



THE PENSION BOARDS - UNITED CHURCH OF CHRIST

CORPORATE GOVERNANCE PROXY VOTING GUIDELINES

Updated November 2007

I. BOARD INDEPENDENCE & LEADERSHIP

A. BOARD SHAREOWNER ACCOUNTABILITY

1. Majority of Independent Directors

- a. We **support** boards where at least two-thirds of the director nominees can be identified as completely independent; if this threshold does not exist, we **oppose** individual non-independent directors.
- b. We **support** proposals seeking to increase the independence of the board.

2. Board Nominees Qualifications

- a. We **support** boards that are composed of qualified individuals who reflect a diversity of experience, gender, race, and age.
- b. We **support** proposals seeking to report on a corporation's efforts to increase board inclusiveness.

3. Separate Chair and CEO Positions

- a. We **support** proposals seeking to separate the positions of chairperson and CEO.
- b. We **support** proposals that call for an independent director to function as board chairperson.

4. Lead Director

In the case where the chairperson of the corporation is also the CEO, we **support** proposals that seek to install a totally independent lead director of the board.

5. Classified Boards

- a. We **oppose** the establishment of classified boards and support annual elections of all directors.
- b. We **support** proposals seeking the declassification of the board.

6. Complete Independence of Key Committees (Audit, Nominating and Compensation Committees)

- a. We **oppose** individual non-independent directors nominated to these three key committees.
- b. We **support** proposals seeking to increase the independence of these key committees.

7. Compensation Consultants

- a. We **support** proposals requiring fuller disclosure of all fees earned by the compensation consultant for all work with the company as well as the consultation regarding executive pay.
- b. We **support** proposals seeking the adoption of a policy that the corporation's independent compensation consultant should not receive fees in excess of 50% of fees earned for consultation regarding executive pay in order to retain independence.
- c. We **support** proposals requiring the compensation consultant to be hired independently by the compensation committee, not by management.

8. Director and Officer Indemnification and Liability Protection

- a. We **oppose** proposals that seek to limit or eliminate directors' and officers' liability for monetary damages for violating the duty of care.
- b. We **oppose** proposals that seek to expand indemnification coverage for intentional acts or criminal acts that are more violations of fiduciary obligation than mere negligence.

9. Size of Board of Directors

- a. We will **support** proposals to fix the size of the board at a specific, reasonably determined number of directors.
- b. We **oppose** proposals that seek to increase or decrease the size of the board without shareholder approval. We **oppose** proposals that seek to reduce the size of the board as a cost-cutting measure.

10. Mandatory Attendance of Directors

Absent compelling and stated reasons, we **oppose** individual director nominees who attended less than 75% of the board and committee meetings that they were scheduled to attend during the previous year.

11. Tenure and Retirement Policies

- a. We will consider proposals seeking to adopt director tenure policies on a case-by-case basis.

12. Limitations on Multiple Directorships

We **oppose** individual director nominees who face competing time commitments by serving on too many boards. This includes individuals with full-time jobs serving on more than 2 other boards, or other individuals serving on more than 4 boards.

13. Options Backdating

We **oppose** all directors who serve as members of the compensation committee where a company has practiced options backdating, depending on the severity of the practices and the subsequent corrective action on the part of the board.

B. POLICIES FOR AUDITING FIRMS

1. Ratification of Auditing Firm

In most cases, we **support** proposals to ratify auditors. However, we **oppose** ratification if there is reason to believe that the independent auditor has rendered an opinion that is neither accurate nor indicative of the company's financial position.

2. No Consulting by Auditors

- a. We **support** proposals seeking the adoption of a policy that the corporation's independent auditors only provide audit-related services and not provide any other services.
- b. We **support** ratification of a corporation's selection of an auditing firm if that firm does not perform significant (50 % of the auditing firm's annual fees) consulting services to the corporation.

C. BOARD COMPENSATION

1. Cash & Stock

We **support** reasonable director compensation packages that are a combination of cash and stock.

2. Mandatory Stock Ownership

- a. We **support** proposals that seek to require that board members own a meaningful position in company common stock, appropriate to their personal circumstances.
- b. We **oppose** proposals to establish minimum stock ownership requirements for directors.

3. Conflicts of Interest

We **support** proposals that seek to ensure that conflicts of interest do not occur with respect to a board member's personal, financial or professional interests, and that board members not serve as a consultant or paid advisor to the corporation. We **support** proposals seeking disclosure of directors' conflicts of interests.

4. Pension for Directors

We **support** proposals that seek to eliminate retirement benefits for non-employee directors.

II. SHAREOWNER RIGHTS

A. VOTING RIGHTS

1. Confidential Voting

We **support** proposals that seek to institute confidential shareholder voting procedures.

2. Independent Tabulation

We **support** proposals that seek to institute independent tabulation shareholder voting procedures.

3. Cumulative Voting

We **support** proposals seeking to institute cumulative voting procedures at a corporation.

4. Supermajority Voting Provisions

We **oppose** proposals that require a supermajority shareholder vote to approve mergers and other significant business combinations and **support** proposals that seek to lower or eliminate these provisions.

5. Majority Voting for the Election of Directors

We **support** proposals requesting that when permissible under state law, companies' charters and by-laws should provide that directors are to be elected by a majority of the votes cast. If state law requires plurality voting (or prohibits majority voting) for directors, boards should adopt policies asking that directors tender their resignations if the number of votes withheld from the candidate exceeds the votes for the candidate, and providing that such directors will not be re-nominated after expiration of their current term in the event they fail to tender such resignation.

6. Supermajority Lock-In Provisions

We **oppose** proposals seeking to adopt supermajority lock-in provision to change certain bylaw or charter provisions.

B. STOCK RELATED PROPOSALS

1. Common Stock Issuance

We will consider proposals seeking to increase the number of authorized shares of common stock on a case-by-case basis.

2. Dual Class Capitalization

We **oppose** the issuance of multiple classes of stock with unequal voting rights.

3. Blank Check Preferred Stock

We **oppose** the authorization or increase of blank check preferred stock.

4. Share Repurchase Plan

- a. We **support** proposals seeking the approval of a share repurchase plan in which all shareowners participate on equal terms.
- b. We **oppose** proposals seeking the approval of a share repurchase plan if the repurchase program is initiated as a takeover defense measure.
- c. We will consider proposals seeking to limit executives' ability to sell stock during a share repurchasing period on a **case-by-case** basis, when independent sources indicate that such sales would be to the detriment of individual shareholders.

5. Preemptive Rights

We **support** the creation or restoration of preemptive rights and **oppose** proposals seeking their elimination.

C. OTHER SHAREOWNER RIGHTS

1. In-Person Annual Meetings

We **support** proposals seeking to affirm the continuation of in-person annual meetings.

2. Right to Call a Special Meeting

We **support** shareowners' rights to call a special meeting and **oppose** proposals seeking the elimination of this right.

3. Right to Act by Written Consent

We **support** shareowners' right to act by written consent and **oppose** proposals seeking the elimination of this right.

4. Rotating Sites

We **support** proposals seeking to alternate the location of a corporation's annual meeting.

III. EXECUTIVE COMPENSATION & STOCK OPTION PLANS

A. EXECUTIVE COMPENSATION

1. Disclosure of Director and Executive Officer Compensation Levels

We **support** proposals requesting additional disclosure of the company's compensation philosophy, and executive officer and director pay information.

2. Shareholder Approval of Director/Executive Compensation

- a. We **support** proposals seeking to bring executive compensation packages to shareholders for ratification.
- b. We **support** proposals seeking shareholder approval of supplemental executive retirement plans.
- c. We **support** proposals seeking shareholder approval of any extraordinary pension benefits for senior executives under the company's supplemental executive retirement plans.

- d. We **support** resolutions seeking to eliminate perquisites granted to retired executives and directors which appear inappropriate on a case-by-case basis.

3. Performance-Based Incentive Plans

- a. We **support** proposals seeking to link executive pay with corporate performance, when performance is measured against indicators such as comparable peer groups and objective industry benchmarks.
- b. We **support** proposals that request the board adopt a policy that executive compensation be determined in the future without regard to any amount of “periodic pension income” from a defined-benefit plan that accounting rules may require the company to treat as an addition to its income.

4. Performance Vesting

We **support** proposals that ask directors to adopt a policy that a majority of future equity compensation grants to senior executives be shares of stock that require the achievement of performance goals as a prerequisite to vesting (“performance-vesting shares”).

5. Link Executive Pay to Social Performance

We **support** proposals seeking to review, report on, or link executive compensation to non-financial criteria, including social and environmental goals.

6. Golden Parachutes: Limitations & Shareholder Approval

- a. We **support** golden parachute severance agreements that are not in excess of one year’s cash base salary.
- b. We **support** proposals asking the board to seek shareholder approval for future executive severance agreements that provide benefits that exceed a specified threshold of 2.99 times the sum of the executive’s base salary plus bonus for the most recent year.
- c. We **support** proposals seeking to eliminate gross-up payments offered to senior executives to offset the tax liabilities associated with golden parachute severance payments that have not been presented to and approved by shareholders.

7. Limit Director/Executive Pay

We will consider proposals of this nature on a case-by-case basis.

8. Executive Bonus Plans

We will consider proposals and amendments to cash bonus plans on a case-by-case basis. We will generally vote against proposals to approve or amend cash bonus plans if the size of the bonus pool is not disclosed.

9. Recoup Compensation of Payments under Restatement

We will **support** proposals that ask the board to adopt a policy (in the bylaws if practicable) whereby, in the event of a 4% or more negative restatement of earnings the board will recoup, to the fullest extent practicable, for the benefit of the Company, all performance-based bonuses, awards and or severance agreements that were made to senior executives based on having met or exceeded specific performance targets to the extent that the specified performance targets were not met after considering the impact of negative restatements.

B. STOCK OPTION PLANS

1. Shareholder Approval of Stock Option Plans

- a. We **support** proposals seeking greater disclosure of stock option plans.
- b. Generally we **support** proposals seeking the ratification of stock option plans by shareholders.

2. Plans That Exceed a Dilution Level Threshold

We **oppose** proposals seeking to adopt or amend stock option plans if the company's equity overhang, including from this proposal, exceeds the 75th percentile of its peer group.

3. Plans That Allow Discount Exercise Pricing

We **oppose** proposals seeking to adopt or amend stock option plans that provide for the practice of discounting exercise pricing.

4. Plans That Allow Replacing or Re-pricing Underwater Options

- a. We **oppose** proposals seeking to adopt or amend stock option plans that provide for replacing or re-pricing of underwater options.
- b. We will **support** proposals that require shareholder ratification in order to replace or re-price underwater stock options.

5. Plans That Allow Pyramiding

We **oppose** proposals seeking to adopt or amend stock option plans that provide for the practice of pyramiding.

6. Plans That Allow Reload Options

We **oppose** proposals seeking to adopt or amend stock option plans that provide for the practice of reloading.

7. Plans That Allow Accelerated Vesting

We **oppose** proposals seeking to adopt or amend stock option plans that allow the practice of accelerated vesting.

8. Stock Option Holding Periods

- a. We **support** proposals that request the Compensation Committee of the Board of Directors adopt a policy that requires senior executives to retain a significant percentage (at least 75%) of shares acquired through equity compensation programs during their employment.
- b. We **support** proposals seeking a report to shareholders regarding stock option holding periods policy.

9. Plans That Include an Evergreen Feature

We **oppose** proposals seeking to adopt or amend stock option plans that include an evergreen provision.

10. Company Provides Loans to Allow Exercise of Options

We **oppose** proposals seeking to adopt or amend stock option plans if a corporation provides loans to employees or directors to enable the exercise of options.

11. Stock Option Plans Developed/ Administered by a Compensation Committee that Includes Non-Independent Directors

We will **oppose** stock option plans if non-independent directors serve on the Compensation Committee of the Board of Directors.

12. Expense Future Stock Options

- a. We **oppose** proposals seeking to adopt or amend stock option plans at companies that do not report options as a compensation expense.
- b. We **support** proposals that seek to require the company to report stock options as a compensation expense.

13. Plan Is Limited To A Small Number of Senior Employees

We **support** resolutions that seek to limit stock options granted to a single individual to no more than 5% of the total options granted in a single year, and the group of senior executive officers to no more than 10% of the total options granted in a single year.

14. Executive Safe Harbor Stock Trading Plans

We **support** proposals seeking to strengthen or institute safeguards around executive safe harbor stock trading plans, or 10b5-1 plans, which would negatively affect individual investors to the benefit of executives.

15. Employee Stock Ownership Plans (ESOPs)

We **support** proposals seeking to create an Employee Stock Ownership Plan, except in cases where they are being used as anti-takeover mechanisms.

16. Advisory Vote on Compensation Committee Reports

We **support** proposals asking the board of directors to adopt a policy that shareholders be given the opportunity at each annual meeting of shareholders to vote on an advisory (non-binding) resolution, to be proposed by management, to approve the report of the Management Development and Compensation Committee set forth in the proxy statement. The policy should provide that appropriate disclosures will be made to ensure that shareholders fully understand that the vote is advisory; will not affect any person's compensation; and will not affect the approval of any other compensation-related proposal submitted for a vote of shareholders at the same or any other meeting of shareholders.

IV. CORPORATE ACTIONS

A. RESTRUCTURING

1. Mergers, Acquisitions, Restructuring, Recapitalization, Spin-Offs, Sales of Assets

We will consider proposals of this nature on a case-by-case basis.

B. REINCORPORATION AND THE DELAWARE OPTION

1. Reincorporation

- a. We generally **support** proposals seeking the ratification of reincorporation for valid business reasons and if the reincorporation is in a state considered more “shareowner friendly.”
- b. We **oppose** proposals seeking the ratification of reincorporation if they are to a state that provides for more takeover defense measures.
- c. We **oppose** proposals seeking reincorporation to an offshore location from the United States
- d. We **support** proposals to change the company’s jurisdiction of incorporation from an offshore location to a state in the United States

2. Opt-Out Proposals

We **support** proposals seeking to opt out of a state anti-taker statutory provision (including the Delaware takeover law) for valid business reasons.

C. TAKEOVER DEFENSES

1. Payment of Greenmail

We **oppose** the payment of greenmail and **support** proposals seeking to institute anti-greenmail provisions.

2. Poison Pills Shareholder Rights Plans

- a. We **oppose** management proposals that seek to approve or create a poison pill.
- b. We **support** shareholder proposals that ask a corporation to redeem its poison pill or submit its poison pill for shareholder ratification.

3. Fair Price Provisions

We **support** proposals seeking to adopt a fair price provision, as long as the shareholder vote requirement imbedded in the provision is not a supermajority vote.

4. Limited Use of and Shareholder Approval of Targeted Share Placements

- a. We will consider management proposals seeking the limited use of targeted share placements on a case-by-case basis.
- b. We **support** shareholder proposals requesting that a corporation first obtain shareholder authorization of targeted share placements.

D. CHARTER AND BYLAW AMENDMENTS

1. Charter Amendments (resulting in reduction of shareholders' rights)

We **oppose** proposals that seek to amend the corporation's certificate of incorporation if an amendment would adversely affect shareholder rights.

2. By-Law Changes-Requiring a Supermajority Vote

We **oppose** proposals that seek to require a supermajority shareholder vote to approve charter and bylaw amendments.