

# **Social Investment Forum**

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## **Mutual Fund Proxy-voting Guidelines:**

### **New Opportunities to Promote Socially Responsible Proxy Voting**

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## **SIF Industry Research Program**

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## **Forward**

**by Timothy Smith, Senior Vice President, Walden Asset Management**  
**and**  
**President, Social Investment Forum**

The SEC's decision requiring mutual funds to disclose their proxy voting policies and actual voting record was finalized after a massive outpouring of support by socially concerned investors and other shareowners who believe that the proxy is an asset and therefore must be voted thoughtfully and responsibly. The disclosure of a mutual fund's voting record allows investors in that fund to scrutinize its policy and record to assess whether it is acting as a responsible fiduciary or whether it is acting in a "knee jerk" way virtually always supporting management.

As one reviews a fund's record, it will be interesting to see the difference in voting patterns on governance issues and social / environmental issues. However, the first step is to assess the voting position of major mutual funds, including those in which you own shares.

Dan Larner has performed a very valuable task by surveying 25 major mutual funds families to see how they describe their proxy voting policy. As might be expected, there is considerable caution and / or firm opposition to social and environmental shareholder advocacy.

However, none of these policies are written in stone and when a clear business and financial case is made for voting FOR selected issues, voting patterns can and will change.

Our first step is to survey the "lay of the land." In that regard we are very appreciative of the time and energy Dan Larner put into this research paper. It opens up the door for reflection and concerted action.

## Introduction

In January 2003, the Securities and Exchange Commission adopted a rule requiring “that mutual funds that invest in voting securities disclose in their statements of additional information (“SAIs”) the policies and procedures that they use to determine how to vote proxies relating to securities held in their portfolios.”<sup>1</sup> Due to a staggered compliance deadline, some funds have until June 30, 2004 to comply with the rule.<sup>2</sup> After that date they will also be required to disclose to clients their policies and their voting record on shareholder resolutions.<sup>3</sup> Many funds are expected to put these items on their websites.

This report examines the extent to which the proxy voting guidelines<sup>4</sup> of 16 of the 25 largest mutual fund companies<sup>5</sup> address social and environmental issues, and suggests ways in which these guidelines can be used to promote socially responsible investing practices and, by extension, socially responsible business practices.<sup>6</sup>

The author wrote this report at the suggestion of, and with much assistance from, Tim Smith of Walden Asset Management and the Social Investment Forum. Information on the author is located after the analysis section of the report.

## The Companies

### 1. Fidelity Investments

Fidelity has two sets of guidelines, one for equity index funds and one for all other funds.

#### A. Equity Index Funds

Under these guidelines, Fidelity will:

**ABSTAIN with respect to shareholder proposals addressing Social/Political Responsibility Issues**, which Geode [Geode Capital Management, LLC, an investment adviser] believes generally address ordinary business matters that are primarily the responsibility of a company's management and board, except that Geode will vote on a CASE-BY-CASE basis where a proposal has substantial economic implications for the company's securities held in client accounts. [Emphasis in original text.]<sup>7</sup>

#### B. Other Fidelity Funds

Fidelity's proxy voting guidelines for “all Fidelity funds except equity index funds” make no mention of a policy for voting proxies on social or environmental issues.<sup>8</sup>

## **2. Vanguard Group**

Vanguard’s proxy voting guidelines, under the heading “Corporate and Social Policy Issues,” state:

Proposals in this category, initiated primarily by shareholders, typically request that the company disclose or amend certain business practices. We generally believe that these are "ordinary business matters" that are primarily the responsibility of management and should be evaluated and approved solely by the corporation's board of directors. Often, proposals may address concerns with which we philosophically agree, but absent a compelling economic impact on shareholder value (e.g., proposals to require expensing of stock options), we will typically abstain from voting on these proposals. This reflects our belief that regardless of our philosophical perspective on the issue, these decisions should be the province of company management unless they have a significant, tangible impact on the value of our investment and we don't view management as responsive to the matter.<sup>9</sup>

## **3. Capital Research (American Funds)**

Capital Research and Management Company is “...an investment adviser to the American Funds Group...”<sup>10</sup> The American Funds/Capital Research Proxy Voting Guidelines state:

When evaluating social proposals relating to issues such as human rights, labor and employment, the environment, and smoking and tobacco, decisions are made on a case-by-case basis. We consider each of these proposals based on the impact to the company’s shareholders, the specific circumstances at each individual company, and the current policies and practices of the company.<sup>11</sup>

## **4. Morgan Stanley Investment Management**

Morgan Stanley’s proxy voting policies list several “shareholder proposals [that] are generally not supported, subject to the review and approval of the [Proxy Review] Committee, as appropriate”<sup>12</sup>, including

Restrictions related to social, political or special interest issues that impact the ability of the company to do business or be competitive and that have a significant financial or best interest impact to the shareholders.<sup>13</sup>

## **5. Merrill Lynch**

Concerning “Proposals related to limiting corporate conduct in some manner that relates to the shareholder's environmental or social concerns,” Merrill Lynch’s guidelines state:

The [Proxy Voting] Committee generally believes that annual shareholder meetings are inappropriate forums for discussion of larger social issues, and opposes shareholder resolutions "micromanaging" corporate conduct or requesting release of information that would not help a shareholder evaluate an investment in the corporation as an economic matter. While the Committee is generally supportive of proposals to require corporate disclosure of matters that seem relevant and material to the economic interests of shareholders, the

Committee is generally not supportive of proposals to require disclosure of corporate matters for other purposes.<sup>14</sup>

**6. Wellington Management:** Information not available.<sup>15</sup>

**7. Federated Investors:**

Federated's guidelines do not mention social issues by name. However, in a paragraph that would apply to most if not all such issues, the guidelines state:

The Adviser generally votes *against* proposals submitted by shareholders without the favorable recommendation of a company's board. The Adviser believes that a company's board should manage its business and policies, and that shareholders who seek specific changes should strive to convince the board of their merits or seek direct representation on the board.<sup>16</sup>

**8. Putnam Investments**

Section II of Putnam's proxy voting guidelines, titled "Shareholder Proposals," states that Putnam will generally follow management's recommendations on shareholder proposals.<sup>17</sup> Section II does not address social concerns directly, but the commentary to the section states, in part:

In light of the substantial reforms in corporate governance that are currently underway, the funds' Trustees believe that effective corporate reforms should be promoted by holding boards of directors — and in particular, their independent directors — accountable for their actions, rather than imposing additional legal restrictions on board governance through piecemeal proposals. Generally speaking, shareholder proposals relating to business operations are often motivated primarily by political or social concerns, rather than the interests of shareholders as investors in an economic enterprise.<sup>18</sup>

**9. Dreyfus**

Dreyfus' proxy policies show a willingness to vote to support resolutions on social/environmental issues:

A. The guidelines for most Dreyfus funds state:

...Dreyfus, through its participation on the Mellon Financial Corporation's Proxy Policy Committee (the "MPPC"), applies Mellon's Proxy Voting Policy, related procedures, and voting guidelines when voting proxies on behalf of the funds...<sup>19</sup>

On questions of social responsibility where economic performance does not appear to be an issue, the MPPC attempts to ensure that management reasonably responds to the social issues. Responsiveness will be measured by management's efforts to address the particular social issue including, where appropriate, assessment of the implications of the proposal to the ongoing operations of the company. The MPPC will pay

particular attention to repeat issues where management has failed in its commitment in the intervening period to take actions on issues.<sup>20</sup>

B. The guidelines for Dreyfus' Third Century Fund state:

Where the Fund receives a proxy proposal that relates to one or more of the Fund's social concerns as set forth on page 1 of the prospectus, such proposal is evaluated separately by the Fund's portfolio manager with respect to its areas of social concern, in light of such screens and voted on affirmatively only if it meets those standards.<sup>21</sup>

## 10. Franklin Templeton

Franklin Templeton has 17 "affiliated investment adviser[s]."<sup>22</sup> The "General Proxy Voting Guidelines" for all are identical (except that some refer to the adviser as "Company" and others call it "Advisor"):

**Social and Corporate Policy Issues.** As a fiduciary, [Company/Adviser] is primarily concerned about the financial interests of its [Company/Advisory] clients. [Company/Adviser] will generally give management discretion with regard to social, environmental and ethical issues although [Company/Adviser] may vote in favor of those issues that are believed to have significant economic benefits or implications.<sup>23</sup>

11. **Goldman Sachs:** Information not available.<sup>24</sup>

## 12. Citigroup Asset Management:

The Smith Barney Social Awareness Fund, part of the Citigroup Asset Management family, addresses social and environmental issues in its proxy voting guidelines. A summary of those guidelines states in part: "Some examples of the resolutions we would generally support include those related to environment, health & safety; workplace and workforce diversity; human rights, standards of conduct, good corporate governance, etc." The summary goes on to state that the guidelines are flexible. The fund takes into account clients' "financial interests as well as their values and beliefs. When [making] a decision, we examine each resolution offered and the context in which it applies. For this reason, there may be certain instances in which shares may not be voted in strict adherence to these guidelines."<sup>25</sup>

Citigroup Asset Management's other funds also address "social and environmental issues" in their guidelines,<sup>26</sup> but the specifics of those guidelines are not available.

## 13. Banc of America

Banc of America Capital Management, LLC is the investment adviser to most of the funds in the Nations Funds family.<sup>27</sup> Banc of America's Proxy Voting Guidelines state:

BACAP [assumed to stand for Bank of America Capital Management, LLP] will generally abstain from voting on shareholder proposals regarding social, environmental or political matters on the basis that their impact on share value can rarely be anticipated with any high degree of confidence. BACAP may, on a

**case-by-case basis**, vote **for** proposals seeking inquiry and reporting with respect to, rather than cessation or affirmative implementation of, specific policies where the pertinent issue warrants separate communication to shareholders. [Emphasis in original document.]<sup>28</sup>

This paper does not address the proxy voting guidelines of the sub-advisers to which Banc of America has delegated proxy-voting authority over a small number of the funds in the Nations Funds family.<sup>29</sup>

**14. Charles Schwab Investment:** Information not available.<sup>30</sup>

#### **15. PIMCO**

The “Proxy Voting Policies and Procedures” for PIMCO Funds: Pacific Investment Management Series do not contain guidelines for voting on social/environmental issues.<sup>31</sup> (The introduction to the policies/procedures states “...proxy voting is a rare event in the realm of fixed income investing and is typically limited to solicitation of consent to changes in features of debt securities...”)<sup>32</sup>

Correspondence with PIMCO revealed that policies and procedures may need to be requested on a fund-by-fund basis.<sup>33</sup>

**16. MassMutual Financial:** Information not available.<sup>34</sup>

#### **17. Deutsche Asset Management (Scudder Funds)**

Scudder Funds, the U.S. subsidiary of Deutsche Asset Management, posts a summary of its proxy voting policies and guidelines on its web site.<sup>35</sup> This summary document does not refer to social or environmental issues. The full text of the guidelines is not available<sup>36</sup>, so we assume that the guidelines omit social and environmental issues.

**18. Alliance Capital:** Information not available.<sup>37</sup>

#### **19. AIM Advisors**

AIM Investments has two families of funds, AIM and INVESCO.<sup>38</sup>

A. AIM Funds has two sets of proxy voting policies:<sup>39</sup>

- 1) INVESCO Institutional (N.A.), Inc. (“IINA”) sets the policies for four AIM funds: AIM Floating Rate Fund, AIM International Core Equity Fund, AIM Real Estate Fund, and AIM Select Real Estate Income Fund.<sup>40</sup> IINA’s policies contain guidelines for “social responsibility”<sup>41</sup>, which state:

##### **Social Responsibility**

INVESCO will evaluate each proposal separately. INVESCO believes that a corporation, if it is in a solid financial position and can afford to do so, has an obligation to return certain largesse to the communities in which it operates. INVESCO believes that the primary mission of a company is to be

profitable. However, where a company has proven that it is able to sustain a level of profitability and the market price of the company's shares reflect an appropriate economic value for such shares, INVESCO will generally vote FOR certain social responsibility initiatives. INVESCO will generally vote AGAINST proposed social responsibility initiatives if it believes that the company already has adequate policies and procedures in place and it should focus its efforts on enhancing shareholder value where the assets and resources involved could be put to better use in obtaining profits.

INVESCO will generally vote FOR

- International Labor Organization Principles
- Resolutions seeking Basic Labor Protections and Equal Employment Opportunity
- Expanding EEO/Social Responsibility Reporting<sup>42</sup>

2) AIM Advisors, Inc. sets the proxy policies for all other AIM funds.<sup>43</sup> Those policies, in the section titled “Shareholder Proposals,” state: “We will generally abstain from shareholder social and environmental proposals.”<sup>44</sup>

B. INVESCO Funds has two sets of policies.<sup>45</sup>

1) AIM Advisors, Inc. proxy policies apply to INVESCO Treasurer's Money Market Reserve Fund, INVESCO Treasurer's Tax-Exempt Reserve Fund, and INVESCO U.S. Government Money Fund.<sup>46</sup> The policy, as stated under AIM Funds above, states: “We will generally abstain from shareholder social and environmental proposals.”<sup>47</sup>

2) INVESCO Institutional (N.A.) Inc. (“IINA”) proxy policies apply to all other INVESCO funds.<sup>48</sup> The IINA policies on “Social Responsibility” are stated in the AIM Funds section above.

**20. Evergreen Investments:** Information not available.<sup>49</sup>

**21. J.P. Morgan Fleming:** Information not available.<sup>50</sup>

## **22. MFS Investment**

MFS Investments’ “Proxy Voting Policies and Procedures,” Section (A)(2), Subheading “Social Issues,” states:

There are many groups advocating social change, and many have chosen the publicly-held corporation as a vehicle for their agenda. Common among these are resolutions requiring the corporation to refrain from investing or conducting business in certain countries, to adhere to some list of goals or principles (e.g., environmental standards) or to report on various activities. MFS votes against such proposals unless their shareholder-oriented benefits will outweigh any costs or disruptions to the business, including those that use corporate resources to

further a particular social objective outside the business of the company or when no discernible shareholder economic advantage is evident.

The laws of various states may regulate how the interests of certain clients subject to those laws are voted. [Followed by an example of Massachusetts law that could require proxy votes contrary to MFS guideline]<sup>51</sup>

### **23. Banc One Investment**

Banc One has two sets of proxy voting policies, “domestic” and “global.”<sup>52</sup>

#### A. The domestic policies state:

##### Social and Environmental Issues

These issues cover a wide range of topics, including consumer and public safety, environment and energy, general corporate issues, labor standards and human rights, military business, and workplace diversity.

In general, vote CASE-BY-CASE. While a wide variety of factors goes into each analysis, the overall principal [*sic*] guiding all vote recommendations focuses on how the proposal will enhance the economic value of the company.<sup>53</sup> [Emphasis in original text.]

#### B. The “Global Proxy Voting Guidelines Summary” does not mention social or environmental issues.<sup>54</sup> However, the “Shareholder Proposals” section includes: “Vote all shareholder proposals on a CASE-BY-CASE basis. . .Vote AGAINST proposals that limit the company’s business activities or capabilities or result in significant costs being incurred with little or no benefit.”<sup>55</sup> [Emphasis in original text.]

### **24. Janus Capital Group**

Information not available.<sup>56</sup>

### **25. Prudential Financial**

Information not available.<sup>57</sup>

## Summary of Companies' Positions

The companies' general approaches to social/environmental issues are summarized below. Notations after a company, e.g., Aim (B)(2), refer to guidelines for a specific fund or funds within the company as noted above.

<b>Approach</b>	<b>Number</b>	<b>Companies/Funds</b>
Potentially Support	5	Dreyfus (A); Dreyfus (B); AIM (A)(1); AIM (B)(2); Citigroup Asset Management (Smith Barney Social Awareness Fund)
Vote Case-by-Case	2	Capital Research (American Funds); Banc One (A)
Abstain, but Potentially Support Reporting Proposals	1	Banc of America
Abstain	4	Fidelity (A); Vanguard; AIM (A)(2); Aim (B)(1)
Follow Management	2	Putnam; Franklin-Templeton
Omits any reference to voting on social issues (We assume this is the equivalent of "follow management")	3	Fidelity (B); PIMCO (Pacific Investment Management Series); Deutsche Asset Management (Scudder Funds)
Oppose	5	Federated Investors; Morgan Stanley; Merrill Lynch; MFS Investment; Banc One (B) <sup>58</sup>

## Analysis/Opportunities<sup>59</sup>

### **Mutual fund shareholders can be a force for change.**

The SEC rule mandating disclosure of mutual fund proxy voting guidelines in 2003 and actual votes cast in 2004 provides individuals an additional method for promoting social and environmental concerns. While a shareholder of corporations must act on one company at a time, a mutual fund shareholder can urge the fund to adopt guidelines requiring responsible voting on social and environmental proposals in many companies.

In 2003 and 2004 the Social Investment Forum wrote to concerned investors, asking them to contact their mutual funds concerning their proxy voting guidelines. The Forum's letter is the starting point for a campaign by individual investors to urge their funds to address social and environmental concerns seriously in their guidelines. Members of the Interfaith Center for Corporate Responsibility are also involved in communicating with mutual funds.

The campaign could also press funds to make their guidelines easily available on their web sites, since some funds currently provide information to clients only in response to written requests. Even when the SEC regulations take effect on all funds, they will only require publication in the funds' SAIs. But a fund that forces people to write requesting an SAI or search the SEC website for it will effectively discourage some people from pursuing the information.

### **Research on the economic merits of corporate social responsibility may persuade more mutual fund companies to thoughtfully address social/environmental issues in their guidelines.**

As the table above shows, eight of the 22 guidelines surveyed (36%) hold out the possibility of supporting social or environmental proposals (potentially support, abstain but potentially support reporting proposals, vote case-by-case). This 36% figure suggests that large mutual fund companies are beginning to recognize the value of socially responsible investing. But given the hostility or apathy toward social/environmental proposals in the other 64%, there is still much room for persuasion.

The guidelines surveyed suggest that persuasion is possible within the traditional framework of financial analysis, without a need to transform fund managers into social/environmental champions. Nine of the guidelines mention economic factors as reasons for their positions on social and environmental proposals.<sup>60</sup> In five of those nine, the position is to oppose the proposals or to vote with management.<sup>61</sup> But with rigorous research on the quantifiable financial implications of social and environmental issues, and communication of those implications to fund managers in customary financial language, it may be possible to gain allies among mutual fund companies whose guidelines currently ignore the social and environmental impacts of commercial activity.

Considerable research has already found a positive correlation between corporate social responsibility and profitability,<sup>62</sup> and many companies stress that they believe being a good corporate citizen is good for the bottom line as well.

## **The Author**

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## **Notes**

For those reading this paper in electronic format: If clicking on a web reference below does not bring you to the web page, please copy the link and paste it into the address bar of your web browser.

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<sup>1</sup> SEC Release #33-8188. Web reference: <http://www.sec.gov/rules/final/33-8188.htm>

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> Some fund companies use the term “guidelines,” others mention “policies,” and still others use both terms when discussing their general positions on social and environmental issues. In this paper, the terms are used interchangeably.

<sup>5</sup> Rankings, based on assets as of December 31, 2002, provided by *Pensions & Investments* magazine. For another discussion of this issue, see *Mutual Funds Seldom Support Social Proposals*, in Investor Responsibility Research Center's *IRRC Social Issues Reporter*, August/September 2003. Regarding those companies listed with the notation “Information not available, see Note 15.

<sup>6</sup> Responsible proxy voting by mutual funds is one means to the end of promoting responsible behavior by corporations (paraphrasing Douglas Cogan, of the Investor Responsibility Research Center, speaking at The Green Mountain Summit on Investor Responsibility, September 2003).

<sup>7</sup> Web reference:

<http://personal.fidelity.com/global/search/nlpindex.shtml?url=http://personal.fidelity.com/myfidelity/InsideFidelity/InvestExpertise/governance.html#summary&toc=&nav=http://personal.fidelity.com/myfidelity/InsideFidelity/topNav2.shtml>

<sup>8</sup> Full text of proxy voting guidelines (all Fidelity Funds except equity index funds). Web reference – same as in Note 7.

<sup>9</sup> Web reference:

<http://flagship5.vanguard.com/web/corpccontent/CorpAboutVanguardProxyVoting.html>

<sup>10</sup> Web reference: [http://www.capgroup.com/GIG\\_20/html/\\_crmc.html](http://www.capgroup.com/GIG_20/html/_crmc.html)

<sup>11</sup> The American Funds/Capital Research and Management Company, *Proxy Voting Guidelines*, Page 6, *Other Shareholder Proposals: Social Issues*. This document is not available on the Internet; American Funds e-mailed it to the author.

<sup>12</sup> See *Proxy Voting*, Section III.B.3.

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Web reference: <http://www.morganstanley.com/im/legal/proxy.html?page=legal>

<sup>13</sup> Ibid.

<sup>14</sup> Web reference:

[http://www.mlim.ml.com/USA/individual/template.asp?nav\\_id=IndInvestors&RURL=/content/Retail/html/proxyvotingpolicies.htm&MB=x](http://www.mlim.ml.com/USA/individual/template.asp?nav_id=IndInvestors&RURL=/content/Retail/html/proxyvotingpolicies.htm&MB=x)

<sup>15</sup> Since some mutual fund companies have more than one set of proxy voting guidelines, and since some funds are not yet required to disclose their guidelines, we did not determine guidelines by checking individual SAIs. Rather, we checked each company's web site and, if no guidelines were found, we contacted the company to request them.

The companies in this report listed with the notation "Information not available" either (a) declined to provide the guidelines, (b) did not reply to multiple e-mails and/or phone calls requesting the guidelines, or (c) did not follow through on statements that they were working on the request despite our multiple follow-up requests.

<sup>16</sup> This language was contained in an e-mail from Federated to the author. To see the language in a document, see page 18 of the Statement of Additional Information for the Federated Muni and Stock Advantage Fund, web reference: [http://delivery.federatedinvestors.com/Direct/cgi.exe/fetch/2001/112789/113252/2393821/2393824/Federated Muni and Stock Advantage Fund SAI.pdf?nodeid=2395132&vernum=0](http://delivery.federatedinvestors.com/Direct/cgi.exe/fetch/2001/112789/113252/2393821/2393824/Federated_Muni_and_Stock_Advantage_Fund_SAI.pdf?nodeid=2395132&vernum=0)

<sup>17</sup> Web reference: [https://www.putnam.com/individual/index\\_pass.html](https://www.putnam.com/individual/index_pass.html) Click on "Proxy Voting" and following links.

<sup>18</sup> Ibid.

<sup>19</sup> Web reference:

<http://www.dreyfus.com/content/dr/control?Content=/data/content/docs/help/proxy.htm> (See first paragraph)

<sup>20</sup> Ibid (See sixth paragraph)

<sup>21</sup> Statement of Additional Information for Third Century Fund. E-mailed by Dreyfus staff.

<sup>22</sup> Web reference: [http://franklintempleton.com/retail/jsp\\_cm/home/proxy/proxy\\_policy\\_main.jsp](http://franklintempleton.com/retail/jsp_cm/home/proxy/proxy_policy_main.jsp)

<sup>23</sup> Ibid, and click on links appearing there.

<sup>24</sup> See Note 15.

<sup>25</sup> This information was not available online, but was provided by Citigroup Asset Management staff.

<sup>26</sup> Ibid.

<sup>27</sup> Web reference: <http://www.nations-funds.com/nationsfunds/nf2/index.cfm?template=proxy.cfm>

<sup>28</sup> *Banc of America Capital Management, LLC, Proxy Voting Policy (July 1, 2003); Attachment A, BACAP Proxy Voting Guidelines, Section II, Shareholder Proposals.* Web reference: [http://www.bankofamerica.com/docrepo/bacap\\_proxy\\_policy\\_20030715\\_192730.pdf?requester=undefined](http://www.bankofamerica.com/docrepo/bacap_proxy_policy_20030715_192730.pdf?requester=undefined)

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<sup>29</sup> To see those sub-advisors' guidelines, see <http://www.nations-funds.com/nationsfunds/nf2/index.cfm?template=proxy.cfm>

<sup>30</sup> See Note 15.

<sup>31</sup> *Statement of Additional Information, PIMCO Funds: Pacific Investment Management Series*, p.44. This document was obtained by submitting a general request through the "contact us" form on the web site: [http://www.pimco.com/cu/bonds\\_contact\\_frms.asp](http://www.pimco.com/cu/bonds_contact_frms.asp). The reply containing the document came from the Shareholder Services Department, from address [arranaga@pimco.com](mailto:arranaga@pimco.com). The document title as downloaded was: 46%331A.doc

<sup>32</sup> Ibid.

<sup>33</sup> In reply to an e-mail asking whether there were other Statements of Additional Information (SAI) than that for the Pacific Investment Management Series, PIMCO wrote:

The SAI I sent to you covers the PIMCO Funds: Pacific Investment Management Series. PIMCO acts as investment adviser or sub-adviser to many other investment companies which are offered through separate prospectuses and SAIs. If you have a particular fund that you are seeking this information for, we could narrow it down to the specific SAI. Let me know if you need additional information.

<sup>34</sup> See Note 15.

<sup>35</sup> Web reference: <http://www.scudder.com/t/index.jhtml?content=/t/about/help/disclaimer/index.jhtml> Click on "Scudder Funds Proxy Voting Policy"

<sup>36</sup> See Note 15.

<sup>37</sup> See Note 15.

<sup>38</sup> Web reference: <http://www.aiminvestments.com/nav/first/0,,1019,,00.html>

<sup>39</sup> Web reference: [http://www.aiminvestments.com/generic/0,-1\\_15605.html](http://www.aiminvestments.com/generic/0,-1_15605.html)

<sup>40</sup> Ibid.

<sup>41</sup> Web reference: [http://www.aiminvestments.com/generic/0,-1\\_15605.html#2](http://www.aiminvestments.com/generic/0,-1_15605.html#2)

<sup>42</sup> Ibid.

<sup>43</sup> Ibid.

<sup>44</sup> Ibid.

<sup>45</sup> Web reference: [http://www.aiminvestments.com/generic/0,,45148\\_15846,00.html](http://www.aiminvestments.com/generic/0,,45148_15846,00.html)

<sup>46</sup> Ibid.

<sup>47</sup> [http://www.aiminvestments.com/generic/0,-1\\_15605,00.html](http://www.aiminvestments.com/generic/0,-1_15605,00.html)

<sup>48</sup> [http://www.aiminvestments.com/generic/0,,45148\\_15846,00.html](http://www.aiminvestments.com/generic/0,,45148_15846,00.html)

<sup>49</sup> See Note 15.

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<sup>50</sup> See Note 15.

<sup>51</sup> Web Reference:

<http://www.mfs.com/about/about/content.jhtml?clid=/templatedata/AboutMFS/AboutMFSArticle/xmldata/proxyvoting.xml&requestid=7107>

<sup>52</sup> Web reference: <http://www.bankone.com/resources/ProxyVotingPolicyFinal.PDF>

<sup>53</sup> Ibid.

<sup>54</sup> Ibid.

<sup>55</sup> Ibid.

<sup>56</sup> See Note 15.

<sup>57</sup> See Note 15.

<sup>58</sup> Although this Banc One policy says generally to vote case-by-case on shareholder proposals, the more specific instruction to vote “against proposals that limit the company’s business activities or capabilities...” would mean opposing many social and environmental proposals.

<sup>59</sup> Tim Smith of Walden Asset Management and the Social Investment Forum collaborated with the author on the Analysis/Opportunities section.

<sup>60</sup> See Vanguard, Merrill Lynch, Putnam, Dreyfus, Franklin Templeton, Banc One (domestic), Banc One (global), MFS Investment, and Citigroup Asset Management (Smith Barney Social Awareness Fund) policies.

<sup>61</sup> See Merrill Lynch, Putnam, Franklin Templeton, Banc One (global) and MFS Investment.

<sup>62</sup> Dr. Curtis C. Verschoor, *Research Shows Responsible Corporations Have Superior Financial Performance*, presented at the Green Mountain Summit on Investor Responsibility, September 2003.