

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS

Shareholder Proposals and Recommended Votes for 2009 Proxy Season

Background

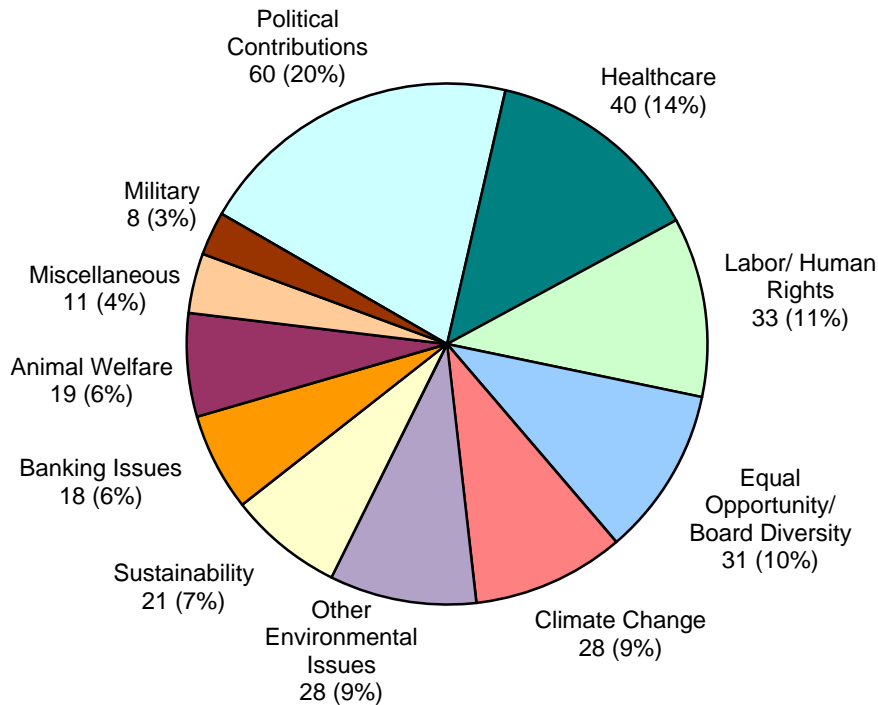
This annually-provided report is intended to highlight significant "non-routine" proposals, from shareholders or management, which will be voted on by shareholders during the 2009 proxy season. Regent Policy 31-10, "Procedures and Guidelines for Voting Proxies," stipulates that significant non-routine issues are to be reviewed by the Business, Finance, and Audit Committee so as to develop a voting position on them. Non-routine issues are defined as the following: acquisitions and mergers; amendments to corporate charter or by-laws which might affect shareholder rights; shareholder proposals opposed by management; and "social responsibility" issues dealing with the environment, discrimination, or substantial social injury (issues addressed under Regent Policies 31-5, 31-6, and 31-13, respectively).

The majority of significant non-routine proposals are those dealing with social responsibility issues and corporate governance-related proposals which are often opposed by management. To the extent possible, similar shareholder proposals are grouped into identifiable "issues." Generally, it will be these issues (covering similar or identical proposals at various companies) that are reviewed and potentially approved for support by the Committee. On occasion, individual, company-specific proposals not falling under a broad "issue" will also be presented.

The 2009 Proxy Environment

Shareholders concerned with companies' management of social and environmental issues have filed approximately 337 proposals so far for U.S. firms' annual meetings in 2009, slightly higher than the 305 filed at this point last year. The dominant social issues for the 2009 season are the following: the environment and "sustainability," corporate political contributions, healthcare issues, and human rights. The following chart depicts the 2009 proxy proposals by major category, in terms of the both the number of proposals by category and the percentage of all proposals.

2009 Social Issue Resolutions



Since 2004, concerns about the environment have generated the largest single category of social issue proposals. Fifty-six environmental proposals (shown in the chart under “Climate Change” and “Other Environmental Issues”) have been filed so far in 2009, down from the high of 75 last year. Just over half of these proposals question companies about climate change, generally asking whether they have undertaken sufficient strategic planning to reduce their greenhouse gas emissions, to increase their energy efficiency, or to otherwise prepare for global climate change. Also noteworthy for the 2009 proxy season are the 40 health care reform proposals, a strong increase in a campaign that began last year. [Mathiasen and Welsh, Risk Metrics 2009]

For non-routine corporate governance issues, the dominant category focuses on corporate political contributions and the rationale for them, including engagement in political activity through trade associations (generally a company funded public relations organization whose purpose is to promote a specific industry through activities such as advertising, publishing, lobbying, and political donations). Sixty proposals dealing with political contributions have been filed so far this year.

The Trust Funds proxy voting list may change as more resolutions are filed or come to light. Moreover, some proponents are likely to withdraw their resolutions if the companies agree to some or all of their requests, and other resolutions will be omitted if the Securities and Exchange Commission finds them to be in violation of its shareholder proposal rules.

Specific New Issues for 2009

The broad issues discussed briefly below are considered new for the 2009 proxy season.

Report on Internet Privacy

Public concern that companies are tracking and profiling their online behavior has raised shareholder awareness. A typical resolution on this issue asks internet service providers for a report examining the effects of the company's internet network management practices regarding public expectations of privacy and freedom of expression.

Report on Product Toxicity

Although various product toxicity proposals have arisen over the years, the issue has gained momentum in 2009. A typical resolution on this issue asks companies to review and report on the toxicity of their products. For example, General Electric is being asked to include on the label the amount of mercury present in its fluorescent light bulbs.

Adopt Eurodad Charter on Responsible Lending/Financing

Proponents of the Eurodad Charter argue that the global financial crisis requires major changes to lending practices. The charter was developed by a network of non-governmental organizations from 17 countries and outlines the essential components of a responsible loan. The charter aims to ensure that: individual loan terms and conditions are fair; the contract process is transparent; human rights are respected; repayment disputes or difficulties are resolved fairly and efficiently. A typical resolution on this issue asks companies to adopt the Eurodad Charter.

Adopt Health Care Reform Principles

In 2008 the SEC changed its historical position that corporate health care fell under "ordinary business" (and therefore not available for shareholder proposals). This shareholder campaign began late in 2008 but has grown substantially. Proponents are urging companies to adopt and publicly embrace principles for comprehensive health care reform, such as those reported by the U.S. Institute of Medicine. The Institute of Medicine's health care reform principles include the following: health care should be universal, continuous, affordable, sustainable, and enhance the well being of its members. A typical resolution on this issue asks companies to adopt and support the Institute of Medicine's health care reform principles.

Approval to vote in favor of each of these new issues is being sought for the 2009 proxy season. The Regent Policies that these issues most closely relate to are as follows: report on internet privacy (31-13); report on product toxicity (31-5, 31-13); adopt Eurodad Charter on responsible investing (31-13); adopt health care reform principles (31-13).

Issues Previously Approved

Given below is a list of those issues that the Business, Finance, and Audit Committee has previously approved for support (i.e., voting in the affirmative). A brief re-cap of each of

these issues then follows. Any company-specific proposals not falling under a pre-approved issue are given in the voting detail attachment.

PREVIOUSLY APPROVED ISSUES

Issue	Issue	Recommended Vote	Related Regent Policy
1	Report on/implement pharmaceutical policy/pricing	FOR	31-13
2	Report on/label genetically modified organisms (GMOs)	FOR	31-13
3	Shareholder approval for future golden parachutes	FOR	Non-routine corp. governance
4	Redeem or vote on poison pill	FOR	Non-routine corp. governance
5	Report on/implement recycling development programs	FOR	31-5
6	No consulting by auditors	FOR	Non-routine corp. governance
7	Endorse core ILO principles	FOR	31-13
8	Predatory lending prevention	FOR	31-6 and 31-13
9	Report on executive compensation as related to performance and social issues	FOR	31-13 and corp. governance
10	Report on global warming	FOR	31-5
11	Report on international lending policies	FOR	31-13
12	Global labor standards	FOR	31-13
13	Endorse CERES principles	FOR	31-5
14	Report on EEO	FOR	31-6
15	Increase and report on board diversity	FOR	31-6 and 31-13
16	Implement MacBride principles	FOR	31-6 and 31-13
17	Adopt sexual orientation non-discrimination policy	FOR	31-6 and 31-13
18	Report on health pandemic in Africa	FOR	31-13
19	Sustainability reporting	FOR	31-13
20	Review animal welfare methods	FOR	31-13
21	Report on political donations	FOR	31-13

1. Pharmaceutical Policies

A major new initiative for the 2002 proxy season were proposals to drug companies on the affordability of AIDS, tuberculosis, and malaria drugs in poor countries. The resolutions ask the companies to "develop and implement a policy to provide pharmaceuticals for the prevention and treatment" of the three diseases "in ways that the majority of infected persons in poor nations can afford." As discussed under the new issue of reporting on the health pandemic in Africa, individual shareholder proposals should be reviewed here to determine what exactly will be expected of the company. Although proposals asking for reporting on the investigation, analysis and development of policies or programs to provide "affordable" drugs in Africa and other underdeveloped, pandemic-stricken areas should likely be universally supported, proposals requiring implementation of such policies or programs should be individually reviewed.

2. GMOs (Genetically Modified Organisms)

Food manufacturers are not required to label products made with bioengineered ingredients, and as a result many U.S. consumers may not be aware that they are eating foods made from GMOs. GMO developers, many farmers and the U.S. government all say that bioengineered plants are safe, but critics worry that the plants may threaten the environment, harm humans, and perhaps lead to the extinction of crops' wild cousins, an important repository of plant genetics. The majority of related resolutions ask companies to label their foods made from bioengineered ingredients or to report to shareholders on their use of bioengineered plants and food ingredients made from these plants, as well as the company's position regarding the risks to which these uses may expose it.

3. Golden Parachutes

Large severance compensation agreements for executives, contingent on a change in corporate control have been the subject of shareholder and management interest for many years. Particularly during the 1980s, when hostile takeovers were commonplace, both shareholders and managers came to realize the costs and potential uses of these safety nets. Shareholder proposals typically ask for shareholder approval of future golden parachutes.

4. Poison Pills

Under a typical plan, shareholders are issued rights to buy stock at a significant discount from the market price. The rights are exercisable under certain circumstances, such as when a hostile third party buys a certain percentage of the company's stock. If triggered, the pill would dilute the value and voting power of the hostile party's holdings to such an extent that the takeover attempt presumably would never be made. Pills are not intended to be triggered, but rather serve as a tool to deter any hostile takeover and force would-be acquirers to deal with the board of directors and potentially increase their purchase bid. Boards are not required to get shareholder approval to adopt poison pills, and they rarely do so. Various academic and institutional studies have not convincingly shown that

poison pills generally work to the benefit of or detriment of existing shareholders from a purely economic standpoint. The adoption of poison pills can more unambiguously serve to entrench existing boards and management. Convincingly, critics say the overriding issue is the right of shareholder/owners to decide for themselves what protections they want.

5. Recycling

Social investment firms are continuing to press for more recycling. Most proposals ask companies to research how they could make substantive progress in the use of recycled content for their products. Other resolutions ask for a report on the means for achieving a specified percent recovery rate within a reasonable time period. The reports should provide a cost-benefit analysis of options and an explanation of the company's position on recycling policies. In addition, reports should list all steps the company took in investigating options for the cost-effective use of recycled materials.

6. Auditors

There has been a growing concern by both investors and regulators about the provision by auditors of both audit and non-audit services to their audit clients, and the effects of these services on the independence of the audit process. The provision of certain non-audit services by a company's auditor may impair the auditor's independence and impartiality.

7. ILO Principles

The proposals ask companies to endorse core standards promoted by the International Labor Organization (ILO), a multilateral agency affiliated with the United Nations that represents national employer, labor, and government bodies of 174 member states.

8. Predatory Lending

Predatory lending, most often associated with the sub prime sector, is a loosely defined term that encompasses any number of unethical and illegal practices inflicted upon unsuspecting borrowers, often causing them financial distress or ruin. Activist shareholders have intensified a campaign for financial corporations to take steps which address predatory lending. The proposals primarily ask that the companies develop a policy to ensure against predatory lending practices and to report to shareholders on the enforcement of such policies.

9. Executive Compensation

Institutional investors have expressed interest in ensuring that executive pay levels are linked to corporate performance. In fact, increasing pressure since the late 1980s to tie executive compensation more directly to a company's success is contributing to the surge

in executive pay. CEO compensation is now steeped with stocks and options, which have become popular vehicles to more closely align management's interests with shareholders' interests. Shareholder groups are asking boards of directors to study and report on executive compensation, and to consider ways to link compensation to corporate financial, environmental, and social performance.

10. Global Warming

Activist shareholders have intensified a campaign for corporations to take steps which address global warming. The typical resolution on global warming asks for a report on (i) what the company is doing in research and/or in action to reduce greenhouse gas emissions, (ii) the financial exposure due to the likely costs of reducing those emissions, and (iii) actions which promote the view that climate change is exaggerated, not real, or that global warming may be beneficial.

11. Equal Employment Opportunity

The shareholder resolutions generally ask companies to make available information that is gathered for and reported to the Equal Employment Opportunity Commission. The information required includes statistical information in defined job categories, summary information of affirmative action policies, and reports on any material litigation involving race, gender, or the physically challenged.

12. International Lending Policies

The effect of international bank lending in developing nations has become an increasing concern for shareholders. Proponents concerned about poverty and debt in developing countries are submitting resolutions relating to commercial bank operations and services. The concern is that people in developing countries have not benefited from the recent increased capital flows to emerging markets. Proposals often ask for the development of a policy toward debt cancellation and provisions for new lending to heavily indebted poor countries or ask companies to develop policies which promote financial stabilization in emerging market economies.

13. Global Labor Standards

Concern about conditions in third world factories that supply U.S. corporations has led to a proliferation of shareholder resolutions from a variety of proponents throughout the 1990s. Proxy proposals will ask companies to take measures to ensure their global operations, or those of their suppliers, meet minimum labor and environmental standards. Companies that adopt favorable global labor policies will be less susceptible to negative impacts.

14. CERES Principles

The principles affirm that corporations have a "responsibility to the environment" and that they "must conduct all aspects of their business as responsible stewards of the environment." There are ten principle statements that address environmental protection and management commitment to the environment. A typical resolution on the environment and CERES (Coalition for Environmentally Responsible Economies principles) asks that the company endorse the CERES principles.

15. Board Diversity

The shareholder resolutions relating to Board diversity ask companies to report on the following issues: a) efforts to encourage diversified representation on the board; b) criteria for board qualification; c) process of selecting board nominees; and d) commitment to a policy of board inclusiveness.

16. MacBride Principles

The MacBride Principles offer a statement of equal opportunity/affirmative action principles for operations in Northern Ireland. These principle statements offer a code of conduct to combat religious discrimination in the Northern Irish workplace.

17. Non-Discrimination: Sexual Orientation

The shareholder resolutions ask companies to implement a policy that prohibits discrimination against employees on the basis of sexual orientation. A typical resolution would ask a company to adopt and implement a written equal opportunity policy barring discrimination on the basis of sexual orientation.

18. African Health Pandemics

The shareholder resolutions ask companies with substantial leverage in the labor markets of sub-Saharan Africa to report on the effect of deadly diseases on the company's operations as well as on any measures taken in response. In addition, resolutions ask pharmaceutical companies to "establish and implement standards of response to the health pandemic of HIV/AIDS, tuberculosis, and malaria in developing countries, particularly Africa."

19. Sustainability

A typical resolution asks firms to prepare a sustainability report at a reasonable cost. The most widely used definition of sustainability is "development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

20. Animal Welfare

A typical resolution asks firms to review or report on animal treatment or welfare practices, including slaughter methods, with the ultimate objective being to ensure more humane treatment of animals.

21. Report on Political Donations

A typical resolution on this issue asks firms to report on their corporate political contributions, with the objective of holding companies accountable for how corporate political dollars are spent.

Recommended Action

Trust Funds staff requests approval to vote in the affirmative for the 61 shareholder proposals presented in the attached list. The majority of these proposals can be viewed as falling under one of the 21 pre-approved “issues.” Furthermore, approval is requested to vote in the affirmative on additional proxies coming to vote in 2009 if the proposals can be viewed as falling under one of these approved “issues.”