glass, Lewis and Co. to perform this research and to assist us with the voting of our proxies. The policy used by UMFNE is the same policy used by the General Board of Pensions and Health Benefits of The United Methodist Church (GBOPHB). Glass Lewis assists UMFNE by:

- Developing and managing voting policies and guidelines
- Providing independent and objective research that accommodates a variety of viewpoints on important proxy issues
- Helping us maintain control over voting decisions, with informed and consistently-applied policy-based vote recommendations
- Providing custom voting reports
- Ensuring compliance with legislative and regulatory requirements, including SEC requirements for transparency and disclosure.

#### Our Philosophy:

1. We take full responsibility for the screening of the UMFNE Pooled Funds and we update our screens through time. While we screen all of our investments in accordance with the UMC *Book of Discipline* and the GBOPHB exclusion list, we have also developed some of our own screens that go beyond military and “sin” stocks. For example in 2007, we imposed a screen to exclude companies doing business in Sudan. *Why should this be important to you?* Investments in companies with operations in Sudan (typically natural resource companies) indirectly support the government of Sudan, which has undertaken a well-documented campaign of genocide in the Darfur region since 2003. *By not owning these companies, we are taking a stand against the Sudanese government that is profiting from this human tragedy.*
2. We will use our proxy vote to consistently and systematically encourage companies to adhere to principles that we believe are important and which are outlined below.
3. While our votes may not be enough to sway companies to change their behavior on our own, we believe that by joining our voices with other like-minded investors, we can have a positive impact on corporate behavior.

## Key Principles:

- **Independence:** We believe that it is imperative to have independent directors on the boards of the companies in which we have an equity stake. We will generally oppose slates of director nominees that are not comprised of a majority of independent directors and will withhold votes from non-independent directors who sit on key committees. Further, we support the separation of Chairman of the Board and CEO positions and require that directors attend a minimum of 75% of the board meetings to have our support.
- **Auditor:** We support requests to rotate audit firms every five years and we vote against the ratification of any auditor that earns more than 25% of their total fees from non-audit fees.
- **Poison Pill:** We will vote against any takeover defenses that companies try to enact as they limit shareholder value by eliminating the takeover premium for a company. Takeover defenses can also be used to entrench a board of directors.
- **Executive and Director Compensation:** We will support proposals calling for greater transparency and accountability for executive compensation programs. There have been a number of shareholder proposals for 2009 that request that the board adopt a policy that provides the Company's shareholders the opportunity at each annual meeting to vote on an advisory resolution, proposed by the Company's management, to ratify the compensation of the named executive officers set forth in the proxy statement's summary compensation table and the accompanying narrative disclosure of material factors provided to understand the table (but not the Compensation Discussion and Analysis).
- **Aligned Interest:** We will withhold support of directors who have served on a board for at least two years and yet are not shareholders of the corporation. We want our directors to be invested in the companies we own.

## Examples:

We voted in favor of giving shareholders the opportunity to "ratify" or weigh in on compensation plans each year at General Electric, Aflac, Pfizer, Verizon, CVS Caremark and Ingersoll Rand.

We supported the vote to strip Bank of America CEO Ken Lewis of his position as Chairman of the Board, while he continues as the Chief Executive Officer of that company.

On our Citigroup proxy, we voted against two directors who had been on the board for two years and yet neither owned any company stock.

- **Shareholder Proposals:** We support initiatives that encourage management to be better stewards of our environment and that promote corporate social responsibility. In general, we vote for shareholder social, workforce, and environmental proposals that create good corporate citizens while enhancing long-term shareholder and stakeholder value. We will vote for disclosure reports that seek additional information particularly when it appears companies have not adequately addressed shareholders' social, workforce, and environmental concerns.

## Examples:

We supported more disclosure and reporting on global climate change and environmental sustainability at General Electric, Citigroup, and others.

The recent credit crunch has renewed public attention on predatory lending practices, prompting shareholder activists to attempt to use company proxy ballots this year to seek transparency from credit card lenders on their recruitment, underwriting and fee practices that may be seen as predatory. UMFNE will support proposals calling for the end of predatory lending practices.