



## Proxy Voting Guideline

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### Introduction

Mission recognizes that long term corporate success is determined by a combination of good corporate governance and corporate social responsibility. Additionally, Mission believes that a social responsible corporation considers the interests of its stakeholders (employees, customers, community and environment). As such, where Mission has the power to vote proxies it will vote in favor of management where it believes the company is making recommendations in the best interests of both its shareowners and stakeholders **or** in favor of shareholder proposals that are consistent with good corporate governance and corporate social responsibility.

Where Mission has been given the authority to vote on behalf of its clients, Mission votes proxies according to the positions it set forth in its “Proxy Voting Guidelines”, which can be accessed at [www.missiontrust.com](http://www.missiontrust.com). Voting issues may arise that have not previously been addressed. In these cases, Mission’s investment committee will review and determine the vote that reflects good corporate governance and/or corporate social responsibility.

Mission has established its guidelines upon review of proxy voting guidelines set forth by several leading organizations in the area of SRI investing. These include Interfaith Center on Corporate Responsibility (ICCR), National Association of Corporate Directors (NACD), Institutional Shareholder Services (ISS), The Pension Boards – United Church of Christ (PB), U.S. Conference of Catholic Bishops, AFL-CIO, and Calvert Investments.

### Corporate Governance

i. Majority of Independent Directors –

Generally, a board of director’s responsibility includes selecting and monitoring a corporation’s management team, instilling accountability, maintaining good relationships with stakeholders, and representing the interests of its shareowners. An individual with financial or other ties to the corporation could have their objectivity compromised when overseeing management and exercising their fiduciary responsibility to shareowners.

Mission supports 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. We support proposals seeking to increase the independence of the board.



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### ii. Board Nominees Qualifications –

Selecting a diverse board has the potential of bringing a wide range of perspective, knowledge and skill which contribute to the successful operation of a corporation. Mission’s goal regarding board diversity is to assure that both shareowners and stakeholders are fairly represented. “Stakeholders include employees, communities, vendors, and customers, and as such, include people of color and racial minorities who have historically faced discrimination or denial of opportunities solely on account of their race. Even well governed corporations may risk perpetuating this historic injustice if boards of directors are not inclusive and diverse” (Calvert Funds, 2004).

Mission supports boards that are composed of qualified individuals who reflect diversity of experience, expertise, gender, race, culture, and age. We support proposals seeking to report on a corporation’s efforts to increase board inclusiveness.

### iii. Separate Chair and CEO Positions –

Part of a board’s responsibility includes representing shareowners independently of management. When the Chair is also part of management, the board’s ability to objectively represent shareowners can be compromised.

Mission supports proposals seeking to separate the positions of Chairperson and CEO. An independent Chair can enhance investor confidence in companies and strengthen the integrity of boards of directors.

### iv. Classified Boards –

Often referred to as a staggered board, a classified board is structured so that, typically one-third of the board is elected in any given year, depending on their classification. Each class is elected to overlapping terms. Critics of classified board structures argue that they deter legitimate efforts to elect new directors or takeover attempts that may benefit shareowners.

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

### v. Complete Independence of Key Committees –

Independent directors and key committees, including audit, compensation, nominating and/or governance committees, should be composed *exclusively* of independent directors. The very nature of these committees requires complete objectivity.



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We oppose individual non-independent directors nominated to audit, nominating, and compensation committees. We support proposals seeking to increase the independence of these key committees.

vi. Supermajority Vote Requirements –

“Supermajority vote requirements in a company’s charter or bylaws require a level of voting approval in excess of a simple majority. Generally, supermajority provisions require at least 2/3 affirmative votes for passage of issues” (Calvert Funds, 2004).

We will oppose supermajority vote requirements and support proposals to return to simple majority vote.

vii. Restrictions on Shareowners Calling Meetings –

Often times, a company retains the right to call a special meeting of shareowners at any time, while shareowners do not have similar rights. Ordinarily we will support the right of majority shareowners to call special meetings. Supporters of shareowner rights in this area believe that restrictions on the rights of majority shareowners to call a special meeting can also restrict the ability of the shareowners to force company management to consider shareowner proposals or director candidates (Calvert Funds, 2004).

We will oppose restrictions on the right of majority shareowners to call special meetings.

viii. Cumulative Voting Requirements –

Permits shareholders to apportion the total number of votes they are entitled to cast in the election of directors in any fashion they desire. The total number is equal to the number of directors to be elected at the meeting multiplied by the number of shares eligible to be voted. With cumulative voting, each shareholder may cast the total number of votes that he or she is entitled to cast for one director, or apportion them among the candidates as desired. This practice provides minority shareholders a greater voice in the election of directors and increases the likelihood of minority shareholders on the board (NACD, 2003).

We will support proposals calling for cumulative voting.

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### ix. Poison Pills Shareholder Rights Plans –

Poison Pill is a popular term for a takeover defense that permits all shareholders other than an acquirer to purchase shares in a company at a discount if the company becomes a takeover target. A company with a pill (shareholder rights plan) usually distributes warrants or purchase rights that become exercisable when a triggering event occurs. The triggering event occurs when an acquirer buys more than a specified amount of a target company's stock without permission of the target company's board. Once the pill is triggered, shareholders (except for the acquirer) usually have the right to purchase shares directly from the target company at a 50% discount, diluting both ownership interest and voting rights. Most pills have provisions that permit the board to cancel the pill by redeeming the outstanding warrants or rights at nominal cost. Pills can force acquirers to bargain directly with a target company's board, but they can also be used to deter or to block acquisition bids altogether. Companies are not required by law to submit their poison pills for shareholder approval, and very few companies have chosen to seek shareholder approval. Poison pills can be considered aggressive takeover defense mechanisms which discourage takeover offers from ever being initiated, as well as deny shareholders the right to consider offers themselves (NACD, 2003).

We will support proposals calling for shareholder approval of poison pills or shareholder rights plans and oppose management proposals that seek to approve or create a poison pill.

### x. Transparency and Disclosure –

Mission believes that corporations should act in the best interests of a broad range of constituents, including shareholders, employees, customers, suppliers, and communities. Additionally, shareholders have the right to know how a company's actions and decisions affect society as a whole, as well as matters that could potentially put a corporation in a legally vulnerable position, further affecting the value the company's share price. Consistent with CSR standards, we will support proposals that call for full disclosure of:

- company financial performance
- ownership, structure, and objectives of companies, including the rights of majority shareholders
- corporate governance codes and structures
- related party transactions
- board nominating process
- political contributions
- charitable contributions
- human rights policies and initiatives

We will support proposals that call for an annual audit by external and independent auditors.

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### Corporate Social Responsibility

i. Human Rights –

“A company operating in a repressive environment, either directly or through its contracting relationships, has an obligation to keep shareholders informed of its efforts to counter repressive and to demonstrate that it is not implicitly acquiescing in other parties’ repressive practices. Taking such actions will help the company protect its reputation and to reduce its vulnerability to lawsuits” (AFL-CIO, 2003).

We will support proposals asking companies to adopt a comprehensive human rights policy based on or similar to existing international standards (1948 UN Universal Declaration of Human Rights, International Labor Organization, and MacBride Principles).

ii. Indigenous Rights-

“The United Nations describes indigenous communities as peoples and nations having historical continuity with pre-colonial societies that subsequently developed on their territories. They represent non-dominant sectors of society and are determined to preserve, develop and transmit their ancestral territories and ethnic identities to future generations, in accordance with their own cultural patterns, social institutions, and legal systems. Efforts to extract or develop natural resources in areas populated by indigenous peoples often threaten their lives and cultures, as well as their natural environments. In addition, the commercial use of indigenous people imagery (as well as other minority groups) is often viewed as offensive and objectionable, and are considered factors leading to the perpetuation of racism and bigotry” (Pension Boards, 2005).

We will support proposals asking companies to avoid the use of images that offend the cultural or historical significance of any group of persons in the company’s advertising or for other corporate purposes.

We support proposals requesting companies to mitigate any damaging impacts that their operations may have on indigenous communities and their environment.

We support proposals calling on companies to engage in greater consultation with indigenous people where company operations may have neglected effects on indigenous communities and their environment.

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### iii. Animal Welfare -

Many companies engage in animal testing for the purposes of determining product effectiveness and/or assuring consumer product safety.

We will support proposals seeking information on a company's animal testing practices, or requesting that management seek cost effective alternatives to animal testing.

We will support proposals calling for consumer product companies to reduce or eliminate the suffering of animal test subjects.

### iv. Environment-

"All corporations have an impact on the environment. A company's environmental policies and performance can have a substantial effect on the firm's financial performance. We expect management to take all reasonable steps to reduce negative environmental impacts and a company's overall environmental footprint" (Calvert Funds, 2004).

We will support proposals to reduce negative environmental impacts and a company's overall environmental footprint, including any threats to biodiversity in ecologically sensitive areas.

We will support proposals requesting that companies report on their environmental practices, policies and impacts, including environmental damage and health risks resulting from their operations, and the impact of environmental liabilities on shareowner value.

We will support proposals asking companies to prepare a comprehensive report on recycling efforts, to increase recycling efforts, or to adopt a formal recycling policy.

We will support proposals requesting that a company study or endorse voluntary environmental principles such as The Coalition for Environmentally Responsible Economies (CERES).

We will support proposals requesting that companies disclose information on greenhouse gas emissions or take specific actions, at reasonable cost, to mitigate climate change, including reducing greenhouse gas emissions and developing and using renewable or other less-polluting energy sources.