Loring, Wolcott & Coolidge Trust, LLC
2020 Proxy Voting Guidelines

January, 2020

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1. Introduction

Shareholders have the right to weigh in on the range of issues presented at a company's annual or special meeting. Some of these issues are presented by management, such as the election of the board of directors and the hiring of auditors, and some are presented directly by shareholders. The Trustees of Loring, Wolcott & Coolidge ("LWC") consider the voting of shareholder proxies to be a central component of our responsibilities to clients.

LWC takes a rigorous, bottom-up approach to investing our clients' assets. Consistent with our investment philosophy of buying and holding the equities of high-quality, global growth companies selected on fundamental factors, we generally support those initiatives that enhance corporate accountability, increase transparency, and protect or expand the rights of shareholders.

1a. Our Process

The Proxy Voting Committee of Loring, Wolcott & Coolidge ("Committee") is responsible for reviewing, updating, and overseeing the Proxy Voting Guidelines ("Guidelines") and for monitoring and advising the proxy voting process. The Committee has retained Glass, Lewis & Co. ("Glass Lewis") to provide research and voting services for the proxies it receives on behalf of LWC clients in accordance with our Guidelines.

The Guidelines are updated on an annual basis and approved by the partnership. The votes are executed by the LWC Proxy Administrator. While we seek to ensure our Guidelines are comprehensive, please note that the Guidelines are only intended to provide general guidance on voting. We closely examine the merits of resolutions, and, in certain cases, our actual vote may vary from the position taken in the Guidelines. Further, we will make a case-by-case decision on the merits of resolutions that do not appear in our Guidelines. When resolutions not covered by our Guidelines arise, they are referred by the Proxy Administrator to the Proxy Voting Committee to be decided on a case-by-case basis.

As part of our service to our clients, we have retained proxy-voting responsibilities for client non-retirement accounts. We believe the positions taken in our Guidelines are in our clients' best interests as long-term shareholders. If the client believes her or his interests conflict with our Guidelines, the client may request a separate ballot to vote her or his own shares. A copy of the Guidelines or information about proxy votes for clients is available upon request.

1b. Transparency

At the very foundation of corporate governance and corporate responsibility is the gathering and timely dissemination of material information to all stakeholders. We believe that transparency is critical to the functioning of our market system and, therefore, apply a broad definition of materiality, one that includes—but also goes well beyond—issues related to the integrity of financial reporting. More specifically, we support robust reporting of environmental and social information. As such, the theme of enhanced transparency and disclosure will recur throughout these Guidelines.

While we seek timely dissemination of information, we do not believe that all companies must provide earnings guidance on a quarterly basis. In fact, we believe it can be counterproductive to long-term sustainability and performance. Making short-term decisions to meet or beat guidance is likely to be value destructive in the long run.

With regard to disclosure of financial information, it is sometimes necessary for management to present non-GAAP ("Generally Accepted Accounting Principles") measures to explain results. When this is the case, management should avoid obscuring GAAP results. It is important that all compensation, including equity compensation, be included in all GAAP and non-GAAP measurements of earnings.

In order to effectively assess publicly available information, we rely on clear, comparable, and comprehensive reporting on a company's social and environmental footprint. As such, we support companies that disclose in accordance with industry standard guidelines including but not limited to the Global Reporting Initiative ("GRI"), the Task Force on Climate-related Financial Disclosures, CDP (formerly known as the Carbon Disclosure Project), CDP Water, CDP Forests, and the Chemical Footprint Project.

In general, we support all resolutions that expand or enhance transparency around material corporate issues. Specific examples of resolutions that we will support include but are not limited to the following:

- Promoting the disclosure of material environmental and social information even when disclosure of such information is not required (i.e., moving "beyond compliance" in order to increase the relevance, utility, and effectiveness of disclosure);

- Broadly disclosing material information where disclosure is not required but has already been gathered and reported to regulatory agencies;
- Integrating environmental and social metrics and targets alongside financial ones into management decision-making and standard reports;
- Promoting efforts to enhance transparency related to executive compensation, including disclosure of all monetary and non-monetary compensation;
- Integrating and disclosing science-based greenhouse gas ("GHG") emissions reduction targets into management decision-making and standard reports;
- Publishing sustainability reports or integrated reports in accordance with GRI or other broadly accepted sustainability performance indicators and reporting guidelines; and
- Performing and disclosing results of sustainability audits conducted by objective, third-party auditors.

2. Governance

Good corporate governance serves to enhance the effective deployment of shareholder capital which ultimately contributes to growth and positive long-term performance. The quality of a company's corporate governance infrastructure can provide a window into the effectiveness of the board of directors' oversight both for the benefit of shareholders and for the long-term health of the company.

We believe that well-managed, high quality companies are predicated on effective and accountable corporate governance structures. Without accountability to all stakeholders, qualified, diverse, and independent directors, compensation packages that incentivize long-term value creation, and an infrastructure that addresses and manages risk, companies cannot be successful in the long run. A robust corporate governance infrastructure enables a company—and investors—to better understand where risks can arise and how the company is positioned to address them. Further, as investors, we depend on companies to provide thorough disclosure of their corporate governance practices. Without such transparency, we are incapable of making a fully informed decision in fulfillment of our fiduciary duties.

2a. Board of Directors

At the center of strong corporate governance is an effective, independent, and objective board of directors. A strong, well-composed, experienced board of directors charts the course for a company and is imperative to its success. Shareholders rely on the board to have the requisite knowledge of and ability to make informed long-term decisions about material risks—including environmental and social risks. As a result, the board must consist of individuals that have the necessary characteristics to carry out its responsibilities.

2a-1. Characteristics of Effective Individual Directors

Independent

Directors' loyalty should be to the shareholders and the company. A board must not be beholden to the CEO or management. A significant majority of the board should be independent under the New York Stock Exchange rules[1] or similar listing standards.[2]

Directors should be strong and steadfast, independent minded, and willing to challenge constructively but not be divisive or self-serving. Collaboration and collegiality are also critical for a healthy, functioning board. See "Board Independence" below for a more detailed description of our expectations in this area.

Knowledgeable

A fundamental responsibility of every director is to be expertly knowledgeable about the company and the industry in which it participates. In order to maintain such knowledge, directors should have unfettered access to management. However, directors should also receive training from independent sources, become independently knowledgeable about company operations, and not rely solely on information provided by management.

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[1] "Independent director" is one who the board "affirmatively determines" has no "material relationship" with the Company "either directly or as a partner, shareholder or officer of an organization that has a relationship with the company." Independent directors must comprise the majority of board seats. NYSE LISTED COMPANY MANUAL §§ 303A.01 and 303A.02 (2013), *available at* https://nyseguide.srorules.com/listed-company-manual/document?treeNodeId=csh-da-filter!WKUS-TAL-DOCS-PHC-%7B0588BF4A-D3B5-4B91-94EA-BE9F17057DF0%7D--WKUS_TAL_5667%23teid-69.

[2] *See*, *e.g.*, NASDAQ LISTING REQUIREMENTS Rule 5605 (2013), *available at* http://nasdaq.cchwallstreet.com/NASDAQTools/PlatformViewer.asp?searched=1&selectednode=chp%5F1%5F1%5F3%5F3%5F8%5F4&CiRestriction=independent&manual=%2Fnasdaq%2FMain%2Fnasdaq%2Dequityrules%2F.

Ideally, in order to facilitate engaged and informed oversight of the company and the performance of its management, a subset of directors will have professional experiences directly related to the company's business. At the same time, however, it is important to recognize that some of the best ideas, insights, and contributions can come from directors whose professional experiences are not directly related to the company's business.

Capable

Directors need to commit substantial time and energy to the role. Therefore, directors should maintain appropriate focus and not be distracted by competing responsibilities. In so doing, the board should carefully consider a director's service on multiple boards and other commitments.

Further, companies should conduct a thorough and robust orientation program for new directors, including background on the industry and the competitive landscape in which the company operates, the company's business, its operations, and important legal and regulatory issues.

Diverse

Directors should have complementary and diverse perspectives, skill sets, backgrounds, and experiences. Diversity along multiple dimensions is critical to a high-functioning board. Director candidates should be drawn from an intentionally diverse pool. See "Board Diversity" below for a more detailed description of our expectations in this area.

2a-2. Responsibilities of the Board

Protect Long-Term Performance

The board's place in the chain of accountability is essential: the Chief Executive Officer ("CEO") reports to the board, and the board, in turn, is accountable to shareholders. The board should also focus on big picture, strategic issues that impact the long-term health of the organization. In this pursuit, the board is responsible for the following:

- CEO performance, compensation, and succession planning;
- Creation of long-term shareholder value;
- Major strategic issues and long-term strategy, including sustainable, organic growth as well as all significant merger and acquisition activities;

- Significant risks, including reputational risks, to the company;
- Standards of performance, including maintaining and strengthening the company's culture and values;
- Material corporate responsibility matters, including environmental, social, and governance issues; and
- Addressing and/or implementing shareholder resolutions and key shareholder concerns.

Oversee Chief Executive Officer

The CEO is responsible to the board, and the board is responsible for setting the performance criteria for the CEO and reviewing the CEO's performance against those metrics. It is the board's responsibility to act on behalf of all shareholders to ensure that the right CEO is in that position and that CEO compensation is equitable and provides a proper incentive structure. The board is also responsible for CEO and director succession planning. Such planning should be disclosed to shareholders and include mechanisms for shareholder input.

Oversee Social and Environmental Risks

Environmental and social impacts can be disruptive and materially affect financial performance. We believe the board must fully embrace oversight of ESG topics, including human rights, climate change, sustainability, and diversity. We will generally support resolutions asking companies to:

- Embrace, at the level of the full board, responsibility and oversight for social and environmental issues and risks;
- Nominate directors with expertise in relevant social and environmental issues;
- Establish board committees dedicated to overseeing material social and environmental issues; or
- Incorporate sustainability reporting into the annual report.

2a-3. Board Independence

Director Independence

Director Evaluation and Tenure

We support a robust director evaluation process and ongoing board refreshment. Regular evaluation and refreshment of directors help to ensure independence. The board should establish preparation, participation, and performance expectations for the board as a whole, for the committees, and for individual directors. Directors should have a robust process in place to evaluate themselves on a regular basis. This process should be overseen by the independent chair or lead independent director and should be disclosed to shareholders. Re-nomination should be contingent upon meeting these expectations. Further, the board should have the fortitude and latitude to replace all ineffective directors. We believe that board evaluation and refreshment also provide opportunities to examine and strengthen efforts to increase diversity of directors. As such, we will generally support resolutions that strengthen board evaluation processes and enhance disclosure.

Board refreshment should always be considered in order to ensure that the board's skill set and perspectives remain sufficiently current and broad when dealing with fast-changing business dynamics. New voices and fresh thinking can shed light on valuable strategic issues, and boards should strive to balance the expertise of their incumbent members with that of new nominees. In addition to voting in support of, or in opposition to individual directors, we will generally vote in favor of resolutions that seek to strengthen a board's culture of independence and ask for a review of a board's composition to evaluate whether it has the knowledge, experience, skills, and diversity needed to fulfill its duties.

We will consider any tenure-related resolutions on a case-by-case basis, including mandatory retirement ages for directors and management. We will take into account the average tenure of the board and evaluation processes in place. Generally, we will withhold from re-nominating incumbent governance and nominating committee members where the average board tenure is over 12 years and where no new nominees have been put before shareholders in the last 3 years.

Financial and Personal Independence of Directors

An independent director is one whose objectivity and fiduciary responsibility to shareholders are not compromised by a relationship with the company or its managers. An independent director's relationship with the company is generally limited to a seat on the board and ownership of stock (though not enough to constitute a controlling or significant interest). In determining whether an individual director has a material financial or personal relationship which could compromise independence, we embrace a three to five year look back period and definitions of independence used by Glass Lewis.[3]

Board Independence

When it comes to board composition, we believe that, at a minimum, a majority of directors should be independent. We will generally oppose slates of directors without at least a majority of independent directors. Further, we believe that a company should aim to have a board composed of at least two-thirds independent directors and will generally vote in favor of boards that meet this standard. We will, on a case-by-case basis, oppose non-independent directors if the full board is less than two-thirds independent. Generally, we will support resolutions asking companies to do the following:

- Disclose and/or strengthen definitions of independence used by the board;
- Nominate directors that would result in at least two-thirds of the board being independent; or
- Ensure the independent directors meet at least once a year without the CEO present.

Committee Independence

While the board will meet as a full entity, board committees are often the primary instrument through which the board carries out its responsibilities. For this reason, committee independence is essential. Typically boards have audit, nominating, governance, and compensation committees, among others. All boards should have a well-developed committee structure with clearly defined and articulated responsibilities for members. Disclosure to shareholders should describe the structure, function, and members of each committee.

[3] *See* GLASS, LEWIS & CO., 2020 PROXY PAPER GUIDELINES (2019), *available at* https://www.glasslewis.com/wp-content/uploads/2016/11/Guidelines_US.pdf.

Key committees—including the audit, nominating, governance, and compensation committees—hold a great deal of influence, and, therefore, the board, not the CEO, should appoint committee members and chairs. Committees should be able to select their own third-party service providers, and most committee meetings should be held with only the committee members present.

We will generally oppose the election of non-independent directors if they serve on key committees, including the audit, nominating, governance, and compensation committees. If any of these committees does not exist—and the entire board serves that function —we will generally oppose all non-independent directors. We will also oppose the election of a director who sits on the compensation committee and is also the CEO of any public company. In most cases, we will support resolutions asking companies to:

- Ensure that key committees be composed exclusively of independent directors;
- Disclose duties and memberships of all committees, as well as the process for committee member and committee chair selection; or
- Periodically rotate the leadership and composition of all committees.

Chair Independence

Generally, we believe that the board chair should be held by an independent director and that the roles of chair and CEO should not be combined. The board chair guides the culture of the board itself and should cultivate a culture of openness, responsiveness, constructive debate, and stewardship. We believe that this is significantly more achievable when the board chair is not the CEO but instead an independent director.[4] Further, the CEO is accountable to the board. This feedback loop is impaired when the CEO is also the board chair. For these reasons, we will generally support resolutions requiring that the board chair be independent though the adoption of a policy and amendment of governance documents as necessary.

If the roles of CEO and Chair are combined, we would expect that a strong lead independent director be appointed whose responsibilities include the following:

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[4] Glass, Lewis & Co "believes that separating the roles of CEO (or, more rarely, another executive position) and chair creates a better governance structure than a combined CEO/chair position. An executive manages the business according to a course the board charts. Executives should report to the board regarding their performance in achieving goals set by the board. This is needlessly complicated when a CEO chairs the board, since a CEO/chair presumably will have a significant influence over the board." GLASS, LEWIS & CO., 2020 PROXY PAPER GUIDELINES (2019), *available at* https://www.glasslewis.com/wp-content/uploads/2016/11/Guidelines_US.pdf.

- Serving as liaison between the chair and the independent directors;
- Presiding over board meetings at which the chair is not present;
- Having the authority to call meetings of the independent directors;
- Calling to order executive sessions of the board (to exclude all non-independent directors) at a minimum of once per board meeting;
- Presiding over executive sessions of the independent directors;
- Ensuring that the board has proper input into meeting agendas for the board;
- Guiding the annual board self-assessment;
- Guiding the board's consideration of CEO compensation; and
- Guiding the CEO succession planning process.

If the Chair and CEO role is combined and there is not a lead independent director, we will oppose the nomination of the CEO to the board.

2a-4. Audit Committee

The roles of the auditor and audit committee are essential to ensuring good financial governance. We believe that at least one member of the audit committee should have recent and relevant financial experience. Audit committees should promote expanding the pool of auditors considered and should rotate them periodically. We support greater disclosure, including disclosure of communication between auditors and the audit committee, the policies in place to ensure good judgment, and sound disclosure in the annual report.

The audit committee must ensure auditor independence and eliminate the possibility of a conflict of interest. Shareholders should always be able to vote on the ratification of the auditor annually. We will oppose the ratification of an auditor and audit committee members in cases where:

- Non-audit consulting fees represent more than 25% of fees paid to auditor in the previous year;
- The auditor requires the company to sign an arbitration agreement; or

- Auditors allowed an alternative dispute resolution or included an inappropriate indemnification clause.

We will vote case-by-case on audit committee members and/or the full board if poor accounting practices become an obvious concern.

2a-5. Board Diversity

In order for a board to maximize its effectiveness, directors should have complementary and diverse perspectives, skill sets, backgrounds, expertise, and experiences. Further, we believe that gender, race, culture, age, and geography, among other attributes, contribute to the diversity of experience, perspective, and expertise. Each individual director must have the ability to draw on a wide range of viewpoints, a trait we believe is essential for companies to thrive in a complex, global marketplace. We also believe that board diversity supports company-wide diversity and efforts to recruit, retain, and promote the most qualified and effective employees.

We support the setting of targets and goals for board diversity. We believe that at a minimum, 30% of a board's directors should be women and at least 30% of directors should be people of color. We will oppose nominating committee members, giving consideration to new candidates and the gender and/or racial diversity of directors currently serving on the committee, if the nominating committee has failed to do the following:

- Put forth a slate comprised of at least 30% women;
- Include gender and/or racial diversity as a factor in new board member searches; or
- Is silent on these issues.

Targets and minimums are useful for pushing action forward and forcing evaluation. However, to ultimately create a culture that values and prioritizes diversity of all kinds, procedures and policies must be adjusted. We will generally support resolutions that:

- Increase the diversity of the board and of senior management;
- Seek to include women and racially diverse candidates in the director search;
- Ensure that diversity is a key attribute of every director search;

- Expand the director search beyond the executive suite to non-traditional environments such as government, academia, and non-profit organizations;
- Seek regular board refreshment and director evaluation;
- Seek regular reviews of board composition;
- Ask for a commitment to diversity to be formally included in governing documents such as the nominating committee charter;
- Evaluate board diversity against the demographics of key stakeholders such as customers and employees; or
- Ask for greater disclosure around diversity, including reporting on current policies and processes, progress toward goals, and challenges.

2a-6. Board Effectiveness, Accountability, and Performance

We will hold directors accountable for their performance, dedication, and the decisions they make. We believe that management should respond in some way whenever 25% or more of shareholders vote contrary to management's recommendation. We will keep this consideration in mind when evaluating the long-term responsiveness of the board.

As shareholders, one of the primary tools at our disposal is to oppose directors who take actions against the best interests of the company and its owners. If our proxy advisor (Glass Lewis) advises shareholders to oppose an individual director, we will generally follow their recommendations. Generally, we will oppose on a case-by-case basis individual directors, committee members, or the entire board (except new nominees) if the board fails to:

- Take action on a shareholder resolution that was approved by a significant percentage of votes cast;
- Ensure good governance, stewardship, fiduciary responsibility, and risk oversight, including environmental and social risks; or
- Put a proxy access resolution on the proxy ballot that generally aligns with the SEC recommended structure.

We will generally oppose the election of an individual director who:

- Was CEO or a member of the audit committee when the company was required to issue a financial restatement due to fraud, misrepresentation, noncompliance, or accounting error;
- Is responsible for a management vote recommendation that we oppose;
- Committed egregious actions while serving on other boards, thereby casting doubt on the director's ability to carry out duties on the board of the company in question; or
- Has attended less than 75% of the aggregate of board and committee meetings, unless acceptable reasons are disclosed, or if insufficient information is disclosed to determine the 75% threshold.

In most cases, we will oppose nominating committee members who:

- Nominate the CEO to serve as board chair;
- Nominate a slate of candidates lacking gender or racial diversity;
- Nominate an individual with a conflict of interest or whose actions demonstrate a lack of integrity; or
- Nominate an individual who received a greater than 50% against vote the prior year, and the underlying issues have not been addressed.[5]

The SEC has recently issued updated guidance on how it will respond to a company's request to exclude a shareholder proposal from its proxy – it may agree, disagree, or decline to comment. Furthermore, the SEC may now communicate its decision orally. In most cases, if a company excludes a shareholder proposal without explicit agreement from the SEC, we will oppose governance committee members. In cases where the SEC agreed with the company's position, but did so orally instead of in writing, we will expect robust disclosure. We will vote against governance committee members in the absence of disclosure.

We will generally oppose the chair of any committee that did not meet during the previous year. Should any of the key committees (audit, nominating, governance, and compensation) not exist, we will vote against the entire board. Audit committee accountability is discussed in more depth

[5] *Note*: We will likely not be able to know if the underlying issues have been addressed.

above under “Board Responsibilities.” A more in-depth discussion of compensation committee accountability is included in the section on compensation.

We seek a balance between protecting directors from excessive litigation and holding directors accountable for their actions and decisions. We will oppose resolutions seeking to indemnify directors for all acts. We will support resolutions that maintain director liability for acts of a serious or illegal nature.

2a-7. Board Structure

Board Size

While we believe boards need to be large enough to allow for a variety of perspectives, as well as to manage required board processes, they generally should be as small as practical so as to promote an open dialogue among directors.

The board should periodically review and make suggestions regarding its ideal size. We oppose management or board actions that govern the size of the board without shareholder approval. We support resolutions that fix the size of the board and will consider case-by-case resolutions that change the size of the board.

Election of Directors

Directors should be elected annually and by a simple majority of the votes cast “for” or “against,” rather than including abstentions and non-votes. (See “Simple Majority” in “Shareholder Rights” below.)

In order for boards to be truly accountable, shareholders must have the ability to express their support for or opposition to each director annually. We will oppose resolutions to classify or stagger the board of directors and will support resolutions that give shareholders the right to vote for each director annually.

Time Commitment

To be effective, board members must have the time needed to give the role its necessary attention. An overcommitted director can pose a risk to a company, especially during times of crisis when they are most needed. The demands on a director’s time have also grown over the past decade, making limits on “over-boarded” directors more important. We will support management and shareholder resolutions to adopt and disclose guidelines to address competing time commitments when directors serve on multiple boards. In addition, in most cases, we will oppose individual directors who sit on more than four public company boards in total or, in the case of a public company CEO, more than two public company boards in total.

2b. Shareholder Rights

As shareholders, we have the responsibility to our clients to monitor company performance and engage when necessary. We do so directly but also by voting our shares for the individuals and policies we believe best serve the long-term interests of the company. We generally vote in favor of resolutions that support shareholders' ability to raise issues with the company.

2b-1. Proxy Access

At the very core of shareholder rights is access to the proxy ballot. Proxy access refers specifically to a shareholder's ability to nominate directors to the ballot. This right has become standard practice in recent years, and a consensus has now emerged: A shareholder (or group of up to 20 shareholders) who continuously holds a minimum of 3% of the company's outstanding shares for a minimum of three years is eligible to include on the company's proxy statement nominees for 20% of the company's board seats.

As this consensus emerged, modest variations on this standard have been adopted by some companies. For example, the SEC recommended that up to 25% of the board can be access-nominated. We support proxy access resolutions that are generally in line with the standards described above, as long as any variation from the consensus does not materially limit shareholder access to director nominations.

When a resolution seeks to amend the existing proxy access bylaws, we will determine on a case-by-case basis whether the amendment would result in a meaningful improvement in shareholder access.

2b-2. Dual Class Voting Structures

We believe that all outstanding shares of a company should carry identical voting rights. So-called "dual" or "multiple class" voting structures, whereby certain classes of shares hold more voting power than others, is not a best practice. We support the principle of one vote per share and will oppose efforts to create separate share classes.

If a company has multiple classes of shares for the stated purpose of protecting the company from short-term events, the company should create and disclose specific sunset provisions based upon a time or a triggering event, which would eliminate dual class voting.

2b-3. Vote Counting

The way in which proxy votes are counted is a foundational issue of good governance. In general, we are in favor of voting requirements that strengthen shareholder access and increase board accountability.

Simple Majority Vote

We firmly believe this should be the standard for most matters that are brought to a shareholder vote unless shareholders have approved higher thresholds or applicable laws or regulations determine otherwise. A simple majority does not include abstentions in the calculation of support or opposition. An abstention is a decision not to express an opinion and should not be counted as a vote in favor or in opposition. Similarly, broker non-votes, or when the entity holding shares on behalf of others does not vote or does not have the authority to vote, should not be counted. Except in cases of contested director elections where a plurality of votes cast should be required to elect a director, we will support simple majority voting requirements.

Supermajority Vote

If a supermajority provision is in place, a resolution needs to receive two-thirds of votes cast in order to pass. We will oppose supermajority voting requirements and will support resolutions seeking to reduce supermajority shareholder vote requirements.

Cumulative and Bundled Voting

Cumulative voting gives shareholders the ability to “stack” all of their votes behind one or a few directors rather than being evenly allocated across all directors on the ballot. Cumulative voting can be a useful tool in contested elections or where insiders control a significant portion of the stock, and we will generally support such resolutions.

Specific proxy items should not be bundled. We believe that shareholders should always have the ability to vote separately on issues and will generally support resolutions to eliminate bundling.

Furthermore, we support a "universal" proxy card on which all nominees in a contested election are named and given equal prominence. Voting records should be kept confidential from the company unless a shareholder requests otherwise.

2b-4. Approval Rights

Shareholders have the right to approve significant actions taken by management and the board, including the sale or pledge of corporate assets, mergers and acquisitions, debt issuance, share repurchases, new share issuance, poison pill approval, and significant related party transactions. We will oppose directors if the board amends the company's bylaws or charter without shareholder approval in a manner that materially diminishes shareholder rights or could adversely impact shareholders.

2b-5. Accessible Shareholder Meetings

Shareholders have the right to carry out actions without waiting for a scheduled meeting or facing restrictions. We oppose proposals to adopt virtual-only annual meetings, and will generally oppose members of the governance committee if a company currently employs the practice. We support the right to call special meetings if a shareholder meets a minimum threshold of 10 percent ownership. We also support the right for shareholders to carry out actions by written consent.

2c. Executive Compensation

Executive compensation, particularly the pay gap between CEOs and the average employee, continues to be a widely debated topic among shareholders and proxy advisors. In 2019, Equilar and the Associated Press reported that median total compensation for CEOs included in their study totaled $12.0 million, representing an 7.2% increase from the year prior.[6] Further, according to the Economic Policy Institute, the inflation-adjusted pay of a typical worker in the United States grew by a total of 11.9% from 1978 to 2018, while the pay of a typical CEO grew

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[6] EQUILAR & ASSOCIATED PRESS, CEO PAY STUDY 2019, EQUILAR (May 24, 2019), https://www.equilar.com/reports/65-equilar-associated-press-ceo-pay-study-2019.html.

940.3%.[7] To put these numbers in context, the typical S&P 500 CEO made more by lunchtime on the second workday of the year than the average American worker will for all of 2020.[8]

Following the financial crisis, legislation was enacted to give shareholders the right to weigh in on executive compensation and golden parachutes on a regular basis. As a result, management must place an Advisory Vote on Executive Compensation (also referred to as "Say-On-Pay") on the proxy statement under management proposals. While the SEC has given companies the option of reporting every one, two, or three years, annual Say-On-Pay has become the standard. We believe that anything beyond an annual vote increases the risk of inappropriate or egregious awards.

Additionally, the SEC's Final Pay Ratio Rules became effective in 2018. These rules codify the portion of the Dodd-Frank Act requiring companies to disclose three data points in annual filing: (1) the annual total compensation of the company's CEO; (2) the median of the annual total compensation of the company's worldwide employee population (excluding the CEO); and (3) the ratio of the median annual total compensation of the employee group to the annual total compensation of the company's CEO.

As a result of increased scrutiny, many compensation committees are taking steps to justify executive compensation packages, from making performance metrics more rigorous and quantifiable to narrowing the definitions used to identify peer groups. However, the need for increased scrutiny remains prevalent among public companies.

Shareholders have several ways to oppose executive compensation: (1) opposing the Advisory Vote on Executive Compensation, or "Say-on-Pay"; (2) opposing the election of all members of the compensation committee; (3) opposing specific board members, including the CEO; or (4) supporting shareholder resolutions related to executive compensation. Below is a summary of our views on current best practices related to executive compensation, followed by a summary of our general voting disposition.

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[7] Lawrence Mischel & Julia Wolfe, CEO COMPENSATION HAS GROWN 940% SINCE 1978, EPI.ORG (August 14, 2019), https://www.epi.org/publication/ceo-compensation-2018/.

[8] According to the Bureau of Labor Statistics, the median weekly earnings of the nation's 118.4 million workers in the third quarter of 2019 was $919 — translating to annual pay of $47,788. Income of typical S&P 500 CEOs is over 250 times more than most workers, or about $230,000 more per week. https://www.marketwatch.com/story/ceos-of-sp-500-companies-earn-more-in-two-days-than-the-average-worker-will-for-the-whole-year-2020-01-06

2c-1. Components of Executive Compensation

We believe that all executive compensation plans should be equitable and advance the long-term performance of the company. We generally support greater simplicity in plan design. We also believe that total compensation should be set within the context of the company's workforce as a whole. In evaluating executive compensation plans, we consider the following:

Pay-for-Performance and Metrics

We believe that all compensation plans should be tied to long-term performance, and any performance hurdles should align the interests of management with that of all shareholders. In so doing, compensation plans should utilize multiple performance metrics, and those metrics should be beyond the reach of executive manipulation, based on GAAP rather than non-GAAP figures, agreed to ahead of time, and disclosed publicly. We also look for the inclusion of non-financial performance metrics in all executive compensation. The compensation committee should also provide an explanation of how each metric and each component of compensation contributes to long-term performance objectives.

Peer Relative Analysis

All companies should disclose how much of compensation is based on peer group analysis, and how much is based on other criteria. Peer group comparisons should be disclosed for each element of compensation and the peers included—and rationale for inclusion—should be disclosed annually. If the peer group changes from the prior year, those changes and their rationale should be disclosed.

Increases in executive compensation should not be justified simply through benchmarking. Additionally, we will focus on companies where inappropriate peer group and/or benchmarking issues arise or executive pay relative to peers is not justified by outstanding company performance.

Salary

We believe that the portion of compensation that is fixed should receive greater attention from compensation committees, and in many cases be increased relative to "at-risk" compensation (including equity or any bonuses that are performance linked). If the CEO's salary is above the median of its peer group, the compensation committee should provide an explanation.

Short-term Incentive Plans

Short-term incentives, such as cash bonuses based on 12-month performance, are generally an acceptable component of compensation, but we expect and will consider the following:

- Incentives are tied to performance and are primarily objectively measurable;
- Target and maximum awards achievable should be clearly disclosed;
- Any changes to targets or other criteria should be thoroughly explained;
- Awards granted despite poor performance should be thoroughly justified; and
- Discretionary or one-off payments should not be made in lieu of short-term awards.

Long-term Incentive Plans

Long-term, equity-based incentives are an important component of executive compensation packages. Incentives can be time-based or explicitly performance-based. When performance-based, metrics, targets, and peer groups should be chosen to strengthen the link between pay and performance. Long-term incentives should have the following features:

- Individual limits should be expressed as a percentage of base salary;
- Time horizons should support a long-term perspective: equity grants should vest over a period of at least five years, and performance periods should be at least five years;
- Unvested equity should not have voting rights;
- Awards should be granted at the same time every year and should not coincide with the release of material non-public information;
- Stock awards should not be payable based solely on attainment of tenure requirements;
- Upon change-in-control, unvested equity should not accelerate but should convert into the equity of the newly formed company; and
- Trading by directors and employees should be governed by clear rules, and no one should benefit directly or indirectly from insider knowledge.

Disclosure of long-term incentives should include the following:

- Types of incentives used (options, restricted stock, performance shares, etc.);
- The size, distribution, and vesting requirements;
- Grant timing; and
- Equity stock ownership guidelines, multiples, and holding requirements should be disclosed annually.

Retirement Plans

All retirement plans for executives should be disclosed annually. We believe that supplemental executive retirement plans should be an extension of the retirement program covering other employees and should therefore not include special provisions that are not offered under plans covering other employees. Investment alternatives offered under deferred compensation plans for executives should mirror those offered to employees in broad-based deferral plans.

Severance Agreements

Severance agreements should reward executives for performance and assist in retaining executives during a change-in-control but not be structured in such a way as to reward M&A activity when such activity is not in the best interest of all shareholders. In evaluating such agreements, we look at whom it covers, time periods, total management compensation, size of payout, quality of management, hurdles or triggers, and definitions of cause.

Option Re-pricing and Exchanges

Stock-option exchanges allow employees—typically high-level employees—to trade nearly worthless options in for new options or restricted stock. Such allowances change the nature of the bargain struck between shareholders and the company. Executives should bear risks similar to those of shareholders in order to align interests. We generally oppose option exchange and re-pricing plans, except in very limited circumstances such as needing to retain employees. We also oppose option backdating, spring-loading, and bullet-dodging as blatantly unfair actions and will take action against a board that supports these policies.

Tax Gross-ups

We do not believe that tax gross-ups, whereby employees are reimbursed for income or capital gains taxes, are appropriate in most circumstances and will support very limited gross-up policies on a case-by-case basis. If such policies exist, they must be applied to all employees or all management and not just executives and must be limited to certain specific situations like relocation.

Golden Parachutes

Egregious or excessive golden parachutes have become commonplace. Disclosure should be robust and include both tabular and narrative explanations. When evaluating plans, we will take into account, among other aspects, the following:

- The nature of the change-in-control transaction;
- The ultimate value of the payments on an absolute basis or compared to the value of the transaction;
- The amount of cash severance (considering anything greater than three (3) times salary and bonus to be excessive);
- Any excise tax gross-up obligations;
- The tenure and position of the executives in question before and after the transaction;
- Any new or amended employment agreements entered into in connection with the transaction; and
- The type of triggers involved—the event(s) that set in motion such payments, often change-in-control and termination. If only one occurs, it is a single trigger, and if both occur, it is double triggered. We will look particularly for single- or modified single-trigger cash severance and single-trigger acceleration of unvested equity awards.

2c-2. Voting Recommendations Related to Executive Compensation

In most cases, we will vote against the Advisory Vote on Executive Compensation ("Say-on-Pay") proposal and members of the compensation committee when either of the following conditions is met:

- Glass Lewis recommends a vote "Against" the Advisory Vote on Executive Compensation proposal; or

- Glass Lewis gives the Advisory Vote on Executive Compensation proposal a score of either a “D” or an “F”. [9]

For those companies where Glass Lewis does not recommend a vote “Against” or give a score of a “D” or “F”, we will vote against the Say-on-Pay proposal when three or four of the following conditions are met, and vote against both the Say-on-Pay proposal and members of the Compensation Committee when five or more are met:

- Glass Lewis gives the Advisory Vote on Executive Compensation proposal a score of a “C”;
- The total compensation of any Named Executive Officer (“NEO”) exceeds that of the S&P 500 median;[10]
- The average total compensation of all named executives exceeds that of the S&P 500 median;[11]
- The ratio of the highest-paid NEO’s total compensation to the average NEO total compensation exceeds that of the S&P 500 median;[12]
- The previous Say-on-Pay vote received support below that of the S&P 500 median (excluding non-votes and abstentions);[13]
- Frequency of the Advisory Vote on Executive Compensation proposal is anything other than one year.

2d. Other Compensation Matters

2d-1. Director Compensation

Director compensation plans should remunerate directors for their time, expertise, and leadership and ensure the independence and objectivity of non-executive directors and their alignment with shareholder interests. The annual disclosure in the proxy statement should include the philosophy

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[9] Glass Lewis applies a letter grade to compensation packages relative to Equilar peers using a 3-year weighted average of Total Shareholder Return, EPS growth, Operating Cash Flow growth, Return on Assets, and Return on Equities. “A” and “B” are underpaying executives; “C” is average; “D” or “F” are overpaying executives. If Glass Lewis does not assign a score for the year in review, we will assess this condition on a case-by-case basis.

[10] Using Bloomberg data as of 1/7/2020, this value was approximately $12.8MM.

[11] Using Bloomberg data as of 1/7/2020, this value was approximately $5.8MM.

[12] Using Bloomberg data as of 1/7/2020, this value was approximately 2.2x.

[13] Using Bloomberg data as of 1/7/2020, this value was approximately 94.0%.

behind and processes for setting director pay. Disclosure is particularly important in this area, as directors are responsible for setting their own pay.

In general, we believe director compensation plans should have the following features:

- Total compensation to outside directors should not exceed $200,000 per year;
- Fees should be competitive but not excessive and will be evaluated against peers;
- The annual retainer should be the only form of cash compensation and can vary depending on the individual director's duties;
- Compensation should be a combination of cash and stock in the company;
- Equity-based awards should not be performance-based and should fully vest on the grant date in order to foster an immediate alignment of director and shareholder interests as well as independence and objectivity; and
- Director stock ownership guidelines and holding requirements should be in place to ensure directors' interests are aligned with those of shareholders.

2d-2. Employee Equity Plans

We support broad-based plans that include non-executive managers and employees. We will generally oppose plans that have been designed to achieve corporate goals other than promoting active employee ownership (for example, those used as a way to park stock to avoid a takeover). The proxy should include a table detailing the overhang represented by unexercised options and shares and a discussion of the impact on earnings per share. The equity dilution, intended life of an equity plan, and the expected yearly run rate of the equity plan should be disclosed.

We evaluate equity plans based on certain overarching principles:

- Plans should be comprised of options rather than stock units;
- Plans should not permit repricing of stock options;
- Companies should seek more shares only when needed;
- Requested share amounts should be small enough that companies seek shareholder approval every three to four years (or more frequently);

- If a plan is relatively expensive, it should not grant options solely to senior executives and board members;
- Dilution of annual net share count or voting power, along with the overhang of incentive plans, should be limited;
- The expected annual cost of the plan should be proportional to the business's value;
- The intrinsic value that option grantees received in the past should be reasonable compared with the business's financial results;
- Plans should not contain excessively liberal administrative or payment terms; and
- Plans should not count shares in ways that understate the potential dilution, or cost, to common shareholders. This refers to "inverse" full-value award multipliers.

2d-3. Compensation-related Accountability

Compensation Committee

In order to make informed decisions with respect to the oversight and decisions of the compensation committee, shareholders require clear and complete disclosure of all the significant terms of compensation arrangements on an annual basis. The compensation committee should be made up entirely of independent directors, and it is especially important that such committee members not be overcommitted, nor CEOs of other public companies, as decisions regarding a company's compensation design should be made without the appearance of conflicts of interest.

Compensation committees are responsible for choosing compensation consultants and ensuring their independence. Compensation consultants are engaged to provide objective, disinterested, expert advice to the compensation committee. When the consultant or its affiliates receive substantial income from providing other services to the company, we believe the potential for a conflict of interest arises, and the independence of the consultant may be jeopardized. We will support resolutions asking companies to disclose their use of compensation consultants.

Clawbacks

We believe that clawback rights (provisions that allow shareholders to recoup unearned executive bonuses or incentive pay) are an important protection for investors. We will evaluate proposals related to clawbacks on a case-by-case basis and usually support clawback provisions.

2e. Mergers, Acquisitions, and Capital Structure

2e-1. Considerations

Mergers and acquisitions can fundamentally change the culture, strategy, and corporate governance at a company. As such, we will evaluate each merger and acquisition on a case-by-case basis. In addition to the financial considerations, we will take into account the impact on all stakeholders and will support resolutions that allow or require the board to do the same as well as the right to reject an offer it believes adversely impacts stakeholders. We will also consider:

- The relative environmental, social, and governance performance of the two companies individually and combined;
- The nature of change-in-control payments: They should be double-triggered (meaning there must be both a change-in-control and a termination) and effectively link executive pay with performance;
- The impact on employees (including changes in unionization rates), lay-offs, and post-merger investments in human resources;
- The acquiring company's history of acquisitions;
- Resulting levels of industry concentration; and
- Conflicts of interest.

2e-2. Takeover Defenses

In some cases, mergers and acquisitions occur after friendly negotiation where a bidder offers to purchase a company for a set amount of stock and/or cash, and shareholders are then given the opportunity to approve the transaction. In some cases, boards reject direct offers, and interested parties put an offer directly before the corporation's shareholders. To help protect against unwanted takeovers, some companies adopt shareholder rights plans, or poison pills, which aim to make stock less attractive to the acquiring firm. However, because poison pills can insulate management from possible takeovers and change the balance of power between shareholders and management, shareholders should have the ability to evaluate the specific details of such plans.

In some cases, a takeover situation can bring to light a divergence between shareholder interests and the interests of the board. We will generally oppose directors if the board failed to act on takeover offers where the majority of shares were tendered. A board can also implement takeover defenses that are not in the interest of shareholders. We will likely oppose resolutions with the following features and may oppose the directors who put them forward:

- The company's shareholder rights plan/poison pill has a "dead-hand" or other similar feature that prevents the removal of the poison pill even if shareholders support the merger or acquisition;
- The board adopts a poorly structured poison pill without shareholder approval;
- The board makes a material adverse change to an existing pill without shareholder approval; or
- The payment of greenmail—an antitakeover measure where the target company buys shares back at a premium from an entity seeking control to avoid the takeover—as it effectively discriminates against other shareholders.

2e-3. Capital Structure

All resolutions to change the capital structure of the company—whether through debt or equity issuance—should be put to a shareholder vote. The voting rights mentioned above are important for new stock offerings. We always support equal voting rights (one vote per share). All stock must specify voting, conversion, dividend distribution, and other rights. We evaluate new stock offerings on a case-by-case basis. We consider the amount of dilution and whether there is already a large amount of stock authorized but not issued, which could indicate a takeover defense.

Reincorporation is considered on a case-by-case basis, taking into account improvements or decreases in governance structure and policies—particularly shareholder rights, the presence or absence of valid business reasons, and whether the company is seeking to avoid taxes or regulatory oversight.

We will oppose the creation of blank check preferred stock, that is, stock with a fixed dividend and preferential claim on company assets relative to common shares. The terms, including voting, dividend, and conversion rights, are set at a later date without any further shareholder approval.

2e-4. Contested Elections

Contested elections of directors frequently occur when a board candidate or slate runs for the purpose of seeking a significant change in corporate policy or control. Competing slates will be evaluated based upon the personal qualifications of the candidates, the economic impact of the policies that they advance, and their expressed and demonstrated commitment to the interests of all shareholders.

Votes in a contested election of directors are evaluated on a case-by-case basis, considering the following factors:

- Long-term financial performance of the target company relative to its industry;
- Management’s track record;
- Background to the proxy contest;
- Qualifications of director nominees (both slates);
- Strategic plan of dissident slate and quality of critique against management:
- Likelihood that the proposed goals and objectives can be achieved (both slates);
- Stock ownership positions; and
- Impact on stakeholders, such as job loss, community lending, equal opportunity, and impact on environment.

2f. Corporate Taxes

2f-1. Tax Havens

According to the I.R.S., the United States loses tens of billions of dollars annually from corporations that avoid taxes through the use of tax havens. The I.R.S. has also documented how banks, investment companies, lawyers, and stockbrokers help clients avoid millions of dollars in taxes by setting up shell companies offshore. U.S. multinational corporations are increasingly attributing their profits to offshore jurisdictions.

Shareholders have filed resolutions with financial institutions seeking a report on policies that are in place to safeguard against the provision of financial services for corporate or individual clients that enables capital flight and results in tax avoidance. We will generally support these proposals.

2f-2. Tax Inversions/Reincorporation Due to Tax Considerations

Increasingly companies that were historically U.S. based are choosing to merge with foreign companies or reincorporate in lower-tax countries. We will examine these events on a case-by-case basis. We will likely oppose reincorporation outside the U.S. if shareholder rights will be negatively impacted or if tax avoidance is the driving factor behind such move.

2g. Public Policy

Through the years, corporations have spent enormous shareholder resources on political influence—both through direct political spending and lobbying. Such spending could subject companies to reputational risk, regulatory and legal risk, and financial risk. As a result, we believe it is imperative that companies disclose such spending and have accountability structures in place to ensure these expenditures are in the best long-term interest of shareholders.

2g-1. Corporate Election Spending

In the wake of the U.S. Supreme Court's *Citizens United v. Federal Election Commission* decision, corporations have the right to use unlimited funds from their treasuries to support or oppose candidates. Companies cannot directly spend treasury funds on federal candidates or national parties, but there are a number of other ways in which they can make their voice heard in Washington. We generally support resolutions asking companies to increase disclosure around political spending and the accountability structures in place which govern such spending.

2g-2. Lobbying

Companies can also directly influence legislation and the political process through lobbying. This can either occur directly through the hiring of lobbyists or indirectly through trade associations and other intermediaries. Lobbying at the federal level is disclosed, but the same cannot be said for lobbying at the state level or through trade associations.

Trade associations in particular are a growing means to influence policy setting and elections. Trade associations and their members are rarely perfectly aligned on every position. As a result, it is possible that lobbying positions taken by an association could run counter to the business interests of individual members. Just as in other areas of business strategy and operations, shareholders should be given the opportunity to review whether spending is in the best interests of the company and investors. An inconsistency in values across policies and actions indicates a potential reputational risk and possibly questionable leadership. In most cases, we will support shareholder resolutions asking companies to report on their federal, state, and local lobbying activities, including indirect lobbying by trade associations and other such entities, and grassroots lobbying.

2g-3. Disclosure and Oversight

In light of the complexities surrounding political sending, enhanced transparency is necessary. We favor enhanced disclosure, increased board oversight, and better board and management decision-making processes with regard to all political spending and lobbying.

In general, we will support resolutions that seek disclosure on indirect spending and independent expenditures. For example, we typically support resolutions asking companies to disclose:

- Dues, contributions, or other payments made to trade associations and tax-exempt organizations, specifically the non-deductible portion;
- Payments to any other third-party organization, including but not limited to 501(c)(4) organizations, including the recipient and the amount;

- Any contribution or independent expenditure made directly by the company, including the recipient and the amount;
- The title(s) of the person(s) responsible for decision-making; or
- The above information broken out at federal, state, and local levels.

In addition to membership and payment disclosure, sound policies and specifically board oversight are key to evaluating a company's full political spending. In most cases, we will support resolutions asking companies to:

- Publicly disclose policies and procedures for making contributions and expenditures—both direct and indirect—to (1) participate or intervene in any political campaign on behalf of, or in opposition to, any candidate for public office or (2) influence the general public with respect to an election or referendum;
- Provide an advisory shareholder vote on policies and future plans;
- Analyze the congruency of the company's values and policies with expenditures and a rationale for any contributions found incongruent;
- Disclose the board's role in current policies and procedures; or
- Adopt board oversight for all political spending.

We are in favor of companies embracing political nonpartisanship and even banning political contributions. We will generally support resolutions asking companies to:

- Refrain from supporting partisan political activities;
- Refrain from compelling employees to contribute or support particular causes; or
- Consider a prohibition on political spending.

3. Environmental & Social

3a. Introduction

Over the last three proxy seasons alone (2017-2019), shareholders have filed over 1,250 resolutions related to environmental and social issues, a notable uptick from historic levels. Resolutions related to climate change and political activity represent the largest categories.[14]

In general, we believe that incorporating material environmental and social factors into corporate planning and strategy allow companies long-term stability. Well-managed companies use natural resources responsibly, ensure that their workforce—both company employees and workers throughout the supply chain—is treated fairly, and provide transparency on operational impact and political giving. As such, we typically support environmental and social resolutions that encourage sustainable capitalism.

4. Environmental Resolutions

4a. Climate Change

Climate change currently poses one of the largest threats, if not the single largest threat, to our planet and economy. As such, climate change continues to be the primary concern of environmentally-focused shareholder resolutions. According to the "Proxy Preview 2019" by As You Sow, the Sustainable Investment Institute, and Proxy Impact, the number of climate-related shareholder resolutions dipped slightly in 2019 versus prior years, though climate change undergirds other issues such as disclosure and political activity.[15] We generally support the specific topics related to climate change covered below.

4a-1. Impact/Risk Assessments and Strategies

In recent years, the largest number of climate-related resolutions has been on the topic of risk mitigation—asking what impact changes in technology and government regulation will have on companies. We believe that all companies—particularly those in carbon-intensive sectors and industries—should proactively integrate climate change risk assessment into their business

[14] AS YOU SOW, PROXY IMPACT, AND SUSTAINABLE INVESTMENTS INSTITUTE, PROXY PREVIEW 2019: HELPING SHAREHOLDERS VOTE THEIR VALUES (2019).
[15] *Id*.

planning and provide thorough transparency of all such efforts. We will generally support resolutions asking companies to:

- Provide a long-term impact assessment of a 2°C degree scenario on the company's portfolio, operations, and business strategy;
- Report using quantifiable indicators on the risk of stranded assets, if applicable;
- Adopt and regularly report on science-based emissions reduction targets;
- Report on the impact of new technologies and public policy changes on operations and planning; or
- Embrace measures to facilitate the transition to a low carbon economy, including accounting metrics in energy units and transition planning reflective of carbon asset risk, where applicable.

4a-2. Sustainability Reports, Carbon Accounting, and Goals

Shareholders are increasingly interested in understanding how companies are addressing a myriad of issues related to environmental sustainability. We will generally support resolutions requesting enhanced disclosure of significant information related to material sustainability issues. More specifically, investors continue to press for enhanced carbon accounting, asking companies to track, manage, and set specific carbon emissions reduction goals. In general, we will support resolutions asking companies to:

- Disclose complete GHG emissions data related to operations and products to the CDP;
- Reduce GHG emissions and/or adopt science-based emissions reduction goals;
- Evaluate the feasibility of achieving net-zero GHG emissions;
- Report in accordance with the GRI; or
- Prepare annual sustainability or social responsibility reports, including the disclosure of all relevant data and quantifiable indicators.

4a-3. Shale Production, Hydraulic Fracturing, and Transportation

In line with the increased use of hydraulic fracturing, or "fracking," there has been an increase in the number of shareholder resolutions related to the topic. A majority of the related resolutions to date are related to the environmental and community risks and the impacts of leaks, spills, and explosions, as well as the shifting regulatory risks surrounding fracking. We will generally support resolutions asking companies to:

- Enhance disclosure on policies around hydraulic fracturing, shale energy development, and enhanced oil recovery methods, as well as the social and environmental impacts and associated risks of these activities;
- Report using quantifiable indicators on policies and plans to measure, monitor, mitigate, disclose, and set reduction targets for methane emissions on an annual basis;
- Report using quantifiable indicators on methane emissions risks and risk management strategies; or
- Report on an annual basis, using quantifiable indicators, on actions beyond compliance with regulatory requirements to minimize methane emissions from operations, storage, and/or transportation.

4a-4. Lobbying, Public Policy, and Political Contributions

As the level of corporate political spending related to energy and extraction, from supporting grassroots efforts to targeting specific federal legislation, has increased, so have the number of related shareholder resolutions. We generally believe that it is important for all companies to disclose policies and practices around lobbying positions and their processes to influence public policy. As discussed in the "Corporate Political Spending" section above, we will generally support resolutions asking companies to:

- Disclose all policies and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications;
- Disclose all payments used for direct or indirect lobbying and/or grassroots lobbying communications; or
- Disclose all membership in and payments to any tax-exempt organization that writes and endorses model legislation.

4a-5. Energy Efficiency and Renewable Energy

Shareholders are increasingly calling for companies to enhance productivity per unit of GHG emissions through increased focus on energy efficiency and investments in renewable or clean energy. In general, we will support resolutions asking companies to:

- Report on material energy efficiency policies or goals; or
- Report on the feasibility of significantly increasing investments in renewable energy sources.

4a-6. Governance Issues

As described more thoroughly throughout the "Governance" section of this document, we support governance-related resolutions seeking to promote the integration of material sustainability issues into the overall strategy of companies. Examples of resolutions we will generally support include those asking companies to:

- Undertake a feasibility report on the creation of the office of Chief Sustainability Officer to oversee all climate-related policies and practices and report directly to the executive team;
- Link some portion of executive compensation to quantifiable climate-related indicators, including reduction of GHG emissions; or
- Create a sub-committee of the board of directors dedicated to the company's policies and practices related to climate change.

4a-7. Miscellaneous Climate-Related Issues

In general, we will support resolutions asking:

- Banks and other financial services organizations to report on the financing of carbon-intensive projects, especially those related to the exploration and extraction of fossil fuels;
- Banks and other financial services organizations to undertake a feasibility study related to the divestment of carbon-intensive projects;

- Investment managers to align voting policies with stated positions on climate change and other sustainability-related issues;
- Companies engaged in the transportation of hazardous materials like crude oil to report on all associated risks as well as all mitigation efforts in place;
- Companies to develop comprehensive policies and implement plans to eliminate deforestation from operations and the supply chain; or
- Companies to support sustainable sourcing of palm oil.

4b. Environmental Management

4b-1. Water Use

The need for good stewardship of this critical, finite natural resource is rapidly growing in urgency. Water scarcity and quality issues impact food production, increase the likelihood of global conflicts and human suffering, and can have significant, negative impacts on companies dependent on water for their operations. As concerns around water scarcity increase, so do the number of shareholder resolutions. We will generally support resolutions asking companies to:

- Report to the CDP on water use;
- Report on water use risks and mitigation of water scarcity, including climate-related droughts;
- Adopt policies, strategies, and goals to improve water efficiency;
- Report on water pollution risks related to operations; or
- Adopt and implement water stewardship policies designed to reduce the risk of water contamination.

4b-2. Waste Management

Corporations are continuing to make strides in waste management, understanding the link between good business practices and reducing their negative impact on the environment. Recently, the challenges of plastic waste management and food waste reduction have garnered attention from shareholders. We will generally support resolutions asking companies to:

- Report quantifiable indicators on recycling policies and efforts to increase recycling;

- Adopt or improve recycling policies and strategies;
- Report on impacts and risks of using non-recyclable packaging, where applicable;
- Redesign operational components, including packaging, to be fully recyclable;
- Adopt policies and programs embracing the principle of producer responsibility to keep plastic waste out of waterways;
- Increase disclosure around food waste; or
- Develop policies and programs to reduce food waste.

4c. Industrial Agriculture

While we face global challenges related to feeding an expanding population, the negative impact of industrial agriculture on the environment and public health has been profound. Further, there is a growing recognition that many industrial agricultural practices pose specific risks for companies, including supply chain vulnerability, reputational risks, and regulatory risks.

4c-1. Environmental Impact

Agriculture, particularly industrial agriculture, is resource intensive, causing scarcity issues around water and certain natural fertilizers such as potash (potassium) and phosphorous (phosphate). Additionally, commonly accepted practices have greatly reduced biodiversity and have contributed to deforestation, which has significant climate implications. In general, we will support resolutions asking companies to:

- Report on water quality risks associated with water use, including wastewater seepage, overflow, runoff, and use on fields;
- Adopt, implement, or strengthen policies to reduce water use and risks associated with water use;
- Report on the use of pesticides by the company and in its supply chain, including but not limited to glyphosate and neonicotinoids harmful to beneficial insects and efforts to reduce the use of harmful pesticides; or
- Report on efforts to ensure a company’s agricultural supply chain is sustainable and take steps to minimize deforestation.

4c-2. Public Health Impact

The environmental risks associated with industrial agriculture lead directly to issues of human and community health. For example, methane emissions from large-scale dairies reduce air quality, and the presence of such an operation can be detrimental to all other economic activity in a rural community. In addition, the long-term impact of monoculture farming and prolonged use of synthetic fertilizers, pesticides, and herbicides on soil health in turn can mean that crops are less nutritious than in the past. We generally support resolutions asking companies to acknowledge the broad impact that their operations and supply chains may have on employees, clients and customers, and the communities in which they operate and to enhance transparency of related issues, including the use of pesticides, genetically modified seeds and ingredients, and antibiotics.

4c-3. Animal Welfare

Generally, we will support resolutions asking companies to end practices that bring about unnecessary pain and discomfort of animals through industrial agricultural practices and/or laboratory testing. Examples of resolutions that we would generally support include those asking companies to:

- Reduce or eliminate the use of confined systems;
- Report on risks associated with the use of antibiotics in animals and their food supply;
- Phase out the use of antibiotics in animals and their food supply both in operations and the supply chain;
- Implement anti-cruelty policies and practices both in operations and the supply chain;
- Disclose animal welfare policies and practices, reduce or end animal testing or the suffering of animal test subjects, and develop alternatives to animal testing; or
- Extend company animal welfare policies and practices to contracted laboratories, including those located overseas.

5. Social Resolutions

5a. Decent Work and Diversity

We support decent work and fair wages for all employees. Issues such as underrepresentation and increasing levels of income inequality have far-reaching, negative consequences for companies' long-term growth and for society as a whole.

5a-1. Pay Equity

Underrepresentation of women and people of color, and the associated pay gaps, increase economic inequality and can reduce a company's long-term competitiveness. We will generally support resolutions asking companies to:

- Provide quantifiable indicators related to pay gaps based on gender and race; or
- Report on policies and goals to address pay gaps based on gender and race.

5a-2. Income and Wage Inequality

As discussed in the "Executive Compensation" section, for many companies, the compensation gap between the CEO/Executive Management and the median worker has grown steadily over the last 20 years. Generally, we will support resolutions asking companies to:

- Provide details on the executive-to-employee compensation ratio, including changes to this ratio over time;
- Report on the feasibility of adopting minimum wage reform, or adopt such reform;
- Offer living wages to all employees; or
- Provide detailed information regarding benefits eligibility.

5a-3. Diversity and Discrimination

The business case for diversity at all levels of the company is clear. We will generally support resolutions asking companies to:

- Disclose equal employment opportunity ("EEO") data regarding diversity in the workplace and report on efforts to comply with federal EEO mandates;
- Report on efforts to increase board diversity;

- Create, strengthen, or implement policies and programs to end discrimination in salary, wages, and all benefits; or
- Adopt a nondiscrimination policy for sexual orientation or gender identity.

We will generally oppose resolutions asking companies to eliminate protections related to gender identity and sexual orientation already afforded to workers.

5a-4. Working Conditions

We will generally support resolutions that seek to improve labor relations and demonstrate respect for workers, including those in the supply chain. For example, we generally support resolutions asking companies to:

- Ensure fair wages and the right to freedom of association and collective bargaining;
- Extend opportunities for full-time employment and control over scheduling to all employees;
- Create or expand programs designed to assist displaced workers; or
- Commit to and/or improve upon the provision of safe workplaces, including accident prevention.

5b. Health and Safety

5b-1. Toxics and Chemicals Management

In our daily life, we are surrounded by countless chemicals and toxins, many of which are undisclosed by the source. Despite the risks to human health and to the environment that exposure can pose, transparency and risk management remains insufficient. We will generally support resolutions asking companies to reduce the toxicity of known chemicals used in production and operations and to provide stakeholders with thorough transparency around the issue of toxics. Specific topics include but are not limited to lead paint, nanotechnology, antibiotics, microbeads, and pesticides.

5b-2. Access to Healthcare and Medications

We believe healthcare should be continuous and affordable and will generally support resolutions that aim to increase access to quality healthcare. We will generally support resolutions asking companies to:

- Adopt a policy to make medications treating illnesses and diseases that disproportionately affect poor populations both affordable and accessible;
- Report on drug pricing, including rationale for high-priced drug pricing policy including development costs, pricing regional differences, and patient access; or
- Disclose the extent and types of incentives used to influence pharmaceutical purchasers to select their drugs.

5b-3. Obesity and Nutrition

In general, we will support resolutions asking companies to:

- Improve disclosure of caloric and nutritional information on all food and drink products;
- Report on fast food marketing and nutritional initiatives in the face of childhood obesity concerns; or
- Create and disclose nutritional targets, where applicable.

5c. Human Rights and Environmental Justice

5c-1. Human Rights Policies

A company's responsibility to the individuals working throughout its operations and supply chain begins with robust policies and a commitment to human rights impact management. Generally, we will support resolutions asking companies to:

- Adopt, strengthen, and/or implement human rights policies with specific statements on issues relevant to the company's business and operations;
- Support or follow third-party codes of conduct or principles addressing human rights issues, such as the U.N. Guiding Principles on Business and Human Rights;
- Work constructively with third-party organizations on reporting;

- Incorporate human rights issues into business planning;
- Create a Human Rights Committee of the Board of Directors;
- Create or strengthen human rights training for employees; or
- Support the human right to water, including the adoption of policies and programs to enhance access and affordability to safe drinking water and sanitation.

5c-2. Trafficking and Labor Standards

Human trafficking and forced labor—modern slavery—are worldwide problems that receive little recognition in proportion to the size of the challenge. The International Labor Organization ("ILO") estimates that at least 21 million people are in some form of modern slavery. We will generally support resolutions asking companies to:

- Strengthen and implement workplace codes of conduct by adopting a policy on trafficking, with specific statements on human trafficking, forced labor, child labor, and sexual exploitation of minors;
- Implement and report on adherence to the ILO codes of conduct; or
- Adopt international codes and policies to address this problem.

5c-3. Indigenous Rights

We believe all people have the right to be consulted and to provide or withhold consent when their lives, cultures, and natural environments are impacted. We further believe that companies that integrate respect for all stakeholders will see the greatest long-term value creation. We will review related resolutions on a case-by-case basis and will generally support resolutions asking companies to:

- Establish, improve, or implement a formal written policy on the rights of Indigenous peoples, including Free, Prior, and Informed Consent;
- Follow and support the U.N. Declaration on the Rights of Indigenous Peoples, including the creation of a policy or program to implement this support;
- Report on potential risks associated with operations in indigenous territories; or

- In the case of financial services companies, report on financing of companies undertaking projects located in indigenous territories.

5c-4. Repressive Regimes and Conflict Zones

Companies operating in high-risk areas have an extraordinary responsibility to remain vigilant around human rights violations and labor standards. We will review related resolutions on a case-by-case basis and will generally support resolutions asking companies to:

- Cease business with regimes complicit in crimes against humanity, as defined by the U.N.;
- Increase disclosure on their investment in, continued operations in, or withdrawal from countries with a high risk of human rights violations and how the company can and is working to address human rights issues in these countries;
- Develop, strengthen, or implement policies to eliminate bribery and corruption; or
- Research and disclose how operations and/or products do or could limit freedom of expression or privacy.

5c-5. Land Use, Procurement, and Deforestation

A company's use of land can lead to degradation, deforestation, loss of biodiversity, disenfranchisement of indigenous communities, and human rights abuses. In most cases, we will support resolutions asking companies to:

- Enhance disclosure on all aspects of land appropriation and use in operations and in the company's supply chain;
- Adopt policies to ensure crops (i.e., palm, sugar, etc.) are grown sustainably;
- Report on risks related to deforestation, especially in the company's supply chain; or
- Eliminate deforestation and related human rights issues from company operations and in the company's supply chain.

5d. Supply Chains

Companies have influence over, and responsibility for, their supply chains and vendors and should use their influence to encourage improved practices and greater disclosure from all partners. We will generally support resolutions asking companies to:

- Engage vendors to raise standards rather than terminate contracts (though termination may be necessary if engagement proves to be ineffective);
- Report on potential and actual human rights risks of its supply chain and the human rights risks assessment process;
- Report on and implement policies and programs to address human trafficking in the supply chain;
- Adopt a policy to eliminate migrant worker recruitment fees and require supply chain verification;
- Report on and strengthen efforts to ensure the supply chain is free of forced labor, bonded labor, and child labor;
- Extend codes of conduct to vendors, franchisees, licensees, and agents that market, distribute, or sell the company's products or services;
- Implement or cooperate with independent monitoring programs to monitor supplier compliance with codes;
- Report on its supply chains' impact on deforestation and associated human rights risks;
- Monitor and report on supply chains' environmental records;
- Extend the principles of representation, diversity, nondiscrimination, and decent work described above to vendors and partners;
- Study, adopt, or implement consumer product safety policies and programs in the supply chain;
- Study, adopt, or implement workplace safety policies and programs in the supply chain; or

- Examine the practices of agricultural product suppliers and implement the principles of environmental stewardship, animal welfare, human health, decent work, and community impact described above.

6. Voting in Non-US Markets

6a. Consistency & Best Practices

The general principles guiding our proxy voting practices apply globally, and we will seek to apply these guidelines consistently in all markets. However, there are significant differences between the U.S. and other markets that may require us to modify the application of these guidelines for certain non-U.S. markets. Our policies will serve as the baseline, but where local best practices exceed our policies, we will apply the higher standard. In cases where our guidelines do not address specific issues, we will follow Glass Lewis' recommendations.

6b. Availability of Information

The availability of information necessary to make informed voting decisions varies widely in non-U.S. markets. It is common for European companies, for example, to seek shareholder approval of company financial statements. In many cases, however, companies fail to provide their financial statements in a timely manner. Although this is considered a "routine" matter, where we are being asked to approve a report that has not been received, we will vote against the proposal.

Where we are being asked to vote on an item for which we have insufficient information to apply our guideline (such as auditor independence), we will abstain, unless it is clear market practice in that country to provide the required information, in which case we will vote against the proposal. As stated below, where we cannot determine the independence of a director, we will assume that director is not independent.

We will oppose any proposal asking for approval of a financial statement when the statement has not been provided for review.

6c. Election of Directors

We strongly believe that directors should be elected individually.

In other countries, where it is common practice to bundle these proposals, we will vote against the entire slate if we have reason to oppose any individual director, for example, an individual non-independent director sits on a key committee or if the board does not include any women.

Due to the difficulty of obtaining information about the background of directors at non-U.S. companies and in consideration of the local context, we will not consider race when applying our board diversity guideline to foreign companies. We will oppose nominating committee members when the board slate is not comprised of at least 30% women.

In all markets, we will vote against the election or reelection of any director whose name is not disclosed. Where information is not provided to determine the independence of the director, we will assume the director is not independent. Where the board does not include an audit or remuneration committee, we will assume the entire board serves in that capacity. We will vote against any non-independent directors.