

CR 82-249

STATE OF WISCONSIN INVESTMENT BOARD

MAILING ADDRESS:
P.O. BOX 7842
MADISON, WI 53707

RECEIVED

AUG 2 1983
Am 1:50 p.m.
Revisor of Statutes
Bureau

STATE OF WISCONSIN)
INVESTMENT BOARD) SS

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Kenneth E. Codlin, Executive Director of the Investment Board and custodian of the official records do hereby certify that the annexed rules relating to equity ownership evaluation of management and voting of proxies, were duly approved and adopted by this Board on June 16, 1983.

I further certify that this copy has been compared by me with the original on file in this Board and that the same is a true copy thereof, and of the whole of such original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the official seal of the Investment Board at GEF I, 201 East Washington Avenue, in the city of Madison, this 2nd day of August, 1983.

Kenneth E. Codlin
Kenneth E. Codlin, Executive Director

SEAL

10-1-83

ORDER OF THE STATE OF WISCONSIN
INVESTMENT BOARD CREATING RULES

IN THE MATTER of creating s. IB 2.03
of the Wisconsin Administrative Code
pertaining to equity ownership evaluation
of management and voting of proxies.

Analysis Prepared by the Investment Board

Chapter IB 2 sets forth the general policies under which investments shall be made for any fund under the management and control of the investment board. This proposal would create a separate section setting forth a general statement concerning equity ownership and corporate responsibility followed by general guidelines under which proxy resolutions will be voted. A final subsection deals with review of quality of management for the purposes of sale where managements' positions can not be supported consistently.

Pursuant to the authority vested in the State of Wisconsin Investment Board by s. 25.156(1), Stats., the State of Wisconsin Investment Board creates a rule interpreting s. 25.17, Stats., as follows:

SECTION 1. IB 2.03 is created to read:

IB 2.03 EQUITY OWNERSHIP EVALUATION OF MANAGEMENT AND VOTING OF PROXIES

(1) DEFINITIONS

In this section:

- (a) "Board" means the investment board.
- (b) "Management" means the board of directors and officers of a corporation.
- (c) "Proxy" means the granting of the power to vote at a shareholders meeting with written directions on how to vote.
- (d) "Resolution" means a formal statement of opinion proposed for adoption at a shareholders meeting.
- (e) "Shareholder" means a person owning an equity interest in a corporation.
- (f) "Shareholders meeting" means a regular or special meeting of the equity owners of a corporation.

(2) PREAMBLE TO GUIDELINES FOR VOTING PROXIES

The function of the board is to invest and manage assets under its management and control pursuant to law. Investment objectives involving equity ownership are of a long term nature. The long term profitability and survival of a corporation depends in part upon responsiveness to changing societal demands. The board, as a shareholder, should be aware of new ideas which may reflect a change in societal attitudes and values through proxy resolutions submitted by shareholders other than management. The board of directors and officers of a corporation should be cognizant of and responsive to resolutions submitted by shareholders. Management of the corporation in its evaluation of these resolutions will have the most detailed knowledge of and the responsibility to evaluate their impact and long term effect on the corporation and its profitability and survival.

(3) GUIDELINES FOR VOTING PROXIES

In voting proxies:

- (a) The board shall support management if management's position appears reasonable, is not detrimental to the long term equity ownership of the corporation and reflects consideration of the impact of societal values and attitudes on the long term viability of the corporation.
- (b) The position of management on any resolution will not be supported if it:
 - 1. Would enrich management excessively.
 - 2. Would entrench incumbent officers or members of the board of directors. Due regard shall be given, however, to the need for corporate boards to have a reasonably stable situation to permit concentration on long term corporate affairs.
 - 3. Would dispose of substantial assets or merge without the approval of a majority of the shares entitled to vote.
 - 4. Does not reflect consideration of short and long term costs and gains, including effects on the basic human rights of its employees and goodwill both in the United States and in the foreign countries in which the company operates.

5. Would result in unreasonable costs.
 6. Would disadvantage the corporation relative to other corporations.
 7. Opposes a proposal to have the shareholders approve the selection of an independent auditor.
 8. Does not support equal and fair employment practices for all employes including non-segregation of the races and ethnic groups in all eating, comfort and work facilities.
- (c) The board shall support requests for additional disclosure if the requested information is on a subject relevant to the corporation's business, is of value to a majority of shareholders in evaluating the corporation or its managers, the costs of disclosure are reasonable and the information to be disclosed will not disadvantage the corporation either competitively or economically.

(4) REVIEW FOR SALE

If the board finds that management's position on resolutions cannot be supported consistently, the board shall review the quality of management and the projected future of the corporation to determine whether the board should sell its equity interest in the corporation.

SECTION 2. EFFECTIVE DATE

The rules contained herein shall take effect as provided in s. 227.026(1) (intro.) Stats.

The foregoing rules were approved and adopted by the State of Wisconsin Investment Board on June 16, 1983.

Dated at Madison, Wisconsin August 2, 1983

STATE OF WISCONSIN INVESTMENT BOARD

By Gary I. Gates
Gary I. Gates, Secretary