

PROXY VOTING GUIDELINES

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PROXY VOTING GUIDELINES

These Guidelines have been adopted by the New York State Common Retirement Fund (the "Fund") for proxy voting on issues pertaining to corporate governance and financial performance. These Guidelines are meant to provide a general framework for such voting and are not intended to anticipate every proposal that will appear with respect to the Fund's portfolio companies' proxy statements. These Guidelines are not binding and the Comptroller explicitly reserves the right to vote proxies as he deems consistent with his fiduciary responsibilities as sole trustee. These Guidelines are subject to change at any time by approval of the Comptroller.

CORPORATE GOVERNANCE

ACCESS TO THE PROXY

The Fund will support proposals requesting shareholder access to management's proxy materials for the purpose of nominating director candidates for board elections.

Rationale: Allowing shareholders that meet the appropriate ownership requirements the ability to nominate directors to Boards in which they are a stakeholder is a cost effective tool to increase shareholders' ability to hold boards accountable.

ANTI-TAKEOVER PROVISIONS

a. Greenmail

The Fund will support proposals that ask companies to require shareholder approval of "greenmail" payments that pay a premium price to repurchase shares and avert a hostile takeover.

Rationale: Purchase terms for greenmail payments exceed the current market value and are not available to all shareholders.

b. Supermajority Requirements

The Fund will support proposals that ask companies to eliminate any requirement that corporate actions be approved by more than a simple majority of shareholders. The Fund will not support proposals that include provisions that require that more than a simple majority of shareholders approve actions such as mergers, sales of assets or by-law amendments.

Rationale: Supermajority provisions can be used to impose voting barriers to deter unfavorable hostile takeovers. They can also be used to defeat corporate democracy, entrench status quo and diminish shareholder rights.

c. Unequal Voting Rights

The Fund will not support proposals that allow companies to issue shares with special voting rights.

Rationale: Unequal voting rights can benefit some shareholders at the expense of others. Such rights can effectively deter premium takeover offers.

d. **Written Consent/Special Meeting**

The Fund will support proposals that ask a company to allow shareholders with a minimum 10% threshold ownership to call a special meeting or act by written consent.

Rationale: The ability to act by written consent allows shareholders to take action collectively without a shareholder meeting. This is potentially powerful because target companies could be faced with the equivalent of a proxy contest without either notice of the opposition to its policies or control over the timetable of the proxy solicitation. By banning the use of consents, companies may discourage hostile takeovers by delaying an attempt to gain control of the company until a shareholder meeting.

AUDITORS

The Fund will support the appointment of outside auditors as long as the auditors are not providing non-auditing services that create conflicts of interest for the auditor or auditing firm with the company. The Fund will consider withholding support on a case-by-case basis in situations where there are alternative dispute resolution procedures, there have been material restatements, when an auditor is continuously employed by a company or the company has had back dated option awards.

Rationale: The appointment of independent auditors is critical to long-term shareholder value. Conflicts of interest can arise when auditors provide both audit and non-audit services to the same company. These conflicts can compromise auditors' independence and jeopardize investors' interests.

CAPITAL STRUCTURE

a. **Dividend Policy**

i. **Declare Annual Dividend**

The Fund will support proposals asking companies to declare an annual dividend on a case-by-case basis with the assistance of consulting services.

Rationale: Many factors should be considered in a decision to declare a dividend, including corporate profits, expenses, strategic plans and market conditions. The declaration of a dividend may not necessarily promote long-term shareholder value if there is opportunity to reinvest stock or cash back into the corporation to promote growth. However, if a corporation is firmly established and stable, having developed beyond any growing phase and therefore unlikely to benefit from reinvesting its profits, declaring a dividend may be appropriate.

ii. Increase Dividends/Dividend Reinvestment Plan

The Fund will support proposals that ask a corporation to increase its dividends on a case-by-case basis. The Fund also will support proposals that ask a company to develop a dividend reinvestment plan on a case-by-case basis.

Rationale: The size of a dividend is determined by many factors, including corporate profits, expenses, strategic plans and market conditions. An increase in dividends may not necessarily promote long-term shareholder value if there is opportunity to reinvest stock or cash back into the corporation to promote growth. Similarly, a dividend reinvestment plan may not necessarily be in shareholders' interests. If a corporation is firmly established and stable, having developed beyond any growing phase and therefore unlikely to benefit from reinvesting its profits, declaring or increasing dividends may be appropriate as opposed to developing any reinvestment plan.

iii. Disclosure

The Fund will support proposals that request a company report on its dividend policy.

Rationale: Disclosure of company dividend policies allows shareholders to be well informed and can assist decision making by shareholders.

b. Stock Authorization

i. Blank-Check Preferred Stock

The Fund will not support proposals that authorize the creation or increase of blank-check preferred stock. The Fund will support proposals that ask a company to redeem preferred stock that has been previously issued.

Rationale: When issuing preferred stock, a company's board of directors is allowed to specify dividend rates, voting privileges, conversion rights and other conditions that could serve as an anti-takeover defense without shareholder approval.

ii. Dual Class Stock

The Fund will not support proposals that authorize the creation or extension of dual class voting stock.

Rationale: Dual class capitalization creates a second class of common stock with either superior or inferior voting rights to those of the existing class of stock. Dual classifications with unequal voting rights violate the principle of "one share, one vote" and enable management to perpetuate itself without the support of a true majority of shareholders.

iii. Increase Stock Authorization

The Fund will generally support proposals that request an increase in the number of authorized but not issued common stock, provided the amount requested is necessary for sound business practice and is reasonable given the company's industry group and performance history. All such proposals will be reviewed on a case-by-case basis.

Rationale: An increase in the number of shares authorized but not issued provides a company's board of directors with flexibility to meet changing financial conditions. However, such increases can also be used to thwart takeovers that are hostile, but that may be, in given instances, desirable.

iv. Share Repurchasing

The Fund will support proposals submitted by management to institute open-market share repurchase plans in which all shareholders may participate on equal terms.

Rationale: Stock buyback programs can serve as an efficient vehicle for distributing cash to shareholders and tend to result in increased returns to shareholders.

v. Tracking Stock

The Fund will generally not support proposals that ask companies to create tracking stock. Such proposals will be considered on a case-by-case basis.

Rationale: Tracking stock can boost the market value of the parent company; however, it does not provide shareholders with ownership of corporate assets, nor does it necessarily provide voting rights. The existence of tracking stock can also pose conflicts of interest between the parent company and the portion of the business that is being "tracked." When a parent company issues "tracking stock", all revenues and expenses of the division are separated from the parent company's financial statements and then attributed to the tracking stock. Often this is done to separate a high-growth division with large losses from the financial statements of the parent company.

CUMULATIVE VOTING

The Fund will generally not support proposals that request the adoption of a cumulative voting policy.

Rationale: Cumulative voting allows each stockholder as many votes as the number of shares each owns multiplied by the number of directors to be elected. This allows shareholders to cast all of their votes for any individual or slate of candidates. The result is that a minority block of stock can be represented on the board. Such representation could be counter to the interests of the majority of shareholders.

ELECTION OF DIRECTORS

a. Independence

- i. The Fund will support proposals that ask that a majority or a substantial majority of a company's Board of Directors consist of "independent" directors. A director will not be considered independent if he or she:

(i) is, or in the past 5 years has been, or whose relative is, or in the past 5 years has been, employed by the corporation or employed by or a director of an affiliate;

An "affiliate" relationship is established if one entity either alone or pursuant to an arrangement with one or more other persons, owns or has the power to vote more than 20 percent of the equity interest in another, unless some other person, either alone or pursuant to an arrangement with one or more other persons, owns or has the power to vote a greater percentage of the equity interest. For these purposes, equal joint venture partners and general partners meet the definition of an affiliate, and officers and employees of equal joint venture enterprises and general partners are considered affiliated. A subsidiary is an affiliate if it is at least 20 percent owned by the corporation.

Affiliates include predecessor companies. A "predecessor" of the corporation is an entity that within the last 5 years represented more than 50 percent of the corporation's sales or assets when such predecessor became part of the corporation.

"Relatives" include spouses, parents, children, step-children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, aunts, uncles, nieces, nephews and first cousins, and anyone sharing the director's home.

(ii) is, or in the past 5 years has been, or whose relative is, or in the past 5 years has been, an employee, director or owner of a firm that is one of the corporation's or its affiliate's paid advisers or consultants or that receives revenue of at least \$50,000 for being a paid adviser or consultant to an executive officer of the corporation;

The term "executive officer" includes the chief executive, operating, financial, legal and accounting officers of a company. This includes the president, treasurer, secretary, controller and any vice-president who is in charge of a principal business unit, division or function (such as sales, administration or finance) or performs a major policymaking function for the corporation.

(iii) is, or in the past 5 years has been, or whose relative is, or in the past 5 years has been, employed by or has had a 5 percent or greater ownership interest in a third-party that provides payments to or receives payments from the corporation which account for 1 percent of the third-party's or 1 percent of the corporation's

^o Based on recommendations made by the Council of Institutional Investors and its current definition of "independent director" updated as of April 13, 2010, *cit.org* at "Council Policies".

consolidated gross revenues in any single fiscal year, or if the third-party is a debtor or creditor of the corporation, the amount owed exceeds 1 percent of the corporation's or the third party's assets. Ownership means beneficial or record ownership, not custodial ownership.

(iv) has, or in the past 5 years has had, or whose relative has paid or received more than \$50,000 in the past 5 years under, a personal contract with the corporation, an executive officer or any affiliate of the corporation;

(v) is, or in the past 5 years has been, or whose relative is, or in the past 5 years has been, an employee or director of a foundation, university or other non-profit organization that receives significant grants or endowments from the corporation or one of its affiliates or has been a direct beneficiary of any donations to such an organization;

(vi) is, or in the past 5 years has been, or whose relative is, or in the past 5 years has been, part of an interlocking directorate in which the CEO or other employee of the corporation serves on the board of a third-party entity (for-profit or not-for-profit) employing the director;

or

(vii) has a relative who is, or in the past 5 years has been, an employee, a director or a 5 percent or greater owner of a third-party entity that is a significant competitor of the corporation.

Rationale: The election of independent directors is critical to long-term shareholder value. "Inside" directors can experience conflicts of interest when faced with decisions that impact management. Independent directors are best able to evaluate objectively management's recommendations to the Board and generate alternatives and proposals for Board consideration. Independent directors are necessary to ensure that the Board consistently acts in the best interests of shareholders.

b. Limit Director Tenure

The Fund will not support proposals that ask a company to provide for age limits for directors. The Fund also will not support proposals that request that a company provide for term limitations for directors.

Rationale: Arbitrary limits on director tenure will not necessarily ensure that a director will be more qualified to serve in shareholders' best interests.

c. Majority Voting

The Fund will support proposals that ask a company to provide for a majority vote standard for directors.

Rationale: Directors are accountable to stakeholders of the company. Board nominees should therefore be elected by the majority of votes cast at the annual meeting of shareholders. A majority vote standard provides shareholders a meaningful say in determining who will represent them in the boardroom resulting in increased accountability and performance of directors.

d. Qualifications

The Fund will generally cast its votes in support of company-nominated directors. However, boards composed of a majority of independent directors are preferred. Therefore, the Fund will cast its votes in any way that will promote the election of independent directors where necessary. In addition, the Fund will generally withhold support under the following circumstances:

- i. Individual directors who have attended less than 75 percent of Board and committee meetings during the preceding year without legitimate justification.
- ii. Individual directors who are members of an excessive number of corporate boards and/or number of key committees.
- iii. Directors who refused to support implementation as corporate policy the resolve of a shareholder resolution which received a favorable vote from a majority of the ballots cast during the preceding annual meeting.
- iv. Directors who failed to support all-independent audit, compensation and nominating committees at the corporation.
- v. Directors who have failed to fulfill their committee duties and ignored the best interests of shareholders.

Rationale: The election of directors is the core of corporate governance, providing the most direct means for shareholders to hold directors accountable for their actions and decisions. Shareholders' interests will be best served by directors who demonstrate a commitment to good long-term performance and responsible corporate governance.

e. Repeal Classified Board

The Fund will generally support proposals to eliminate a classified board and elect all directors on an annual basis.

Rationale: Directors should be accountable to shareholders on an annual basis. Moreover, classified boards make it extremely difficult for a bidder to acquire control or for a challenger to engage successfully in a proxy contest.

EMPLOYEE STOCK PURCHASE, RETIREMENT AND PENSION PLANS

a. Approve Extra Benefits under SERPs

The Fund will generally not support proposals that ask a company to increase the benefits awarded in supplemental executive retirement plans (SERPs). The Fund will support proposals that ask a company to eliminate its SERP or increase disclosure on an existing SERP.

Rationale: SERPs provide additional pension benefits for individual senior executives. They impose additional pension liabilities on companies and are not tax-deductible.

b. Stock Purchase Programs

The Fund will support management proposals that authorize or amend Employee Stock Purchase Plans for all employees at prices that are not less than 85 percent of the fair market value of the shares; with an offering period no greater than 27 months.

The Fund will not support proposals that ask a company to restrict stock purchase programs to selected employees. The Fund will support proposals that ask companies to require disclosure about such programs.

Rationale: Employees should be encouraged to hold an equity stake in the company. Employee stock purchase programs can provide significant incentives for non-senior management employees, and can help a company attract and retain talented employees. Under Section 423 of the Internal Revenue Code, companies receive favorable tax treatment for employee stock purchase programs that provide for an offering period of no greater than 27 months.

EXECUTIVE AND DIRECTOR COMPENSATION

a. Abolish Stock Option Plan

The Fund will not support proposals that request companies to adopt a policy prohibiting future stock option grants.

Rationale: Stock option plans allow executives and directors to hold an equity stake in the company and align their interests with shareholders' interests. They can provide significant incentives for executives and directors, and can help a company attract and retain talented employees.

b. Approval of Stock Option Plans

Several factors, such as the category of the company (whether emerging, growth or mature) and the long-term financial performance, require detailed analysis. Accordingly, the Fund reviews stock option plans on a case-by-case basis.

The Fund will generally support proposals that establish or amend stock option plans with the following terms:

- i. Dilution levels should be reasonable.
- ii. Options should not be awarded at below-market discounts.
- iii. Plans should reward performance. The criterion for performance rewards should be clear and definitive.
- iv. Plans should not include stock appreciation rights or stock depreciation rights.
- v. Plans should not allow "pyramiding" – the practice of paying for stock options with previously owned shares in successive short term transactions.
- vi. Plans should not include reload provisions that allow the company to replace stock already given in the exercise of an option.

Rationale: Stock option plans allow executives and directors to hold an equity stake in the company and align their interests with shareholders' interests. They can provide significant incentives for employees, and can help a company attract and retain talented employees. At the same time, they must not be unduly generous or dilutive. Stock option plans should motivate executives and directors and, thus, benefit shareholders. They should not diminish or dilute shareholder value.

c. Clawback Provisions

The Fund will support proposals requesting policies be in place for the recoupment of compensation in the event of fraud, recklessness or gross negligence or restatement. The fund will support the recovery of such unearned payments where possible. The Fund is in favor of provisions that allow for recapturing unearned bonus and incentive income awarded to all executives.

Rationale: Policies addressing the recovery of unearned awards is in the best interest of stakeholders.

d. Disclosure of Executive Compensation

The Fund will support proposals that request that a company disclose its compensation policies, including retirement benefits.

Rationale: Disclosure would provide greater and more accurate information that would be critical to informed decision-making by shareholders.

e. Expense Stock Options at Time of Grant

The Fund will generally support proposals that ask companies to expense in their annual income statements the costs of all future stock options issued to company executives.

Rationale: Accounting for stock options provides shareholders with a more accurate picture of a company's earnings.

f. Incentive Bonus Plans for Executives

The Fund will generally support incentive compensation plans that are specifically related to corporate and individual performance, including those plans seeking IRS Section 162(m) compliance. The Fund will generally not support plans that include more than five types of performance criteria or are otherwise in violation of the Fund's proxy voting guidelines.

Rationale: The U.S. government offers corporations tax deductions for certain shareholder-approved bonus plans that are performance-based. These tax advantages can be beneficial to shareholders. Performance goals will be most meaningful if they are measurable, clearly defined and distinctly related to an executive's performance.

g. Performance-based/Indexed Compensation

The Fund will support proposals that request that companies award performance-based stock options. Such options may be premium-priced and/or indexed to industry performance.

Rationale: Compensation should aim to reward and motivate executive and director performance. Stock options that are premium-priced and/or indexed to industry performance are an incentive for superior performance and ensure that mediocre performance will not be rewarded.

h. Re-pricing of Stock Options

The Fund will support proposals asking companies to prohibit the re-pricing of underwater stock options. The Fund will also support proposals asking companies to obtain shareholder approval before re-pricing stock options.

Rationale: Options are intended to be an incentive for good management and a reward for superior performance. Management should be willing to accept market risk in the same manner as the shareholder and the value of stock option plans should not be guaranteed.

i. Require Option Shares to be Held

The Fund will generally support proposals that ask a company to require executives to hold shares gained from exercised options.

Rationale: Options are intended to be an incentive for good management and a reward for superior performance. A long-term holding requirement would encourage executives to focus on a company's long-term performance.

j. Restrict/Limit/Cap Director Compensation

The Fund will not support proposals asking companies to restrict, limit or cap the compensation of an individual director or the aggregate compensation of all directors.

Rationale: Compensation should aim to reward and motivate director performance. Proposals that impact compensation through fixed formulas or arbitrary limitations may make directors less responsible and accountable to shareholders.

k. Restrict/Limit/Cap Executive Compensation

The Fund will not support proposals asking companies to restrict, limit or cap the compensation of an individual executive or the aggregate compensation of any group of employees.

Rationale: Compensation should aim to reward and motivate employee performance. Proposals that impact compensation through fixed formulas or arbitrary limitations may make employees less productive and may not necessarily be in the best interests of shareholders.

l. Restricted Stock Grants

The Fund will not support proposals that ask a company to terminate its restricted stock plan until it issues a formal explanation of the plan.

Rationale: Restricted stock awards are granted with a vesting period, during which time the employee's rights to the shares are limited. As such, they are a form of compensation that rewards and motivates employees. Proposals to eliminate such awards may make employees less productive and may not necessarily be in the best interests of shareholders.

m. Shareholder Vote on Compensation Issues

The Fund will support proposals that ask companies to obtain shareholder approval of future severance agreements ("golden parachutes"). Likewise, the Fund will support proposals that request companies to obtain approval of all new and amended stock-based compensation plans.

Rationale: Shareholders should have an opportunity to vote on issues that would have a material financial impact upon a corporation and the value of their investment. Shareholder value might be diminished by loans to directors and executives, severance agreements and stock-based compensation plans. Shareholders should be able to approve or disapprove of them.

n. Executive Pay and Social Issues

The Fund will generally not support proposals requesting that companies review and report on executive compensation, focusing on altering executive compensation policies to establish a closer link between executive pay and social issues.

Rationale: Proposals that would emphasize progress in a particular social or ethical issue may result in a de-emphasis on other, equally significant issues. Proposals that directly or indirectly promote particular political positions may not represent or promote the interests of shareholders

o. Comparison of Pay

The Fund will support proposals requesting a report that compares compensation for top executives and lowest paid workers.

Rationale: Disclosure of compensation policies is critical to informed decision-making.

p. Advisory Vote On Pay

The Fund will support resolutions allowing shareholders the opportunity to hold a non-binding advisory vote on compensation practices.

The Fund will vote case-by-case on proposals requesting ratification of a company's executive compensation plan.

Rationale: Allowing shareowners the opportunity to voice their say on executive compensation practices and strategies is an effective measure to express concern and provide an avenue to open a dialogue with the company to promote pay accountability.

q. Survivor Benefit Plans (Golden Coffins)
The Fund will support proposals that request shareholder approval of any future agreements pertaining to payments or awards made to executives following their death.

Rationale:

These payments can be very lucrative and are not tied to performance. The Fund encourages compensation that is linked to shareholder value.

POISON PILLS

a. Adoption of Pill

The Fund generally will not support proposals submitted by management that would establish or extend a “poison pill.”

Rationale: “Poison pills” – or shareholders’ rights plans – involve the issuance of preferred stock purchase rights often unilaterally declared as a dividend without shareholder participation or approval. A poison pill may be a useful bargaining tool for management. However, it can also be used to insulate management against competitive bids.

b. Shareholder Approval

The Fund will support proposals that ask a company to submit its poison pill to shareholders for a vote.

Rationale: Poison pills can have a significant economic impact on shareholder value. Shareholders should be allowed to review and vote on the rights plan.

PRE-EMPTIVE RIGHTS

The Fund will support proposals that would grant or restore pre-emptive rights to shareholders.

Rationale: Pre-emptive rights permit shareholders to maintain their relative ownership of a corporation, while permitting the company to raise the new capital it needs. These proposals serve to prevent the erosion of the rights of existing shareholders.

REIMBURSEMENT OF PROXY EXPENSES

The Fund will vote on a case-by-case basis any by-law changes requesting the reimbursement of expenses incurred when shareholders nominate a candidate, or an entire slate, for board election. In instances in which the dissident has a successful outcome, the Fund will generally vote in favor of reimbursement expenses.

Rationale: Reimbursement of proxy expenses in some cases can help ensure that the most qualified Board candidates are able to offer their services.

REINCORPORATION

The Fund will vote against proposals submitted by management that would allow a company to reincorporate outside the United States.

The Fund will support proposals submitted by shareholders that request that companies incorporate in the United States.

The Fund will vote case by case on resolutions requesting reincorporation from one state to another.

Rationale: Corporate governance laws outside the United States may be ill-defined and provide weak shareholder rights. Companies could use these laws to enact policies that are profoundly detrimental to shareholders' long-term economic interests.

RESTRUCTURINGS

a. Approval of mergers and acquisitions

The Fund will consider proposals asking shareholders to approve a merger or acquisition on a case-by-case basis with the assistance of consulting services.

Rationale: Mergers and acquisitions can be structured to maximize shareholder value. With the assistance of consultants and advisors, the Fund will evaluate whether a transaction is in the long-term best economic interest of the Fund or whether it is designed to further the interests of current management and/or at a cost to shareholders.

b. Fair Price Provisions

The Fund will support proposals that require a bidder for a company to pay every shareholder a fair price. The Fund will not support fair price amendments if they are coupled or "linked" with a supermajority amendment or other defensive device.

Rationale: Shareholders should be treated equally by all bidders. A company should not take steps to thwart hostile takeovers that might offer a premium price.

c. Sell the Company

The Fund will consider proposals asking a company to explore a sale or other transaction in order to maximize shareholder value on a case-by-case basis.

Rationale: Proposals to sell the company are intended to encourage the company to revive a depressed stock price. The proposed restructuring activities can be distracting to the board and senior management if other strategic plans are in place. With the assistance of consultants and advisors, the Fund will evaluate whether a transaction is in the long-term best economic interest of the Fund or whether it is designed to further the interests of current directors and/or management at a cost to shareholders.

d. Spin Off a Division

The Fund will consider proposals asking a company to spin-off or sell a portion of its business on a case-by-case basis.

Rationale: Proposals to spin off a portion of business are intended to encourage the company to revive a depressed stock price. With the assistance of consultants and advisors, the Fund will evaluate whether a transaction is in the long-term best economic interest of the shareholders.

ROLE AND RESPONSIBILITIES OF DIRECTORS

a. Director Liability and Indemnification

The Fund will generally support proposals that ask a company to limit director liability and provide indemnification. The Fund will not support proposals that provide indemnity for the following actions:

- i. breach of the duty of loyalty
- ii. acts or omissions not in good faith or involving intentional misconduct or knowing violations of the law
- iii. unlawful purchase or redemption of stock
- iv. payment of unlawful dividends
- v. receipt of improper personal benefits

Rationale: Limitations on directors' liability can benefit the company and its shareholders by facilitating the attraction and retention of qualified directors. At the same time, shareholders should be protected in situations of egregious misconduct by directors.

b. Establishment of Committees

The Fund will support proposals that request that companies establish compensation, governance and nominating committees of the board of directors. The Fund will also support proposals that request that such committees be composed solely of independent directors.

Rationale: The formation of committees intended to examine specific issues helps to ensure that the Board gives accurate, complete and thorough consideration to these issues. Independent directors are best able to evaluate objectively management's recommendations on specific issues and generate alternatives and proposals for Board consideration. All-independent committees are necessary to help ensure that the Board consistently acts in the best interests of shareholders.

c. Independent Board Chairman

The Fund will support proposals that request that a company take the steps necessary to adopt a policy that the Board Chairman be an independent director. The Fund will also support proposals that request that a company take the steps necessary to separate the roles of Chairman and Chief Executive Officer. Alternatively, where there is one director

acting as both the Chairman of the Board and the Chief Executive Officer, the Fund will support proposals that request the company to appoint a Lead or Presiding Director.

Rationale: Independent directors are best able to evaluate objectively management's recommendations on corporate strategy and specific issues, and generate alternatives and proposals for Board consideration. The appointment of an independent director as Chairman of the Board would help to ensure that the Board consistently acts in the best interests of shareholders.

d. Board Diversity

The Fund will support proposals that encourage diversified representation on the Board and those that aim to expand the search for women and minority candidates, including proposals asking companies to make greater efforts to diversify their boards and proposals to report to shareholders on those efforts and on the process of selecting nominees.

Rationale: Modern corporations operate in a diverse, multi-cultural environment. Long-term financial performance is likely to be enhanced when Boards reflect and draw upon talent from the widest choice of candidates.

e. Nomination of Directors With Risk Expertise

The Fund will generally support proposals that request the nomination of independent director candidates with expertise in areas that will assist in the mitigation of company risk. These could include environmental experts in the extractive industries. Other industries where a "risk expert" might be appropriate are banking, nuclear and waste management.

Rationale: Independent board members with personal expertise in areas that can assist companies mitigate risk can help avoid actions that could cause reputational harm and incur significant legal liabilities.

f. Independent Director/Shareholder Dialogue

The Fund will support proposals that request that a company establish a policy and procedure by which shareholders can communicate with independent directors.

Rationale: Communication between shareholders and independent directors would help to ensure that the interests and concerns of shareholders are represented in board deliberations.

g. Succession Planning

The Fund will support the adoption and disclosure of a well defined succession planning process. Boards have a responsibility to oversee CEO succession planning including the assessment of candidates and development of a transition plan.

Rationale: Lack of appropriate succession planning by Boards can risk serious disruption of company operations in the event of CEO departures.

VOTING POLICES AND PROCEDURES

a. Annual Meeting Date and Location

The Fund will support proposals that seek to change the date or location of the annual meeting to provide greater access to a greater number of shareholders.

The Fund will not support proposals that seek to change the date or location of the annual meeting without providing a reason.

Rationale: For many shareholders, annual meetings are their only opportunity to communicate directly with senior managers and members of the board of a corporation. Shareholders should be encouraged to attend annual meetings.

b. Tabulation of Shareholder Votes

The Fund will support proposals that ask companies to reform the method by which management tallies and reports abstentions in the proxy vote.

Rationale: This proposal is intended to clarify the method by which shareholder votes are counted. Companies set different voting requirements for passage of shareholder proposals, and they also differ in the manner they treat abstentions. The SEC does not count abstentions when calculating whether a proposal has gained votes for resubmission, nor should management.

c. Response to Shareholder Proposals Receiving Majority Vote

The Fund will support proposals that ask companies to establish a process and procedures for adopting shareholder proposals that are presented in the company's proxy statement, and are supported by more than fifty percent of shares voted at an annual meeting of the company.

Rationale: The proxy vote is an important mechanism for shareholders to express their views on how a company should be run. It is fundamental to shareholder rights that the Board responds to the expressed desires of a majority of shareholders.

CORPORATE RESPONSIBILITY

CONTRIBUTIONS

The Fund will not support proposals that request that contributions be directed to or prohibited from particular charitable, educational or philanthropic organizations.

Rationale: The Fund believes that companies should be good corporate citizens and should participate in the charitable life of the community. Companies that make charitable, educational, or philanthropic contributions do not necessarily endorse a particular organization's positions on all political or social issues.

The Fund will support proposals asking companies to disclose their political expenditures and charitable contributions. The Fund will support proposals asking companies to put

their political expenditures to a shareholder vote. The Fund will vote on a case by case basis on proposals asking for approval of specific political expenditures.

Rationale: The Fund believes that proposals that require additional disclosure can enhance shareholder value by providing shareholders with information critical to informed decision-making. An annual vote to ratify political spending is a reasonable way to promote greater transparency and accountability to investors.

ENVIRONMENT

a. Climate Risk

The Fund will support proposals asking companies for information about their greenhouse gas emissions and related policies. The Fund will support proposals calling for annual reporting of emissions from operations as well as from vehicles or other products that a company sells.

The Fund will support proposals asking companies to set targets to reduce emissions from their operations and products.

The Fund will support proposals that request a company develop a strategy that positions it as an environmental leader by meeting or beating the industry's best practices regarding environmental protection.

The Fund will support proposals asking companies to prepare reports describing the operating, financial and reputational risks to the company associated with past, present and future greenhouse gas emissions from its operations and products.

The Fund will support proposals asking companies to report to shareholders on economic risks associated with emissions of carbon dioxide, sulfur dioxide, nitrogen oxide and mercury emissions. The Fund will also support proposals asking companies to report to shareholders on the economic benefits of committing to substantial reduction of such emissions.

The Fund will support proposals requesting companies to list the greenhouse gases they emit and the fines paid under state or federal environmental laws. The Fund will also support proposals to assess the feasibility of getting corporate operations certified as meeting the standards of the Forest Stewardship Council.

The Fund will support proposals asking for reports explaining how a company will respond to rising regulatory, competitive and public pressure to develop renewable energy sources.

The Fund will support proposals that ask a corporation to report on the steps it can take to reduce emissions of greenhouse gases, steps its industry can take to collectively reduce emissions of greenhouse gases and plans to support energy-efficient standards. The Fund will also support proposals asking for an evaluation of how emissions reduction could be accomplished.

The Fund will support proposals that raise concerns about company operations that contribute to excessive deforestation.

The Fund will support proposals that raise concerns about the financing of projects that lead to deforestation and fossil fuel development.

Rationale: The Fund believes that environmental responsibility is a necessary element of doing good business, and supports efforts aimed at preservation of the environment. The Fund's policies on issues related to global warming are based on the assumption that corporations that address these issues responsibly, fully, and transparently are likely to experience sustained growth in financial performance. In addition, the Fund believes that proposals that require additional disclosure can enhance shareholder value by providing shareholders with information critical to informed decision-making.

b. Genetically-Modified Organisms

The Fund will support proposals requesting that manufacturers of genetically-modified organisms report on risks and environmental impacts of their products, contingency plans for removing genetically-modified organisms, the potential for using alternative products, and evidence of independent long-term safety testing that demonstrates product safety.

The Fund will support proposals requesting that corporations report on the scope of the company products that are derived from or contain genetically-modified organisms. The Fund will also support proposals requesting that companies adopt a policy of labeling products that are derived from or may contain genetically-modified organisms.

Rationale: The long-term profitability of corporations that manufacture or distribute products that contain genetically-modified organisms will be greatly impacted by public opinion of these organisms. Given the controversial, global discourse about genetically-modified products and the increasing desire for more information about such products, the Fund believes that corporations should strive to promote a credible testing and regulatory process and greater transparency.

c. Hazardous Substances

The Fund will consider supporting proposals requesting that a company report to shareholders on its annual expenditures related to the health and environmental consequences and/or financial and regulatory risks from the use of hazardous substances in company operations.

Rationale: Good corporate management must be accountable and proactive in its responsibility to protect the environment and the communities that are affected by its operations. Failure to cooperate with federal, state and local efforts to clean up the contaminated sites can have a negative impact on the company's public image and long-term economic performance.

d. CERES Principles

The Fund will support proposals requesting a report on implementation of the CERES Principles, as part of the broader mission of CERES – continuous improvement of corporate environmental performance and annual, standardized reporting and accountability.

The Fund will also support proposals requesting that a corporation sign the CERES Principles.

Rationale: The Fund believes the CERES Principles serve to preserve the environment and increase accountability to shareholders. As such, they strengthen shareholder value and should be a component of corporate policies and practices.

e. Nuclear Plant Safety

The Fund will support proposals that request a report on the risks of storage of nuclear and chemical waste. The Fund will also support proposals asking a company to take steps against nuclear accident risks.

Rationale: Nuclear energy strategies pose heightened risks, and shareholders should have access to all pertinent information regarding those risks.

f. Recycling

The Fund will support proposals asking corporations to report on efforts to adopt recycling policies and strategies.

Rationale: As a component of environmental responsibility, recycling is a component of good business practice. Proposals that require disclosure provide shareholders with information critical to informed decision-making.

g. Water Use Risks

The Fund will support proposals that ask corporations to evaluate business risks linked to water use.

Rationale: Community concern about corporate water use can have a negative impact on a corporation's public reputation and long-term financial performance.

h. Pesticide Imports and Exports

The Fund will support proposals that ask a pesticide manufacturer to provide a report on its products that have been banned for sale and use in the U.S. or identified as probable carcinogens.

Rationale: Proposals that require disclosure provide shareholders with information critical to informed decision-making, particularly when the information regards matters that pose risk or controversy.

i. PVC Phase-out

The Fund will support proposals that ask medical product companies to phase out the manufacture of PVC-containing or phthalate-containing medical supplies where safe alternatives are available. The Fund will also support proposals asking companies to report on the feasibility of removing dibutyl phthalates from products.

Rationale: Credible scientific research suggests that PVC use in medical supplies may pose avoidable risks to patients. Accordingly, the Fund believes that it is prudent for corporations to remove PVC materials from products.

j. Unconventional Oil and Gas Development Practices

The Fund will support proposals requesting the company prepare a report summarizing environmental impact of unconventional oil and gas exploration and development practices.

Rationale: The potential for environmental damage resulting from these processes merits a report detailing how the company will address such risks including steps taken to minimize damage.

EQUAL EMPLOYMENT

a. Sexual Orientation

The Fund will support proposals asking companies to adopt or amend equal employment opportunity policies to explicitly prohibit discrimination based on sexual orientation and gender identity and expression. The Fund will oppose proposals asking companies to adopt or amend policies to exclude reference to sexual orientation.

Rationale: Modern corporations operate in a diverse environment. Long-term financial performance is likely to be enhanced when a corporation is committed to respect and tolerance, prohibits all forms of discrimination, and encourages the recruitment, hiring and promotion of employees from the widest choice of candidates.

b. EEO Reporting

The Fund will support proposals that ask corporations to report to shareholders on equal employment opportunity activities. These reports may include a copy of the annual consolidated EEO-1 reports filed with the U.S. Equal Employment Opportunity Commission.

Rationale: Successful corporations are likely to be those that demonstrate a commitment to respect and tolerance, prohibit all forms of discrimination, and recruit, hire and promote employees from the widest choice of candidates. Proposals that require additional disclosure about such activities can enhance shareholder value by providing shareholders with information critical to informed decision-making.

c. Glass Ceiling

The Fund will support proposals requesting a report on steps taken to break the “glass ceiling” – barriers to women’s and racial minorities’ advancement to senior management positions. Reports may include information on company policies to address diversity and

leadership development, links between executive compensation and efforts to break the glass ceiling, and top company wage earners broken down by gender and race.

The Fund will support proposals requesting that corporations enforce federal anti-discrimination laws and their own anti-discrimination policies.

The Fund will consider on a case-by-case basis proposals that ask a company to appoint a committee of independent members to develop a plan to eliminate the impact of discrimination at the company.

Rationale: Successful corporations are likely to be those that demonstrate a commitment to respect and tolerance; prohibit all forms of discrimination; and recruit, hire and promote employees from the widest choice of candidates. Proposals that require additional disclosure about such activities can enhance shareholder value by providing shareholders with information critical to informed decision-making. Proposals that require the establishment of a committee composed of independent members of the public may not necessarily be in shareholders' best interests.

HEALTH ISSUES

a. AIDS, TB and Malaria in Developing Countries

The Fund will support proposals asking corporations to report on the effect of deadly diseases on their operations, as well as on any measures taken in response.

The Fund will support proposals requesting pharmaceutical companies to establish standards of response to the health pandemic of HIV/AIDS, tuberculosis and malaria in developing countries.

The Fund will support proposals that ask a company to outline steps that can be taken to help address the AIDS pandemic.

Rationale: The health pandemic of HIV/AIDS, tuberculosis and malaria, among other diseases threatens to destroy the fabric of developing countries. Multinational corporations that conduct business in affected regions and/or those that manufacture pharmaceuticals have a direct interest in reducing the incidence of disease and working to prevent the potential societal devastation of a health pandemic.

b. International Drug Trials

The Fund will support proposals that request that a company disclose the countries where it sponsors clinical trials and how it ensures compliance with ethical guidelines and protocols.

Rationale: Multi-national corporations improve their public image and increase their potential for long-term growth when they demonstrate a commitment to human rights in the countries in which they operate. There is evidence that human clinical trials are increasingly common in developing countries that lack resources for reviewing compliance with ethical guidelines and monitoring research subjects' safety.

Corporations will benefit by demonstrating that they adhere to higher standards. Shareholders will benefit from disclosure of information critical to informed decision-making.

HUMAN RIGHTS

a. ILO Standards

The Fund will support proposals asking for corporate adherence to International Labor Organization (ILO) workplace principles and employment of independent monitoring of compliance with those standards.

The Fund will support proposals asking companies to encourage suppliers to comply with ILO standards. The Fund will also support proposals requesting that companies contract an independent monitor of their suppliers.

The Fund will support proposals that ask a company to adopt ILO standards for its operations in specific countries.

Rationale: Modern corporations operate in a global economy. The most successful businesses will be those that demonstrate a commitment to human rights by carefully examining and taking steps to improve the human rights implications of their operations in all parts of the world.

b. International Workplace Policies

The Fund will support proposals that request companies review and report on their codes for international operations, including policies regarding the fair treatment of indigenous peoples. The Fund will also support proposals that request companies report on efforts to ensure that it and its suppliers do not use illegal child or forced labor.

Rationale: Modern corporations operate in a global economy. The most successful businesses will be those that demonstrate a commitment to human rights by carefully examining and taking steps to improve the human rights implications of their operations in all parts of the world.

c. Company Human Rights Policies

The Fund will support proposals that ask companies to adopt a comprehensive and verifiable human rights policy.

The Fund will also support proposals asking companies to adopt a comprehensive human rights policy supporting the principles in the 1948 UN Universal Declaration of Human Rights.

The Fund will support proposals asking companies to amend their social and human rights policies to protect employees who report human rights violations; to establish reporting procedures to ensure this protection; and to inform employees about such procedures.

Rationale: Modern corporations operate in a global economy. The most successful and productive businesses will be those that demonstrate a commitment to human rights by carefully examining and taking steps to improve the human rights implications of their operations in the countries in which they operate.

d. Human Rights and Indigenous Peoples

The Fund will support proposals asking a company to conduct its operations in ways that do not have undue adverse environmental, socioeconomic and human rights impacts upon indigenous peoples.

Rationale: Multi-national corporations improve their public image and increase their potential for long-term growth when they demonstrate a commitment to human rights in the countries in which they operate.

e. Censorship/ Fragmentation/Freedom of Expression

The Fund will support proposals asking a company to adopt policies to help protect freedom of access to the internet.

Rationale: Political censorship of the internet degrades the quality of that service and could ultimately threaten the integrity and viability of the industry.

f. Northern Ireland

The Fund will support proposals asking companies to implement the MacBride Principles for fair employment in Northern Ireland. The Fund will also support proposals asking a corporation to urge its franchisees in Northern Ireland to implement the MacBride Principles.

Rationale: Modern corporations operate in a global economy. The most successful businesses will be those that demonstrate a commitment to human rights by promoting equality of opportunity in their international operations.

MILITARY AND SECURITY ISSUES

a. Space Weaponry, Missile Defense

The Fund will look at proposals asking companies to report on their involvement in space-based weaponization on a case-by-case basis.

Rationale: The Fund believes that in many instances this type of information is in all likelihood proprietary information linked with the U.S. Federal Government and sensitive national security/defense issues and unless a proposal can show specific benefits for the company and important reasons why the information should be disclosed to shareholders, the Fund will abstain from voting on such a proposal.

b. Foreign Military Sales

The Fund will support proposals asking companies to disclose information regarding sales and intended sales of military equipment to foreign governments. The Fund will

also support proposals asking for reports on the process and criteria for choosing countries with which to do business.

Rationale: The Fund believes that proposals that require additional disclosure can enhance shareholder value by providing shareholders with information critical to informed decision-making.

c. Corporate Activity in Sanctioned Countries

The Fund will support proposals asking companies to review and report on their operations in countries sanctioned by the U.S. Department of the Treasury Office of Foreign Assets Control.

Rationale: The Fund believes that proposals that require additional disclosure can enhance shareholder value by providing shareholders with information critical to informed decision-making.

SUSTAINABILITY REPORTING

a. Global Reporting Initiative

The Fund will support proposals that request that companies disclose information on their corporate social, environmental and economic performance through reports prepared according to the Global Reporting Initiative's sustainability reporting guidelines.

Rationale: Modern corporations operate in a global economy. The most successful businesses will be those that are responsible for the social, environmental and economic impact of their activities. Companies can demonstrate their commitment by adopting and implementing sustainability policies and practices, and by issuing periodic performance reports to their shareholders.

b. Sustainability

The Fund will support proposals asking companies to prepare a sustainability report that would include the company's operating definition of sustainability; a review of company policies and practices related to social, environmental and economic sustainability; and a summary of plans to integrate sustainability objectives throughout the company's operations.

Rationale: Modern corporations operate in a global economy. The most successful businesses will be those that are responsible for the social, environmental and economic impact of their activities. Companies can demonstrate their commitment by adopting and implementing sustainability policies and practices, and by issuing periodic performance reports to their shareholders.

TOBACCO

a. Internet Tobacco Sales

The Fund will support proposals asking companies to establish a board committee to determine ways to ensure the company is not involved in selling cigarettes through the Internet that may facilitate illegal and/or youth access to tobacco products. The Fund will also support proposals that request a report on the efforts of such a committee.

Rationale: Tobacco companies have repeatedly stated their opposition to the use of tobacco products by minors. Adoption of this proposal would help demonstrate the companies' commitment on this issue. Companies found to be facilitating illegal and/or youth access to tobacco products can suffer reputational harm as well as incurring legal liabilities.

b. Youth Smoking

The Fund will support proposals requesting that companies review and report on corporate adherence worldwide to policies aimed at discouraging smoking among youth.

Rationale: Tobacco companies have repeatedly stated their opposition to the use of tobacco products by minors. Adoption of this proposal would help demonstrate the companies' commitment on this issue, and therefore avoid risk of reputational harm.

c. Assistance to Smoking Victims

The Fund will support proposals that ask a corporation to develop a plan for compensating customers who an independent medical committee shows have developed smoking-related diseases from use of corporate products.

Rationale: The public image of the tobacco industry has been greatly harmed by the industry's seemingly callous attitude towards persons with smoking-related diseases. A compensation plan would help to restore public image and possibly deter victims from pursuing costly litigation.

d. Light/Ultra Light Cigarettes

The Fund will support proposals asking companies to find appropriate ways to inform customers about the actual health risks of "light and ultralight" cigarettes.

Rationale: Customers are under the mistaken impression that such products are safer and deliver less tar and nicotine. These proposals would provide greater and more accurate information that would be critical to informed decision-making by customers and shareholders, and help avoid reputational risks.

e. Disclosure

The Fund will support proposals that ask a company to include on every package of its tobacco products information regarding ingredients that may be harmful to consumers' health, toxicity, detriment to life-expectancy and health hazards connected with environmental tobacco smoke.

Rationale: Disclosure of the potentially harmful effects of environmental tobacco smoke can help consumers and shareholders make responsible judgments concerning use of the companies' tobacco products, and help avoid reputational risks.

f. Environmental Tobacco Smoke

The Fund will support proposals asking companies to develop a program to warn smokers and nonsmokers that tobacco smoke is hazardous to nonsmokers.

Rationale: Active corporate efforts to inform smokers and non-smokers of the hazards of environmental tobacco smoke can positively impact a company's reputation.

g. Tobacco Smuggling

The Fund will support proposals requesting that companies determine the extent of past or present involvement in smuggling of cigarettes throughout the world and report to shareholders.

Rationale: Disclosure would provide greater and more accurate information that would be critical to informed decision-making by customers and shareholders.

h. Nitrosamines in Snuff

The Fund will support proposals that ask a company to adopt a policy of reducing tobacco-specific nitroamines in its products.

Rationale: Corporations should take the steps necessary to insure that their products do not adversely impact the health of consumers and the public. This proposal would reduce product liability risk.

i. Divestment

The Fund will not support proposals requesting that a company adopt a policy to divest itself of tobacco stocks.

Rationale: Proposals that affect a company's portfolio investment returns could violate the fiduciary duties of portfolio trustees.

j. Store Advertising, Sales

The Fund will support proposals that request a company to create guidelines to ensure it does not promote tobacco products. The Fund will also support proposals that request companies to report on plans to reduce tobacco use in communities.

Rationale: Sales and advertising campaigns for various products can be used to promote tobacco products directly and indirectly. Corporations should take the steps necessary to insure that their actions do not adversely impact the health of consumers and the public.

MISCELLANEOUS PROPOSALS

a. Amusement Park Safety

The Fund will support a proposal requesting a report on amusement park safety policies, including disclosure of injury episodes.

Rationale: Proposals that require disclosure provide shareholders with information on what those companies are doing to mitigate liabilities.

b. Animal Welfare

The Fund will support proposals asking a company to report on its animal welfare standards. The Fund will also support a proposal requesting a report on company policies regarding use of antibiotics in animal production facilities.

Rationale: Proposals that require disclosure provide shareholders and customers with information critical to informed decision-making.

c. Employee Work History

The Fund will not support proposals requesting disclosure of the names of employees who recently worked for the federal government.

Rationale: Companies are required to disclose information about directors and to the Securities and Exchange Commission. The Fund does not believe it is necessary for corporations to provide information about personnel in excess of SEC disclosure requirements.

d. Workplace Violence

The Fund will support proposals requesting that companies establish a policy indicating zero tolerance for violence in the workplace.

Rationale: Employees are likely to be more loyal and more productive at corporations that demonstrate a commitment to their health and welfare.

Nothing in this Policy or the Manual or in any procedures relating to this Policy or contained in the Manual shall be permitted to impede the exercise of the fiduciary duty of the Comptroller and staff.