



2008 SRI Executive Summary

ISS Governance Services

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ISS Governance Services' Social Advisory Services (SAS) division recognizes that 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. The 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.

SAS has, therefore, developed proxy voting guidelines that are consistent with the dual objectives of socially responsible shareholders. On matters of social and environment import, the guidelines seek to reflect a broad consensus of the socially responsible investing community. Generally, we take as our frame of reference policies that have been developed by groups such as the Interfaith Center on Corporate Responsibility, the General Board of Pension and Health Benefits of the United Methodist Church, Domini Social Investments, and other leading church shareholders and socially responsible mutual fund companies. On matters of corporate governance, executive compensation, and corporate structure, SAS guidelines are based on a commitment to create and preserve economic value and to advance principles of good corporate governance, consistent with responsibilities to society as a whole.

The guidelines provide an overview of how SAS recommends that its clients vote. We note there may be cases in which the final vote recommendation on a particular company varies from the vote guideline due to the fact that we closely examine the merits of each proposal and consider recent and company-specific information in arriving at our decisions. Where SAS acts as voting agent for clients, it follows each client's voting policy, which may differ in some cases from the policies outlined in this document. SAS updates its guidelines on an annual basis to take into account new social issues and the latest trends in corporate governance. The guidelines are divided up into two main sections: management proposals and shareholder proposals.

Management Proposals

1. Director-Related Issues: *including director elections, classified boards, cumulative voting, and board size.*

SAS considers director elections to be one of the most important voting decisions that shareholders make. Boards should be comprised of a majority of independent directors and key board committees should be comprised entirely of independent directors. It is expected that boards will engage in critical self-evaluation of themselves and of individual members. SAS 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 board committees. In addition, SAS will likely withhold votes from members of the nominating committee in cases where the board lacks gender or racial diversity. The election of directors who have failed to attend a minimum of 75 percent of board meetings held during the year will be opposed. SAS supports requests asking for the separation of the positions of Chairman and CEO and requests to adopt cumulative voting, opposes the creation of classified boards, and reviews proposals to change board size on a case-by-case basis. SAS also supports shareholder proposals calling for greater access to the board, affording shareholders the ability to nominate directors to

corporate boards. SAS may withhold from directors at companies where poor pay methodologies are practiced and unresolved options backdating issues remain.

2. **Auditors**

While it is recognized that the company is in the best position to evaluate the competence of the outside accountants, we believe that outside accountants must ultimately be accountable to shareholders. Given the rash of accounting irregularities that were not detected by audit panels or auditors, shareholder ratification is an essential step in restoring investor confidence. Audit committees have been the subject of a report released by the Blue Ribbon Commission on Improving the Effectiveness of Corporate Audit Committees in conjunction with the NYSE and the National Association of Securities Dealers. The Blue Ribbon Commission concluded that audit committees must improve their current level of oversight of independent accountants. SAS will vote against the ratification of the auditor in cases where non-audit fees represent more than 25 percent of the total fees paid to the auditor in the previous year. SAS supports requests asking for the rotation of the audit firm, if the request includes a timetable of five years or more.

3. **Proxy Contest Defenses / Tender Offer Defenses: *including shareholder ability to call a special meeting or act by written consent, poison pills, unequal voting rights, fair price provisions, greenmail, supermajority votes, and director and officer liability and indemnification.***

SAS generally opposes takeover defenses, as they limit shareholder value by eliminating the takeover or control premium for the company. As owners of the company, shareholders should be given the opportunity to decide on the merits of takeover offers. Further, takeover devices can be used to entrench a board that is unresponsive to shareholders on both governance and corporate social responsibility issues.

4. **Miscellaneous Governance Provisions: *including confidential voting, adjourn meeting, and bundled proposals.***

SAS evaluates proposals that concern governance issues on a case-by-case basis, taking into account the impact on shareholder rights. SAS believes that good corporate governance can have an impact on a company and its ability to maximize shareholder value.

5. **Capital Structures: *including increase authorized stock, stock splits and reverse stock splits, blank check preferred stock, debt restructurings, and share repurchase plans.***

SAS supports a one-share, one-vote policy and opposes mechanisms that skew voting rights. SAS supports capital requests that provide companies with adequate financing flexibility while protecting shareholders from excessive dilution of their economic and voting interests. Proposals to increase common stock are evaluated on a case-by-case basis, taking into account the company's past use of share authorizations and comparison with a peer group.

6. Executive and Director Compensation: *including stock-based incentive plans, employee stock purchase plans, outside director option plans, and cash and cash & stock based awards.*

As executive pay levels continue to soar, non-salary compensation remains one of the most sensitive and visible corporate governance issues. Although shareholders have little say about how much the CEO is paid in salary and bonus, they do have a major voice in approving stock option and incentive plans. Without a doubt, stock option plans transfer significant amounts of wealth from shareholders to employees, and in particular to executives and directors. Rightly, the cost of these plans must be in line with the anticipated benefits to shareholders. Executive and director compensation proposals are evaluated on a case-by-base basis using a binomial pricing model that estimates the cost of a company's stock-based incentive programs. Plan features and any recent controversies surrounding a company's pay practices are also factored into the analysis of compensation proposals. Shareholder proposals calling for additional disclosure on compensation issues are supported, while shareholder proposals calling for changes in a company's compensation policies are reviewed on a case-by-case basis.

7. Mergers and Corporate Restructurings

Mergers, acquisitions, spinoffs, reincorporations, and other corporate restructuring plans are evaluated on a case-by-case basis, given the potential for significant impact on shareholder value and on shareholders' economic interest. In addition, these corporate actions can have important effects on community stakeholders and workforce including impact on stakeholders, such as job loss, community lending, equal opportunity, and impact on environment.

8. Mutual Fund Proxies: *including election of trustees, investment advisory agreements, and distribution agreements.*

There are a number of proposals that are specific to mutual fund proxies. SAS evaluates these proposals in conjunction with recent trends and best practices at other mutual funds.

Shareholder Proposals

9. Shareholder Proposals on Corporate Governance and Executive Compensation: *including shareholder meetings/housekeeping issues, board-related issues, shareholder rights & board accountability issues, compensation issues, and strategic issues.*

Each year shareholders file numerous proposals that address key issues regarding corporate governance and executive compensation. SAS evaluates these proposals from the perspective that good corporate governance can have positive implications for a company and its shareholders. Proposals that seek to improve a board's accountability to its shareholders and other stakeholders are supported. SAS supports initiatives that seek to strengthen the link between executive pay and performance, including performance issues related to corporate social responsibility.

10. Shareholder Proposals on Social and Environmental Proposals: *including diversity and workplace issues, codes of conduct, labor standards & human rights, environment and energy, weapons, and consumer issues & public safety.*

Socially responsible shareholder resolutions are receiving a great deal more attention from institutional shareholders today than in the past. In addition to moral and ethical considerations intrinsic to many of these proposals, there is a growing recognition of their potential impact on the economic performance of the company. In general, SAS votes for shareholder social, workforce, and environmental proposals that create good corporate citizens while enhancing long-term shareholder and stakeholder value. SAS will vote for disclosure reports that seek additional information particularly when it appears companies have not adequately addressed shareholders' social, workforce, and environmental concerns. We will closely evaluate proposals that ask the company to cease certain actions that the proponent believes are harmful to society or some segment of society with special attention to the company's legal and ethical obligations, its ability to remain profitable, and potential negative publicity if the company fails to honor the request. SAS supports shareholder proposals that improve the company's public image, and reduced exposure to liabilities.

Proposal Description	SRI Vote Recommendation
Add Women and Minorities to Board/Adopt Charter Language	<ul style="list-style-type: none"> • Vote for shareholder proposals that ask the company to take steps to nominate more women and minorities to the Board. • Vote for shareholder proposals asking companies to adopt nomination charters board or to amend existing nominating charter language to include provisions for diversity.
Prepare Report/Promote EEOC-Related Activities	<ul style="list-style-type: none"> • Vote for shareholder proposals that ask the company to report on its diversity and/or affirmative action programs. • Vote for shareholder proposals calling for legal and regulatory compliance and public reporting related to non-discrimination, affirmative action, workplace health and safety, and labor policies and practices that effect long-term corporate performance. • Vote for shareholder proposals requesting nondiscrimination in salary, wages and all benefits. • Vote for shareholder proposals calling for action on equal employment opportunity and antidiscrimination.
Report on Progress Toward Glass Ceiling Commission Recommendations	<ul style="list-style-type: none"> • Vote for shareholder proposals that ask the company to report on its progress against the Glass Ceiling Commission's recommendations. • Vote for shareholder proposals seeking to eliminate "glass ceiling" for women and minority employees.
Prohibit Discrimination on the Basis of Sexual Orientation	<ul style="list-style-type: none"> • Vote for shareholder proposals to include language in EEO statements specifically barring discrimination on the basis of sexual orientation. • Vote for shareholder proposals seeking reports on a company's initiatives to create a workplace free of discrimination on the basis of sexual orientation. • Vote against shareholder proposals that seek to eliminate protection already afforded to gay and lesbian employees.

Distribution of Stock Options by Gender and Race	<ul style="list-style-type: none"> • Vote for shareholder proposals asking companies to report on the distribution of stock options by race and gender of the recipient.
Report on/Eliminate Use of Racial Stereotypes in Advertising	<ul style="list-style-type: none"> • Vote for shareholder proposals seeking more careful consideration of using racial stereotypes in advertising campaigns, including preparation of a report.
Codes of Conduct and Vendor Standards	<ul style="list-style-type: none"> • Vote for shareholder proposals to implement human rights standards and workplace codes of conduct. • Vote for shareholder proposals calling for the implementation and reporting on ILO codes of conduct, SA 8000 Standards, or the Global Sullivan Principles. • Vote for shareholder proposals that call for the adoption of principles or codes of conduct relating to company investment in countries with patterns of human rights abuses (Northern Ireland, Burma, and China). • Vote for shareholder proposals that call for independent monitoring programs in conjunction with local and respected religious and human rights groups to monitor supplier and licensee compliance with codes. • Vote for shareholder proposals that seek publication of a “Code of Conduct” to the company’s foreign suppliers and licensees, requiring they satisfy all applicable standards and laws protecting employees’ wages, benefits, working conditions, freedom of association, and other rights. • Vote for shareholder proposals seeking reports on, or the adoption of, vendor standards including: reporting on incentives to encourage suppliers to raise standards rather than terminate contracts and providing public disclosure of contract supplier reviews on a regular basis. • Vote for shareholder proposals to adopt labor standards for foreign and domestic suppliers to ensure that the company will not do business with foreign suppliers that manufacture products for sale in the U.S. using forced labor, child labor, or that fail to comply with applicable laws protecting employee’s wages and working conditions.
Prepare Report on Operations in Burma/Myanmar	<ul style="list-style-type: none"> • Vote for shareholder proposals to adopt labor standards in connection with involvement in Burma. • Vote for shareholder proposals seeking reports on Burmese operations and reports on costs of continued involvement in the country. • Vote shareholder proposals to pull out of Burma on a case-by-case basis.
Adopt/Report on MacBride Principles	<ul style="list-style-type: none"> • Vote for shareholder proposals to report on or to implement the MacBride Principles.
Adopt/Report on China Principles	<ul style="list-style-type: none"> • Vote for shareholder proposals requesting more disclosure on a company’s involvement in China • Vote on a case-by-base basis shareholder proposals that ask a company to terminate a project or investment in China.

Prepare Report on Company Activities Affecting Indigenous Peoples' Rights	<ul style="list-style-type: none"> • Vote for shareholder proposals to prepare reports on a company's impact on indigenous communities.
Environmental/Sustainability Report	<ul style="list-style-type: none"> • Vote for shareholder proposals seeking greater disclosure on the company's environmental practices, and/or environmental risks and liabilities. • Vote for shareholder proposals asking companies to report in accordance with the Global Reporting Initiative (GRI).
Prepare Report on Global Warming/Greenhouse Gas Emissions	<ul style="list-style-type: none"> • Vote for shareholder proposals seeking disclosure of liabilities or preparation of a report pertaining to global warming. • Vote for shareholder proposals calling for the reduction of greenhouse gas. • Vote for shareholder proposals seeking disclosure of how companies will respond to rising public and regulatory pressures around climate change as well as disclosure of the science behind company policies towards climate change.
Invest in Clean/Renewable Energy	<ul style="list-style-type: none"> • Vote for shareholder proposals seeking the preparation of a report on a company's activities related to the development of renewable energy sources. • Vote for shareholder proposals seeking increased investment in renewable energy sources unless the terms of the resolution are overly restrictive.
Environmentally Sensitive Areas / Drilling in the Arctic National Wildlife Refuge / Old-Growth Forests	<ul style="list-style-type: none"> • Vote for shareholder proposals asking companies to prepare a feasibility report or to adopt a policy not to mine, drill, or log in environmentally sensitive areas such as ANWR. • Vote for shareholder proposals seeking to prohibit or reduce the sale of products manufactured from materials extracted from environmentally sensitive areas such as old growth forests.
Adopt/Implement CERES Principles	<ul style="list-style-type: none"> • Vote for shareholder proposals to study or implement the CERES principles.
Phase Out Chlorine-Based Chemicals	<ul style="list-style-type: none"> • Vote for shareholder proposals to prepare a report on the phase-out of chlorine bleaching in paper production. • Vote on a case-by-case basis on shareholder proposals asking companies to cease or phase-out the use of chlorine bleaching.
Report/Reduce Toxic Emissions and Assess Community Impact	<ul style="list-style-type: none"> • Vote for shareholder proposals that seek to prepare a report on the company's procedures for reducing or preventing pollution and/or the impact of the company's pollution on the surrounding communities. • Vote for shareholder proposals calling on the company to establish a plan reduce toxic emissions.
Adopt a Comprehensive Recycling Policy	<ul style="list-style-type: none"> • Vote for shareholder proposals requesting the preparation of a report on the company's recycling efforts. • Vote for shareholder proposals that ask companies to increase their recycling efforts or to adopt a formal recycling policy.

Water Use	<ul style="list-style-type: none"> • Vote for proposals asking for the preparation of a report on a company's risks linked to water use.
Nuclear Energy	<ul style="list-style-type: none"> • Vote for shareholder proposals seeking the preparation of a report on a company's nuclear energy procedures. • Vote case-by-case on proposals that ask the company to cease the production of nuclear power.
Kyoto Protocol Compliance	<ul style="list-style-type: none"> • Vote for proposals asking companies to report on how they will meet reduction targets in Kyoto-compliant countries.
Report on Handgun Safety Initiatives	<ul style="list-style-type: none"> • Vote for shareholder proposals asking the company to report on its efforts to promote handgun safety. • Vote for shareholder proposals asking the company to stop the sale of handguns and accessories.
Prepare Report to Renounce Future Landmine Production	<ul style="list-style-type: none"> • Vote for shareholder proposals seeking a report or the renouncement of future landmine production.
Prepare Report on Foreign Military Sales	<ul style="list-style-type: none"> • Vote for shareholder proposals to report on foreign military sales or offset agreements. • Vote case-by-case on proposals that call for outright restrictions on foreign military sales.
Ethical Criteria for Military Contracts	<ul style="list-style-type: none"> • Vote for proposals to review and amend, company codes of conduct and statements of ethical criteria for military production-related contract bids, awards and execution.
Phase-out or Label Products Containing Genetically Engineered Ingredients	<ul style="list-style-type: none"> • Vote for shareholder proposals to label products that contain genetically engineered products. • Vote for shareholder proposals that ask the company to phase out the use of genetically engineered ingredients in their products. • Vote for shareholder proposals that ask the company to report on the use of genetically engineered organisms in their products. • Vote for shareholder proposals asking for reports on the financial, legal, and operational risks posed by the use of genetically engineered organisms.
Tobacco-related Proposals	<ul style="list-style-type: none"> • Vote for shareholder proposals seeking to limit the sale of tobacco products to children. • Vote for shareholder proposals asking producers of tobacco product components (such as filters, adhesives, flavorings, and paper products) to halt sales to tobacco companies. • Vote for shareholder proposals that ask restaurants to adopt smoke-free policies. • Vote for shareholder proposals seeking a report on a tobacco company's advertising approach. • Vote for shareholder proposals at insurance companies to cease investment in tobacco companies. • Vote for proposals at producers of cigarette components calling for a report outlining the risks and potential liabilities of the production of these components. • Vote for proposals calling for tobacco companies to cease the production of tobacco products.
Adopt Policy/Report on	<ul style="list-style-type: none"> • Vote for shareholder proposals seeking the development of a policy or preparation of a report to

Predatory Lending Practices	guard against predatory lending practices.
Disclosure on Credit in Developing Countries (LDCs) or Forgive LDC Debt	<ul style="list-style-type: none"> • Vote for shareholder proposals asking for disclosure on lending practices in developing countries, unless the company has demonstrated a clear proactive record on the issue. • Vote against shareholder proposals asking banks to forgive loans outright. • Vote case-by-case on shareholder proposals asking for loan forgiveness at banks that have failed to make reasonable provisions for non-performing loans. • Vote for proposals to restructure and extend the terms of non-performing loans.
Adopt Policy/Report on Drug Pricing	<ul style="list-style-type: none"> • Vote for shareholder proposals to prepare a report on drug pricing. • Vote for shareholder proposals to adopt a formal policy on drug pricing. • Vote for shareholder proposals that call on companies to develop a policy to provide affordable HIV, AIDS, TB and Malaria drugs in third-world nations. • Vote for proposals seeking reports on health pandemic impacts on company business operations.
Adult Entertainment	<ul style="list-style-type: none"> • Vote for shareholder proposals that seek a review of the company's involvement with pornography. • Vote for proposals that seek to review policies related to the sale of mature-rated video games.
Abortion/Right to Life Issues	<ul style="list-style-type: none"> • Abstain on shareholder proposals that address right to life issues.
Animal Rights	<ul style="list-style-type: none"> • Vote for shareholder proposals that seek to limit unnecessary animal testing where alternative testing methods are feasible or not required by law. • Vote for shareholder proposals that ask companies to adopt or/and report on company animal welfare standards. • Vote for shareholder proposals asking companies to report on the operational costs and liabilities associated with selling animals.
Disclosure on Plant Closings	<ul style="list-style-type: none"> • Vote for shareholder proposals seeking greater disclosure on plant closing criteria if such information has not been provided by the company.
Control over Charitable Contributions	<ul style="list-style-type: none"> • Vote against shareholder proposals giving criteria or to require shareholder ratification of grants.
Land Procurement	<ul style="list-style-type: none"> • Vote for requests to review/amend policies for land procurement, incorporating social and environmental factors.
Disclosure on Prior Government Service	<ul style="list-style-type: none"> • Vote for shareholder proposals calling for the disclosure of prior government service of the company's key executives.
Outsourcing	<ul style="list-style-type: none"> • Vote for shareholder proposals calling for reports identifying the risks of outsourcing and off-shoring.
Lobbying Efforts	<ul style="list-style-type: none"> • Vote for shareholder proposals asking companies to review and report on how companies utilize lobbying efforts to challenge scientific research and governmental legislation.
Product Sales to Repressive	<ul style="list-style-type: none"> • Vote case-by-case on shareholder proposals

Regimes	requesting that companies cease product sales to repressive regimes that can be used to violate human rights <ul style="list-style-type: none">• Vote for proposals to report on company efforts to reduce the likelihood of product abuses in this manner.
Anti-Social Proposals	<ul style="list-style-type: none">• Vote against shareholder proposals that do not seek to ultimately advance the goals of the social investment community.• Vote case-by-case on anti-social shareholder proposals seeking a review or report on the company's charitable contributions.