

Proxy Voting Policy Domestic and Foreign Missionary Society

Background

The Episcopal Church has long engaged in shareholder activism. It:

1. Files shareholder resolutions
2. Engages in dialogues with corporations regarding social issues
3. Votes its proxies on a broad range of issues

The Executive Council Committee on Corporate Social Responsibility (CCSR) regularly reviews proxy voting issues and makes recommendations for approval by the Council.

What's Involved in Voting Proxies?

A typical proxy statement may include resolutions on:

1. Corporate governance, such as the election of members of the board of directors
2. The annual ratification of an independent auditor
3. Officer compensation policy
4. Other governance and social issues submitted by shareholders

The first three categories are usually submitted and supported by the corporation's management. The fourth category is frequently opposed by management.

All shareholders of record are allowed to vote. When shareholders vote their shares (either by written proxy or attendance at the annual meeting), they are actively participating in board policy-setting and corporate governance activities. Supporting a shareholder resolution by voting for it helps to keep the social or corporate governance issue on the agenda of the corporation's board, management, and shareholders. This is why The Episcopal Church votes its proxies.

Many shareholders, including, unfortunately, many Episcopal dioceses and parishes, do not vote their proxies but rely on their portfolio managers to do so. Because portfolio managers tend to support corporate management, the church's social goals may not be reflected.

Proxy Voting Services

Voting proxies is a time-intensive process. Many issues (e.g., board diversity, sustainability) are simple yes or no votes; other issues are complicated. For this reason, many institutional shareholders (e.g., pension funds, universities, churches) hire proxy voting firms. Proxy voting firms do the physical action of voting and provide advice on how to vote on various issues.

The Church Pension Fund (CPF) and the Domestic and Foreign Missionary Society (Society) work closely on shareholder activism. In general, CPF follows the voting

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policies established by the Society's Executive Council unless a particular voting position is inconsistent with the fiduciary responsibilities of CPF or the CPF Board of Trustees. The two organizations share costs of shareholder activism.

CPF selected Glass Lewis & Co., LLC (Glass Lewis), a leading proxy voting and advisory firm, to perform its proxy voting services, starting in July 2013. CPF has also retained Glass Lewis to vote proxies on behalf of Episcopal parishes and institutions in accordance with churchwide policies. This service is currently provided at no cost to these Episcopal parishes and institutions.

Glass Lewis and the Episcopal Church

While Glass Lewis generally supports socially responsible issues, it will always follow a client's choices. The Proxy Voting Guidelines (accompanying grid) reflect the analysis and choices adopted by Executive Council.

The Guidelines identify the issues, Glass Lewis policy, and the Executive Council's specific choices which will be followed by Glass Lewis when voting.

Encouraging Dioceses and Parishes to Participate

Many Episcopal parishes and dioceses leave proxy voting to their portfolio managers, a choice that may result in votes that are contrary to the social policies of the Church.

Executive Council encourages parishes and dioceses to:

1. Vote your proxies
2. Sign up for the proxy voting program sponsored by the Church Pension Fund (and implemented through Glass Lewis)
3. Obtain more information about signing up by e-mailing the Treasurer at kbarnes@episcopalchurch.org or Mercy Investment Services (Pat Zerenga, Senior Director of Shareholder Advocacy at pzerega@mercyinvestments.org)