

Proxy Voting Guidelines

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GENERAL BOARD OF PENSION AND HEALTH BENEFITS
OF THE UNITED METHODIST CHURCH

Caring For Those Who Serve



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Proxy Voting Guidelines

Introduction

As a socially responsible investor, Wespath Investment Management (**Wespath**), a division of the General Board of Pension and Health Benefits of The United Methodist Church (General Board), endeavors to vote its proxies in alignment with the financial interests of plan participants and investors and in conjunction with the values of The United Methodist Church as expressed in the Social Principles (§160-166 of *The Book of Discipline of The United Methodist Church 2008*) and *The Book of Resolutions of The United Methodist Church 2008*.

The guidelines in this document represent **Wespath's** position on many of the most common proxy voting issues. They are organized around **Wespath's** five advocacy areas:

- sustainability reporting,
- the environment,
- social concerns,
- corporate governance, and
- health.

Informing all positions are ¶163 and ¶163I from the Social Principles.

We claim all economic systems to be under the judgment of God no less than other facets of the created order. Therefore, we recognize the responsibility of governments to develop and implement sound fiscal and monetary policies that provide for the economic life of individuals and corporate entities and that ensure full employment and adequate incomes with a minimum of inflation. We believe private and public economic enterprises are responsible for the social costs of doing business, such as employment and environmental pollution, and that they should be held accountable for these costs. (¶163)

Corporations are responsible not only to their stockholders, but also to other stakeholders: their workers, suppliers, vendors, customers, the communities in which they do business, and for the earth, which supports them. We support the public's right to know what impact corporations have in these various arenas, so that people can make informed choices about which corporations to support.

We applaud corporations that voluntarily comply with standards that promote human well being and protect the environment. (§163I)

Other supporting denominational statements from *The Book of Discipline* and *The Book of Resolutions* can be found at the end of this document.

Wespath has instructed its proxy voting agent to vote in accordance with these guidelines. All proxy ballots are reviewed for compliance with these guidelines. Where no clear guideline exists, proxies are voted on a case-by-case basis, with consideration given to the recommendations of the proxy voting agent, company management, investment manager and internal staff.

Sustainability: Investors and consumers are aware of the importance of sustainability in business operations. As defined in the Report of the Bruntland Commission issued in 1987 (formally known as the World Commission on Environment and Development), sustainability refers to “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” For companies, sustainability involves conducting business in a way that does not affect negatively long-term viability, shareholder value, the environment or stakeholders (including consumers, employees and local communities). The United Methodists Church’s resolution *Investment Ethics* (Resolution 4071), encourages United Methodist investors to “invest in corporations...maintaining a commitment to sustainability.” **Wespath** supports efforts to promote more sustainable business practices.

Issue	Supporting Statement	Recommendation
Sustainability Reporting	Sustainability (also known as corporate social responsibility) reports allow companies to disclose business policies, practices, goals, opportunities and challenges related to issues not typically included in financial reports. Disclosure of these environmental, social and governance (ESG) policies, programs and activities allows investors to identify and evaluate sources of potential risk and/or opportunities. Strong ESG policies and practices can protect brand reputation, help recruit and retain talent, foster customer loyalty and reduce the risk of lawsuits. Wespath supports resolutions asking that companies publish sustainability reports.	For
Standardized Reporting	Standardized reporting benefits investment decision-making by allowing investors to evaluate companies and measure company performance on ESG issues. Wespath supports resolutions asking companies to use a standardized sustainability reporting format such as the Global Reporting Initiative (GRI).	For

The Environment: According to “Universal Ownership: Why Environmental Externalities Matter to Institutional Investors” (PRI Association and UNEP Finance Initiative, October 2010,), the global cost of human activity as it affects the environment (comprised of such factors as greenhouse gas emissions, overuse of water, pollution and sustainable natural resource use) was estimated to be \$6.6 trillion in 2008. As a result of diminishing availability of natural resources, companies may experience increased costs, decreased output and stricter regulatory standards. Because environmental externalities can pose material risk to investment portfolios, investment valuation models should incorporate an assessment of environmental factors. **Wespath** supports the integration of ESG factors into portfolio construction.

Greenhouse Gas Emissions (GHG)	The presence of high levels of greenhouse gases in the atmosphere is a primary cause of climate change. Besides seriously altering the earth’s environment, climate changes pose substantial financial and regulatory risks to companies. In 2008, The United Methodist Church voiced support “of all governments to require mandatory reductions in greenhouse gas emissions.” Wespath supports resolutions requesting companies to report on efforts to reduce GHG and to consider the risks and opportunities posed by climate change, (except in cases where the resolution seeks to undermine legitimate climate change concerns).	For
Energy Efficiency	By implementing energy efficiency measures, companies can immediately realize substantial cost savings and reductions in emissions. Corporate energy efficiency helps electric companies manage their own emissions. Wespath supports resolutions requesting companies to adopt and to report on policies that promote energy efficiency and renewable energy sources.	For
Water	Population growth and economic development are driving significant increases in demand for water. Since fresh water is less than 3% of the earth’s total water resources and less than .5% of that amount is accessible for use, water has been identified as a strategic business risk. Wespath supports resolutions asking companies to report on strategic business risks related to water.	For
Water as a Human Right	The United Methodist Church recognizes that “water is a basic human right to be shared and enjoyed by all God’s people.” (Resolution 1029, <i>Protection of Water</i>) Wespath supports resolutions asking companies to adopt a policy articulating respect for and commitment to the human right to water.	For
Food Safety/Livestock	A safe and sustainable food supply is critical to the human population. In the U.S. agricultural production has shifted from a large network of independent farms to a	For

	concentrated system of factory farms. This system relies on the externalization of environmental liabilities, which may result in negative impacts on human health and long-term business risk. Wespath supports resolutions calling for 1) the phase out of non-therapeutic use of antibiotics, 2) the appropriate treatment of animal waste and 3) the adequate housing of animals. In addition, Wespath supports the painless slaughtering of meat animals, fish and fowl.	
Food Safety/Genetically Modified Organisms (GMO)	GMOs are organisms whose genetic structures have been altered by the introduction of nonrelated genetic materials. GMOs represent an ever-growing segment of U.S. agricultural production. Supporters of GMOs claim they can help eradicate world hunger, make more efficient use of farm land, reduce pollution hazards and raise nutritional levels. Opponents point out that food containing genetically modified crops has not been adequately tested for safety and may cause as yet unknown allergic reactions. Wespath supports resolutions requesting companies to remove all genetically modified ingredients from products sold under their brand names and private labels until adequate long-term safety testing is completed. Wespath also supports efforts requiring companies to label any products containing genetically modified ingredients.	For
Nanotechnology	Nanotechnology involves manipulating matter at the molecular scale to build structures, tools, or products, known as nanomaterials. These extremely small particles create opportunities for innovation, but in some cases, scientists have questioned their safety. Because of their small size, nanoparticles are more likely to enter cells, tissues and organs where they may interfere with normal cellular function and cause damage and cell death. Also, nanomaterials such as silver, titanium dioxide, zinc, and zinc oxide, have been found to be highly toxic to cells in laboratory studies. Wespath supports resolutions calling for companies to report to shareholders on their use of nanomaterials.	For
Fair Trade	Fair Trade marketed products attempt to provide local farmers a fair price for sustainably grown commodities. Wespath supports the Fair Trade movement and votes for resolutions asking companies to expand their product lines to include Fair Trade products.	For
Forestry	The loss of forests throughout the world is a contributing factor to climate change, community destruction and the extinction of species. Wespath supports sustainable forestry practices to protect earth's remaining forests.	For

Mountaintop Removal	Mountaintop removal coal mining is environmentally destructive and frequently devastating to local communities. Wespath supports resolutions calling for the cessation of mountaintop removal coal mining. In addition, Wespath calls upon lending institutions to discontinue the financing of such mining activities.	For
Toxic Chemicals	The presence of toxic chemicals in our food, water, and everyday items represents a significant threat to human, especially, infant, life. Wespath supports resolutions requesting companies to phase out the use of toxic chemicals when safer alternatives are available. Examples of such toxic materials include polyvinyl chloride (PVC), bisphenol A, cyanide dioxin, mercury and lead.	For
Nuclear Wastes	The storage of nuclear wastes from nuclear power plants and weapons manufacturers remains an unsolved dilemma in the U.S. Wespath supports resolutions requesting that companies minimize or eliminate the adverse environmental impact of waste material produced by nuclear reactors and nuclear weapons products on human, plant and animal health and safety.	For
Recycling	The United Methodist Church recognizes recycling as “an important and easy step toward a more sustainable future.” (Resolution 1030, <i>Recycling and the Use of Recycled Products</i>) Wespath supports resolutions calling upon companies to develop, implement and report on recycling programs.	For
Ceres Principles	Wespath supports shareholder efforts to encourage companies to be more environmentally sustainable through initiatives such as the Ceres Principles or its 2010 revision, the <i>Ceres Roadmap for Sustainability</i> .	For

Social: Social issues encompass the areas of employee relations, human rights and supply chain management. The risks of non-compliance with ethical social values can be material to a company and its stakeholders, with exposure to legal, financial and reputational impact. Proper management of social issues can lead to cost savings and in turn, financial benefit. Increasingly, companies are recognizing that their approach to social issues can affect their bottom line. Thus, providing a non-discriminatory work environment and comprehensive management of supply chains are complex activities whose benefits are evolving away from the category of risk avoidance and into competitive opportunity. In general, **Wespath** endeavors to uphold the Social Principles when voting on social issues.

Codes of Corporate Conduct	Companies can assure shareholders that they are treating their workers fairly and decently by adopting and adhering to clear and easily monitored codes or standards of conduct. Wespath supports resolutions calling for companies to establish corporate codes that protect human rights, establish uniformity in labor practices and provide mechanisms for monitoring.	For
Workplace Non-Discrimination, Sexual Orientation Non-Discrimination	Costs associated with workplace discrimination are often avoidable and can place an unnecessary burden on stakeholders. Several companies have had to pay millions to settle discrimination suits. Ultimately these costs are borne by shareholders, employees and consumers. Wespath supports resolutions requesting that company management report on efforts to enforce equal employment opportunities in the workplace and to hire and promote women and persons of racial/ethnic background. Wespath supports resolutions requesting companies to amend their written equal employment opportunity policies to explicitly prohibit discrimination based on sexual orientation.	For
Vendor/Supplier Standards	Globalization means that many of the products we use in daily life have come from factories located around the world. Shareholders are rightfully concerned that workers in these factories are treated according to widely recognized international standards. Wespath supports resolutions calling for companies to adopt and enforce vendor/supplier standards based on international standards such as those of the International Labor Organization or the Global Compact.	For
Human Rights Committee	All companies should have policies guaranteeing compliance with internationally accepted standards of human rights. Such standards include the United Nations’ “The Universal Declaration of Human Rights” and the “Guiding Principles on Business and Human Rights.” For companies with significant operations in	For

	countries with questionable human rights practices, Wespath supports resolutions calling for boards of directors to create a human rights committee with oversight of the establishment and enforcement of the company’s human rights policies.	
Conflict Regions and Repressive Regimes	Operating in areas of conflict (Sudan, Democratic Republic of Congo, the Middle East) or in countries ruled by an oppressive regime (Myanmar) is challenging and can expose companies to allegations of corruption and/or that their products are being used to abuse human rights. The Prince of Wales International Business Leaders Forum argues that a business case for human rights can be formed around eight strategic opportunities. By mitigating risks of human rights, companies can: safeguard reputation and brand image; gain competitive advantage; improve recruitment, retention and staff loyalty; foster greater productivity; secure and maintain a license to operate; reduce costs burdens; ensure active stakeholder engagement; and meet investor expectations. Wespath supports resolutions calling for companies operating in conflict areas to report on policies and activities that mitigate human rights abuses and financial improprieties. Wespath will consider any other resolutions specific to operating in these areas on a case-by-case basis.	For
Equator Principles	The Equator Principles are a credit risk management framework for determining, assessing and managing environmental and social risk in project finance transactions. The Principles are adopted voluntarily by financial institutions and are applied where total project capital costs exceed US\$10 million. They provide a minimum standard for due diligence to support responsible risk decision-making. The Equator Principles are based on the International Finance Corporation Performance Standards on social and environmental sustainability and on the World Bank Group Environmental, Health, and Safety Guidelines. Wespath supports resolutions calling upon companies to endorse the Equator Principles.	For
Discontinue Negative Images of Native Americans	All major national American Indian inter-tribal and professional organizations – such as those for educators, scientists, engineers, lawyers, journalists, elders and youth, tribal and traditional leaders, artists and activists – have publicly denounced the use of so-called Indian or Native images, names and symbols which disparage, demean, belittle, stereotype or offend American Indian peoples. In addition, The United Methodist Church has “denounced the continued use of Native American names and nicknames for sport teams as racist and dehumanizing.” Wespath supports efforts to eliminate negative images of indigenous peoples by requesting	For

	companies to review their advertising policies and practices and to report on their progress.	
Report on Military Sales to non-U.S. Countries/Entities	The U.S. exports weapons and related military services through direct sales, leases, transfers and other mechanisms and typically leads all other nations in arms transfer deliveries. In a number of recent combat engagements, U.S. troops faced opponents who had previously received U.S. weapons or military technology. Wespath will consider resolutions requesting companies to report to shareholders on sales of military equipment on a case-by-case basis.	Case-by-case
Landmines/Cluster Bombs	Long after hostilities have ceased, landmines and cluster bombs continue to kill or maim thousands of innocent civilians yearly. Many of these explosive devices retain their ability to detonate for as many as 100 years. Wespath supports resolutions calling on companies to renounce future involvement in landmine and cluster bomb production.	For
Report on Bank Lending Policies	Lending practices of financial institutions played a major role in the financial crisis of 2008-2009 and the resulting recession. Wespath supports resolutions requesting lending institutions to develop policies relating to responsible lending.	For
Predatory Lending/Credit Card Lending	Predatory lending is a form of subprime lending characterized by unscrupulous or unethical lending practices. These practices can include the application of excessively high fees and interest rates, the use of balloon payments, flipping (successive refinancing of the original loan at increasingly higher rates), packing (linking the issuance of the loan to the purchase of some form of insurance) and steering (directing otherwise credit-worthy borrowers into high-priced subprime loans). Predatory lending tends to target certain segments of society, most often the elderly, the poor and minorities. The United Methodist Church has directed all general agencies to invest in banks that have "policies and practices that preclude predatory or harmful lending practices." (Resolution 4071, <i>Investment Ethics</i> .) Wespath supports resolutions calling for lending institutions to stop predatory lending practices. Wespath also supports resolutions calling for responsible credit card marketing, lending and loan modification practices.	For
Disclose Political/Government Spending	Disclosure of political spending is consistent with public policy, in the best interest of the Company and its shareholders and critical for compliance with recent federal ethics legislation. Without a system of accountability for political spending, a company's assets may be used for policy objectives that are at odds with the long-	For

	term interests of the company and its shareholders. Wespath supports resolutions requesting that companies provide reports on their activities and financial relationships with political agencies and/or governmental agencies and their contributions to political parties, trade associations, organizations, interest groups and lobbying efforts.	
Disclose/Amend Policies on Doing Business in Emerging Markets	Companies doing business in emerging markets are exposed to risks involving abusive working conditions. Wespath supports resolutions requesting companies doing business in emerging markets to adopt policies that ensure subcontractors are not using forced or slave labor or purchasing products made by forced or slave labor. Such resolutions also may include requests to allow on-site visits to manufacturing sites by stakeholders and other interested parties.	For

Corporate Governance: For years socially responsible investors have engaged companies in dialogue on the importance of good corporate governance measures. The topic gained widespread support after accounting irregularities and lax oversight resulted in the failure of several well-known corporations in 2000 and 2001. In response, major stock exchanges revised their listing standards to require new levels of governance and oversight. In addition, Congress passed the Sarbanes-Oxley Act in 2002 that addressed such issues as director responsibility, auditor oversight, internal controls and enhanced financial disclosure to investors. The financial crisis in 2008-2009 resulted in the failure of more companies, which led to the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010. **Wespath** supports best practices in corporate governance, including executive compensation that is tied to performance, separation of the positions of board chairperson and CEO and a diverse board of directors elected annually by a majority vote of shareholders.

Separation of Chairperson and CEO/Appointment of Independent Lead Director	Wespath believes that, among the largest U.S. companies based on market value, shareholders' interests are best served when the board of directors is led by a non-executive chairperson. Wespath supports separating the position of Chief Executive Officer from that of the Chairperson of the Board to ensure a greater measure of board independence, to improve the board's oversight role and to allow powers to be more effectively balanced between board and management. In cases where the CEO also serves as the chairperson of the board, Wespath supports the appointment of an independent lead director and may vote against director nominees who have served on nominating and/or governance committees but have not appointed such a director.	For
Annual Election of Directors/Classified Boards	Board members are subject to greater accountability when elected annually. Wespath supports the declassification of board members through annual elections. With annual elections, continuity of experience can be maintained through careful consideration of issues of competence and succession.	For
Election of Directors	Wespath believes that company directors should reflect a diversity of experience, gender, race and age and own a meaningful number of common shares in the company after two years of board membership. Wespath may elect to withhold its votes from any or all directors who do not represent the shareholders' interests. Instances include: <ul style="list-style-type: none"> • Directors who are affiliated with the company when more than two affiliated directors already sit on the board. • Directors who are members of the audit, compensation or nominating 	Withhold

	<p>committees but who are not independent.</p> <ul style="list-style-type: none"> • The chairperson of the nominating or corporate governance committee when he or she fails to nominate an independent leading or presiding director. • Directors whose committee membership represents a conflict of interest. • Directors who sit on multiple boards and/or attend fewer than 75% of all official board meetings. • Directors who are involved in or are aware of stock option backdating. • Directors who do not attempt to enact shareholder resolutions when such resolutions receive a majority or near-majority shareholder vote. • Directors who serve on the compensation committee during periods when executive pay exceeds industry averages but financial performance is below average. • Directors who serve on the audit committee but do not allow shareholders to vote on the company auditor. 	
Board Diversity	<p>Wespath supports board diversity. If fewer than 20% of directors are female or persons of racial/ethnic background (to the extent data regarding ethnicity is available) and a reasonable explanation for the lack of diversity is not disclosed, Wespath will withhold votes from members of the committee responsible for director nominations (usually the nominating and/or corporate governance committee).</p>	Case-by-case
Majority Voting	<p>A plurality vote standard for uncontested elections effectively disenfranchises shareowners and eliminates a meaningful shareowner role in uncontested director elections. As a result, shareowners are without a necessary tool to hold directors accountable. On the other hand, a majority voting policy allows shareowners to actually vote “for” and “against” candidates in a meaningful election. Wespath supports proposals calling for the election of directors by a majority of votes cast by shareholders.</p>	For
Cumulative Voting	<p>Cumulative voting allows shareholders to direct all of their votes to a single director candidate. Through cumulative voting, minority shareholders have a greater possibility of electing a director. Though Wespath opposes cumulative voting except when a board is not independent or has no representation from women or persons of racial/ethnic background, we will consider cumulative voting</p>	Case-by-case

	proposals on a case-by-case basis.	
Confidential Voting	The confidential ballot is fundamental to the American political system. Confidentiality ensures that voters are not subjected to actual or perceived coercive pressure. Wespath supports confidential (secret) shareholder voting in order to keep proxy voting free of any potential for coercion.	For
Supervoting Provisions	Supermajority vote provisions require that a specified percentage of votes, usually more than 50% of votes cast, is needed to approve a particular measure. Wespath opposes all supermajority voting requirements because they run counter to the principle of majority rule.	Against
Succession Planning	Ineffective succession planning is costly to companies. Studies show that poorly managed CEO transitions are associated with lower returns to shareholders. Poor succession planning also may result in lost productivity and other social costs. Wespath supports resolutions calling for the board of directors to establish and disclose a process for CEO succession planning.	For
Director Qualifications	Occasionally, shareholders will call for the nomination of a director with expertise in a subject area relating to an important aspect of company business. Wespath generally supports such calls.	For
Proxy Access	Financial reform provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act called for shareholders to be able to nominate directors for a company's board of directors and to have the nominations appear on the proxy ballot. Following the decision of the Securities and Exchange Commission not to appeal a legal challenge to this provision, Wespath will support resolutions calling upon companies to provide shareholders with access to the proxy ballot as originally envisioned by Dodd-Frank.	For
Contested Elections	Occasionally, shareholders who are seeking to unseat certain directors will challenge management by submitting to shareholders their own proxy ballot. Wespath votes contested proxy ballots on a case-by-case basis	Case-by-case
Board Response to Shareholder Resolutions	For U.S. companies, shareholder resolutions are advisory, but when shareholder resolutions receive a substantial shareholder vote, Wespath believes the board of directors needs to respond to shareholder concern. Wespath will support resolutions calling for boards to adopt a policy of engagement with shareholders on issues that have received a majority vote.	For
Liability	Shareholder interests are best served when directors know they may be held liable	Against

	for the actions they take on behalf of the company. Wespath opposes actions that would indemnify directors for actions that could be considered fraudulent or willful misconduct.	
Increase/Decrease Common Authorized Stock	Typically, Wespath supports proposals to increase the number of shares of common stock available for public purchase unless there is potential for excessive dilution of the stock's value and the company has not submitted a plan to explain how the capital raised from the increased shares will be used.	Case-by-case
Issuance of Preferred Stock	Preferred stock pays a fixed dividend and is used by companies as a tool to meet changing financial conditions. Wespath supports the issuance of preferred stock when the issuance complies with current exchange rules and is linked with a specific business purpose.	Case-by-case
Blank Check Preferred Stock	Wespath opposes the creation of Blank Check preferred stock because it gives directors broad discretion in determining the terms of the stock (voting, dividend, conversion and other rights) after issuance and without shareholder approval. Blank check preferred stock also may be used to implement a management takeover defense without shareholder approval.	Against
Dual Class Stock	Generally, Wespath opposes dual class stock structure, especially if there are inferior or superior voting rights.	Against
Stock Option Proposals	Stock option programs serve as an incentive to top management, directors, and employees and are a means of strengthening the company's ability to retain and adequately compensate valued personnel. They also enable the recipients to have an additional stake in the future success of the company. Wespath votes stock option proposals on a case-by-case basis, but, in general, will vote against proposals calling for: <ul style="list-style-type: none"> • Re-pricing of stock options. • Discounting stock options. • Replacing underwater options. • Dilution of stock which exceeds 1% of outstanding stock for each year or 5% over a 5- year period. Staff will determine situations that might warrant a higher dilution percentage. 	Case-by-case
Employee Stock Ownership Plans	Employee stock ownership plans enable employees to acquire meaningful ownership of the firms in which they work. In some cases, management has used such plans to protect itself from hostile takeovers. Wespath will not support plans	Case-by-case

	if its analysis reveals that the company is initiating the plan as an anti-takeover defense.	
Say on Pay Resolutions (Executive Compensation)	An advisory vote on executive compensation (say on pay) is standard practice in many parts of the world. In the U.S., where compensation packages can be extremely large, shareholders have been calling for such votes in increasing numbers. Though required in some circumstances by the Dodd-Frank Wall Street Reform and Consumer Protection Act, say on pay resolutions still may be submitted by shareholders at certain companies. Wespath supports proposals calling for an advisory vote on executive compensation where legally required and when submitted by a shareholder.	For
Frequency of Say on Pay	The Dodd-Frank Wall Street Reform and Consumer Protection Act gives shareholders the right to vote on the frequency of say on pay resolutions. In order to hold directors more accountable for compensation policies and practices, Wespath supports yearly votes on executive compensation packages.	1-year
Executive Compensation Packages	Shareholders are best served when executive compensation packages are tied to financial and social performance and have clear and reasonable metrics. Wespath votes on executive compensation packages on a case-by-case basis.	Case-by-case
Link Executive Compensation to Financial Performance	Shareholders' interests are best served when compensation programs are linked to clearly benchmarked financial metrics. Wespath supports resolutions linking executive pay with financial performance when performance is measured by acceptable industry benchmarks over a sufficient period of time.	For
Link Executive Compensation to Social Performance	Linking executive compensation with clearly identified social criteria ensures that companies are sensitive to the role of ESG factors in company performance. Wespath supports shareholder proposals that encourage linking executive pay with social performance or relevant criteria.	For
CEO/Employee Compensation Ratio	The Dodd-Frank Wall Street Reform and Consumer Protection Act requires public companies to disclose the ratio between the median annual compensation of all employees (excluding the CEO) and the total compensation of the CEO. While the Securities and Exchange Commission considers how to implement this disclosure, Wespath will consider resolutions calling upon companies to disclose the ratio of executive to employee pay on a case-by-case basis.	Case-by-case
Vote on Golden Parachutes	In the event of a takeover, management should have some assurance that it will not be terminated without notice and reasonable compensation, but compensation	For

	arrangements resulting from a merger, takeover, acquisition or sale and usually referred to as golden parachutes, often are excessive and not in the best interest of shareholders or the company. Wespath supports resolutions requiring a shareholder vote on golden parachute agreements for management.	
Golden Parachutes	Wespath evaluates the terms of golden parachutes for management and votes them on a case-by-case basis.	Case-by-case
Clawback Provisions	Wespath supports clawback provisions that attempt to recover incentive or bonus pay arrangements when a company has restated its financial results from a prior period or periods because of subsequently discovered malfeasance, negligence, or an intentional misstatement by management.	Case-by-case
Equity Incentive Holding Period	Compensation based on immediate vesting of equity awards may lead to excessive risk-taking for short-term awards. Instituting a holding period for equity awards helps align overall compensation with long-term performance. Wespath supports resolutions calling for a holding period for equity awards.	For
Other Pay or Bonus Arrangements	Wespath will analyze resolutions related to other pay and/or bonus arrangements and will oppose what it views are excessive arrangements such as: <ul style="list-style-type: none"> • Golden coffins (benefits paid to an executive’s estate after death), • Accelerated vesting of pension or other benefits, • Tax gross-ups (payments that cover the taxes of certain benefits), and • Bonus calculations based on future pension income. 	Case-by-case
Sell or Merge Company	Wespath votes its proxies relating to mergers and acquisitions according to the position that represents the best financial interest of shareholders as determined by Wespath ’s proxy voting agent.	Case-by-case
Company Seeking to be Acquired by 3 rd Party	Proposals recommending that the board consider selling the company to the highest bidder will be considered if the proposal is in the best financial interest of shareholders and more than one buyer has been considered. Wespath votes these proposals on a case-by-case basis.	Case-by-case
Redeem/Amend Preferred Shareholder Rights Plans (Poison Pills)	Shareholder rights plans (poison pills) are measures to discourage hostile takeovers. They are activated when an outside party acquires a certain percentage of company stock. Once activated, shareholders may purchase additional shares at a deep discount. The resulting increase in the outstanding stock dilutes the acquirer’s voting power and equity and makes further share acquisition prohibitively expensive. Wespath supports resolutions requiring a shareholder vote	For

	on poison pill proposals.	
Reincorporation	Companies may reincorporate for a variety of reasons, especially when seeking protection from hostile takeovers by shareholders. Delaware incorporation law, for example, provides “shark repellants,” which are favorable to corporations, but not necessarily to shareholders. Conversely, shareholders may seek reincorporation in states with shareholder-friendly incorporation provisions. Wespath votes resolutions on reincorporation on a case-by-case basis.	Case-by-case
Auditors	Wespath will oppose auditors whose non-audit related fees exceed 25% of total fees received, who have adopted alternative dispute resolutions procedures or who are not independent.	Against
Shareholder Right to Call a Meeting	Wespath generally supports the right of at least 10% of shareholders to call a special meeting.	For
Waiting Period	Wespath opposes efforts to institute a waiting period for shareholder voting.	Against
Notification of Annual Meeting	Wespath opposes efforts to reduce the official notification time of annual or special meetings.	Against
Transaction of Other Business	Wespath opposes proposals giving the board authorization to transact business that has not been properly presented in proxy materials.	Against

Health: Governments have the primary responsibility for upholding human rights and providing health care to their citizens. However, businesses also have a role, and many corporations find that caring for the health of their employees is good for the bottom line. Many of **Wespath**'s corporate dialogues regarding health care have addressed efforts by pharmaceutical companies to distribute drugs to treat HIV/AIDS, tuberculosis, malaria and other neglected diseases in low- and middle-income countries. Other companies have been asked to assess the impact these diseases have on the company's business operations. **Wespath** supports measures to improve access to health care, availability of medicines and healthy lifestyle practices.

Access to Medicines Policy	Pharmaceutical companies have the challenge of finding ways to distribute their life-saving medicines to low- and middle-income patients. Because pricing policies and marketing practices may negatively affect the poor, elderly, uninsured and underinsured, Wespath supports resolutions requesting that pharmaceutical companies consider developing policies leading to access to medicines for institutions and individuals.	For
Resolutions on HIV/AIDS, Tuberculosis and Malaria	According to the 2010 UNAIDS Report on Global AIDS, 33 million people are living with HIV. Fifteen million are in low- and middle-income countries, two-thirds of which do not have access to treatment. Approximately, 14 million people are infected with tuberculosis and there are 247 million cases of malaria worldwide. Moreover, HIV/AIDS, tuberculosis and malaria can have the following impact upon business operations: increased absenteeism; reduced productivity; increased turnover, recruitment and training costs with more inexperienced workers; low morale as employees suffer the effects of discrimination or the stress of caring for sick family members; and increased health care expenditures for the company, employees and dependents. Wespath supports resolutions calling upon companies to report on the impact HIV/AIDS, tuberculosis and malaria have on their business operations and to specify what strategies and actions they are taking as a consequence. Such strategies might include: making low-cost HIV/AIDS medications more widely available and creating workplace policies that stress education and non-discrimination.	For

Appendix

Supporting Statements from the Social Principles and *The Book of Resolutions of The United Methodist Church 2008*

THE ENVIRONMENT

Water, Air, Soil, Minerals, Plants (§160A)

We support and encourage social policies that serve to reduce and control the creation of industrial byproducts and waste; facilitate the safe processing and disposal of toxic and nuclear waste and move toward the elimination of both; encourage reduction of municipal waste; provide for appropriate recycling and disposal of municipal waste; and assist the cleanup of polluted air, water, and soil. We call for the preservation of old-growth forests and other irreplaceable natural treasures, as well as preservation of endangered plant species. We support measures designed to maintain and restore natural ecosystems. We support policies that develop alternatives to chemicals used for growing, processing, and preserving food, and we strongly urge adequate research into their effects upon God's creation prior to utilization. We urge development of international agreements concerning equitable utilization of the world's resources for human benefit so long as the integrity of the earth is maintained. We are deeply concerned about the privatization of water resources, the bottling of water to be sold as a commodity for profit, and the resources that go into packaging bottled water. We urge all municipalities and other governmental organizations to develop processes for determining sustainability of water resources and to determine the environmental, economic, and social consequences of privatization of water resources prior to the licensing and approval thereof.

Energy Resources Utilization (§160B)

Affirming the inherent value of nonhuman creation, we support and encourage social policies that are directed toward rational and restrained transformation of parts of the nonhuman world into energy for human usage and that de-emphasize or eliminate energy-producing technologies that endanger the health, the safety, and even the existence of the present and future human and nonhuman creation. Further, we urge wholehearted support of the conservation of energy and responsible development of all energy resources, with special concern for the development of renewable energy sources, that the goodness of the earth may be affirmed.

Food Safety (¶160G)

We support policies that protect the food supply and that ensure the public's right to know the content of the foods they are eating. We call for rigorous inspections and controls on the biological safety of all foodstuffs intended for human consumption. We urge independent testing for chemical residues in food, and the removal from the market of foods contaminated with potentially hazardous levels of pesticides, herbicides, or fungicides; drug residues from animal antibiotics, steroids, or hormones; contaminants due to pollution that are carried by air, soil, or water from incinerator plants or other industrial operations. We call for clear labeling of all processed or altered foods, with premarket safety testing required. We oppose weakening the standards for organic foods. We call for policies that encourage and support a gradual transition to sustainable and organic agriculture.

Animal Life (¶160C)

We support regulations that protect the life and health of animals, including those ensuring the humane treatment of pets and other domestic animals, animals used in research, and the painless slaughtering of meat animals, fish, and fowl. We encourage the preservation of all animal species including those threatened with extinction.

SOCIAL

Corporate Responsibility (¶163I)

Corporations are responsible not only to their stockholders, but also to other stakeholders: their workers, suppliers, vendors, customers, the communities in which they do business, and for the earth, which supports them. We support the public's right to know what impact corporations have in these various arenas, so that people can make informed choices about which corporations to support.

We applaud corporations that voluntarily comply with standards that promote human well-being and protect the environment.

Work and Leisure (¶163C)

Every person has the right to a job at a living wage ... We support social measures that ensure the physical and mental safety of workers, that provide for the equitable division of products and services, and that encourage an increasing freedom in the way individuals may use their leisure time ... We believe that persons come before profits. We deplore the selfish spirit that often pervades our economic life. We support policies that encourage the sharing of ideas in the workplace, cooperative and collective work arrangements. We support rights of workers to refuse to work in situations that endanger health and/or life without jeopardy to their jobs. We support policies that would reverse the increasing concentration of business and industry into monopolies.

Poverty (¶163E)

In spite of general affluence in the industrialized nations, the majority of persons in the world live in poverty. In order to provide basic needs such as food, clothing, shelter, education, health care, and other necessities, ways must be found to share more equitably the resources of the world. Increasing technology, when accompanied by exploitative economic practices, impoverishes many persons and makes poverty self-perpetuating. Poverty due to natural catastrophes and environmental changes is growing and needs attention and support. Conflicts and war impoverish the population on all sides, and an important way to support the poor will be to work for peaceful solutions.

As a church, we are called to support the poor and challenge the rich. To begin to alleviate poverty, we support such policies as: adequate income maintenance, quality education, decent housing, job training, meaningful employment opportunities, adequate medical and hospital care, humanization and radical revisions of welfare programs, work for peace in conflict areas and efforts to protect creation's integrity. Since low wages are often a cause of poverty, employers should pay their employees a wage that does not require them to depend upon government subsidies such as food stamps or welfare for their livelihood.

Because we recognize that the long-term reduction of poverty must move beyond services to and employment for the poor, which can be taken away, we emphasize measures that build and maintain the wealth of poor people, including asset-building strategies such as individual development savings accounts, micro-enterprise development programs, programs enabling home ownership, and financial management training and counseling. We call upon churches to develop these and other ministries that promote asset-building among the poor. We are especially mindful of the Global South, where investment and micro-enterprise are especially needed. We urge support for policies that will encourage equitable economic growth in the Global South and around the world, providing a just opportunity for all.

Poverty most often has systemic causes, and therefore we do not hold poor people morally responsible for their economic state.

Collective Bargaining (¶163B)

We support the right of all public and private employees and employers to organize for collective bargaining into unions and other groups of their own choosing. Further, we support the right of both parties to protection in so doing and their responsibility to bargain in good faith within the framework of the public interest. In order that the rights of all members of the society may be maintained and promoted, we support innovative bargaining procedures that include representatives of the public interest in negotiation and settlement of labor-management contracts, including some that may lead to forms of judicial resolution of issues. We reject the use of violence by either party during collective bargaining or any labor/management disagreement. We likewise reject the permanent replacement of a worker who engages in a lawful strike.

National Power and Responsibility (§165B)

Some nations possess more military and economic power than do others. Upon the powerful rests responsibility to exercise their wealth and influence with restraint. We affirm the right and duty of people of all nations to determine their own destiny. We urge the major political powers to use their nonviolent power to maximize the political, social, and economic self-determination of other nations rather than to further their own special interests. We applaud international efforts to develop a more just international economic order in which the limited resources of the earth will be used to the maximum benefit of all nations and peoples. We urge Christians in every society to encourage the governments under which they live and the economic entities within their societies to aid and work for the development of more just economic orders.

Justice and Law (§165D)

Persons and groups must feel secure in their life and right to live within a society if order is to be achieved and maintained by law. We denounce as immoral an ordering of life that perpetuates injustice and impedes the pursuit of peace. Peoples and nations feel secure in the world community when law, order, and human rights are respected and upheld.

Believing that international justice requires the participation of all peoples and nations, we endorse the United Nations, its related bodies, the International Court of Justice and the International Criminal Court as the best instruments now in existence to achieve a world of justice and law. We commend the efforts of all people in all countries who pursue world peace through law. We endorse international aid and cooperation on all matters of need and conflict. We urge acceptance for membership in the United Nations of all nations who wish such membership and who accept United Nations responsibility. We urge the United Nations to take a more aggressive role in the development of international arbitration of disputes and actual conflicts among nations by developing binding third-party arbitration. Bilateral or multilateral efforts outside of the United Nations should work in concert with, and not contrary to, its purposes. We reaffirm our historic concern for the world as our parish and seek for all persons and peoples full and equal membership in a truly world community.

Rights of Racial and Ethnic Persons (§162A)

Racism is the combination of the power to dominate by one race over other races and a value system that assumes that the dominant race is innately superior to the others. Racism includes both personal and institutional racism. Personal racism is manifested through the individual expressions, attitudes, and/or behaviors that accept the assumptions of a racist value system and that maintain the benefits of this system. Institutional racism is the established social pattern that supports implicitly or explicitly the racist value system. Racism plagues and cripples our growth in Christ, inasmuch as it is antithetical to the gospel itself. White people are unfairly granted privileges and benefits that are denied to persons of color. Racism breeds racial discrimination. We define racial discrimination as the disparate treatment and lack of full access to resources and opportunities in the church and in society based on race or ethnicity. Therefore, we recognize racism as sin and affirm the ultimate and temporal worth of all persons. We rejoice in the

gifts that particular ethnic histories and cultures bring to our total life. We commend and encourage the self-awareness of all racial and ethnic groups and oppressed people that leads them to demand their just and equal rights as members of society. We assert the obligation of society and groups within the society to implement compensatory programs that redress long-standing, systemic social deprivation of racial and ethnic people. We further assert the right of members of racial and ethnic groups to equal opportunities in employment and promotion; to education and training of the highest quality; to nondiscrimination in voting, in access to public accommodations, and in housing purchase or rental; to credit, financial loans, venture capital, and insurance policies; and to positions of leadership and power in all elements of our life together. We support affirmative action as one method of addressing the inequalities and discriminatory practices within our Church and society.

Equal Rights Regardless of Sexual Orientation (§162J)

Certain basic human rights and civil liberties are due all persons. We are committed to supporting those rights and liberties for all persons, regardless of sexual orientation. We see a clear issue of simple justice in protecting the rightful claims where people have shared material resources, pensions, guardian relationships, mutual powers of attorney, and other such lawful claims typically attendant to contractual relationships that involve shared contributions, responsibilities, and liabilities, and equal protection before the law. Moreover, we support efforts to stop violence and other forms of coercion against all persons, regardless of sexual orientation.

War and Peace (§165C)

We believe war is incompatible with the teachings and example of Christ. We therefore reject war as an instrument of national foreign policy. We oppose unilateral first/preemptive strike actions and strategies on the part of any government. As disciples of Christ, we are called to love our enemies, seek justice, and serve as reconcilers of conflict. We insist that the first moral duty of all nations is to work together to resolve by peaceful means every dispute that arises between or among them. We advocate the extension and strengthening of international treaties and institutions that provide a framework within the rule of law for responding to aggression, terrorism, and genocide. We believe that human values must outweigh military claims as governments determine their priorities; that the militarization of society must be challenged and stopped; that the manufacture, sale, and deployment of armaments must be reduced and controlled; and that the production, possession, or use of nuclear weapons be condemned. Consequently, we endorse general and complete disarmament under strict and effective international control.

HEALTH

Right to Health Care (§162V)

Health is a condition of physical, mental, social, and spiritual well-being. John 10:10b says, “I came that they may have life, and have it abundantly.” Stewardship of health is the responsibility of each person to whom health has been entrusted. Creating the personal, environmental, and social conditions in which health can thrive is a joint responsibility—public and private. We encourage individuals

to pursue a healthy lifestyle and affirm the importance of preventive health care, health education, environmental and occupational safety, good nutrition, and secure housing in achieving health. Health care is a basic human right.

Providing the care needed to maintain health, prevent disease, and restore health after injury or illness is a responsibility each person owes others and government owes to all, a responsibility government ignores at its peril. In Ezekiel 34:4a, God points out the failures of the leadership of Israel to care for the weak: “You have not strengthened the weak, you have not healed the sick, you have not bound up the injured.” As a result all suffer. Like police and fire protection, health care is best funded through the government’s ability to tax each person equitably and directly fund the provider entities. Countries facing a public health crisis such as HIV/AIDS must have access to generic medicines and to patented medicines. We affirm the right of men and women to have access to comprehensive reproductive health/family planning information and services that will serve as a means to prevent unplanned pregnancies, reduce abortions, and prevent the spread of HIV/AIDS. The right to health care includes care for persons with brain diseases, neurological conditions, or physical disabilities, who must be afforded the same access to health care as all other persons in our communities. It is unjust to construct or perpetuate barriers to physical or mental wholeness or full participation in community.

We believe it is a governmental responsibility to provide all citizens with health care.

Persons Living with HIV and AIDS (§162U)

Persons diagnosed as positive for Human Immune Virus (HIV) and with Acquired Immune Deficiency Syndrome (AIDS) often face rejection from their families and friends and various communities in which they work and interact. In addition, they are often faced with a lack of adequate health care, especially toward the end of life.

All individuals living with HIV and AIDS should be treated with dignity and respect.

We affirm the responsibility of the Church to minister to and with these individuals and their families regardless of how the disease was contracted. We support their rights to employment, appropriate medical care, full participation in public education, and full participation in the Church.

We urge the Church to be actively involved in the prevention of the spread of AIDS by providing educational opportunities to the congregation and the community. The Church should be available to provide counseling to the affected individuals and their families.