



Proxy Voting – An Essential Element of Responsible Investing 2009 Voting Highlights

- Out of control CEO bonuses and compensation.
- Government bailouts to companies that are unresponsive to shareholders.
- Boards that would prefer to remain unaccountable.

These are just a few of the challenges which the current economic crisis has presented to shareholders. However, many shareholders remain silent, continuing to cast their votes with management, hoping for a better outcome. The United Methodist Foundation of New England (UMFNE), on the other hand, has opted for a different course. Following through on the concept of truly responsible investment, we are seeking to harness the power of ownership to try and change the situation.

In 2009, UMFNE voted the proxies of 845 companies from 25 different countries. We would like to point out the following highlights:

- We voted on 8,410 proposals including 431 shareholder proposals.
- For 75% of these companies, we voted against management in some capacity, whether it was to withhold support from a director's election, voting against a management proposal, or supporting a shareholder proposal.
- We supported 351 of the shareholder proposals, approximately 80%.
- We voted to support shareholder resolutions dealing with compensation issues at a rate of over 80%.
- Environmental proposals filed by shareholders also figured prominently with UMFNE voting in favor of 87% of such proposals.

It is important to note that we did not support every proposal related to the environment and compensation. The reason for this is as follows: (1) we analyze each proposal to make sure that it is well-crafted. (2) Further, we confirm that, if the proposal were to be implemented, it would need to improve the company and benefit both shareholders as well as other stakeholders such as employees and members of the community. Some proposals do not meet these criteria.

During the year there were several high-profile proxies that UMFNE voted:

At **Bank of America**, shareholders and the public were enraged to find that the board apparently acted contrary to their interests in recommending the acquisition of Merrill Lynch (complete with billion-dollar bonus payouts to Merrill executives). We followed through on this matter by supporting a shareholder initiative to separate the position of the chairman and CEO (both

previously held by Ken Lewis). Although the measure narrowly missed receiving majority support (due to the practice of broker votes), subsequent increased public pressure resulted in the resignation of the CEO.

At another important meeting, that for homebuilder **KB Home**, UMFNE voted against 5 of 7 board members standing for reelection, reflecting the view that this company engaged in irresponsible CEO compensation practices (CEO Jeffrey Mezger was paid more than \$6.8 million in 2008 despite a 44% collapse in the company's stock price, a 53% drop in company revenue and a net loss of \$976 million).

Exxon Mobil is another example of how UMFNE exercised its ownership rights in a way to advance shareholder value. We did this not only through advocating more sound corporate governance (by supporting the shareholder resolution calling for the separation of the chairman/CEO position), but also by supporting more accountability on environmental matters. There were three resolutions submitted pertaining to the environment, and we supported all three resolutions.

There are many, many more specific examples of how the United Methodist Foundation of New England is at the forefront of the battle for greater shareholder rights. We feel that it is incumbent upon ourselves as responsible investors to exercise these rights through informed proxy voting, which is the reason we put time, effort and expense into doing so. We are happy to be able to act in this capacity on behalf of our investing churches and agencies.

For more information, please visit UMFNE's web site at www.umfne.org or call us at 1-800-595-4347