Loring, Wolcott & Coolidge Trust, LLC

Proxy Voting Guidelines

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Table of Contents

1. Introduction 4
1a. Our Process 4
1b. Transparency 5
2. Governance 6
2a. Board of Directors 6
2a-1. Characteristics of Effective Individual Directors 7
2a-2. Responsibilities of the Board 8
2a-3. Board Independence 9
2a-4. Audit Committee 13
2a-5. Board Diversity 14
2a-6. Board Effectiveness, Accountability, and Performance 15
2a-7. Board Structure 17
2b. Shareholder Rights 18
2b-1. Proxy Access 18
2b-2. Dual Class Voting Structures 18
2b-3. Vote Counting 19
2b-4. Approval Rights 20
2b-5. Accessible Shareholder Meetings 20
2c. Executive Compensation 20
2c-1. Components of Executive Compensation 21
2c-2. Voting Recommendations Related to Executive Compensation 24
2d. Other Compensation Matters 25
2d-1. Other Compensation Plan Features 25
2d-2. Non-Executive Director Compensation 27

2d-3. Employee Equity Plans....27
2d-4. Compensation-related Accountability....28
2e. Corporate Structure....29
2e-1. Corporate Structure Considerations....29
2e-2. Mergers and Acquisitions Considerations....29
2e-3. Takeover Defenses....30
2e-4. Capital Structure....31
2e-5. Contested Elections....31
2f. Corporate Taxes and Tax Havens....32
2g. Public Policy....32
2g-1. Corporate Election Spending....33
2g-2. Lobbying and Values Congruence....33
2g-3. Disclosure and Oversight....33
3. Environmental & Social....35
3a. Fossil Fuel Use....35
3a-1. Climate Change....35
3a-1a. Carbon Accounting, Targets, and Reporting....36
3a-1b. Transition Planning and Risk Assessments....36
3a-1c. Governance Issues....37
3a-1d. Carbon Financing....38
3a-2. Plastics and Toxic Chemicals....38
3b. Land Use....40
3b-1. Procurement and Deforestation....40
3b-2. Industrial Agriculture....40
3b-3. Animal Welfare....41
3c. Water Use....41
3d. Waste Management....42
3e. Decent Work and Diversity....42
3e-1. Workforce-Related Disclosure....43
3e-2. Workforce-Related Governance....43
3e-3. Income Inequality and Comprehensive Benefits....44
3e-4. Diversity, Equity and Inclusion....44
3e-5. Working Conditions....44

3f. Human Rights 45
3f-1. Human Rights Policies 45
3f-2. Trafficking and Labor Standards 46
3f-3. Indigenous Rights 46
3f-4. Repressive Regimes and Conflict Zones 46
3g. Societal and Human Rights Impacts of Technology 47
3g-1. Policies and Practices 47
3g-2. Governance 47
3h. Supply Chains 48
4. Voting in Non-US Markets 49
4a. Consistency & Best Practices 49
4b. Availability of Information 49
4c. Election of Directors 50

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 partners of Loring, Wolcott & Coolidge Fiduciary Advisors ("LWC") recognize the voting of shareholder proxies to be a central component of our responsibilities to clients.

As such, we have retained proxy voting responsibilities for client non-retirement accounts. Consistent with our investment philosophy of buying and holding the equities of high-quality, global growth companies, we generally support initiatives that enhance corporate accountability, increase transparency, and protect or expand the rights of shareholders. We believe the positions taken in our Proxy Voting Guidelines ("Guidelines") are in our clients' best interests as long-term shareholders. If a client believes their interests conflict with our Guidelines, the client may contact us to discuss voting their shares separately. A copy of the Guidelines or information about proxy votes for clients is available upon request.

1a. Our Process

The Proxy Voting Committee of Loring, Wolcott & Coolidge ("Committee") is responsible for reviewing, updating, and overseeing the Guidelines and for monitoring and advising the proxy voting process.

The Guidelines are updated on an annual basis and approved by LWC. The votes are executed by the LWC Proxy Administrator ("the Proxy Administrator"). LWC has retained Glass, Lewis & Co. ("Glass Lewis") to provide research, voting, and reporting services for the proxies it receives on behalf of LWC clients in accordance with our Guidelines.

While we seek to ensure our Guidelines are comprehensive, they are only intended to provide general guidance on voting. We closely examine the merits of each vote, and, in certain cases, our actual vote may vary from the position taken in the Guidelines. Similarly, we may abstain or vote against a proposal for specific reasons, including in cases when we may agree with the principle it seeks to advance. Further, we may encounter resolutions that are not covered by our specific recommendations or the spirit of our Guidelines. When such resolutions arise, they are

referred by the Proxy Administrator to the Proxy Voting Committee, to be decided on a case-by-case basis.

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. Therefore, we apply a broad definition of materiality, one that includes—but also goes well beyond—a strict interpretation of financial reporting. More specifically, we support robust reporting of environmental and social information. As such, the theme of enhanced transparency and disclosure—and our support for improvements in these areas—will recur throughout these Guidelines.

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 thoroughly explain adjustments made to GAAP results, with particular attention to equity compensation and cashflow from operations.

In order to effectively assess publicly available information, we rely on clear, comparable, and comprehensive reporting on a company's social and environmental footprint. Companies that align their disclosure with industry standards (e.g. "TCFD," the Task Force on Climate-related Financial Disclosures), voluntary disclosure frameworks (e.g. CDP, formerly Carbon Disclosure Framework) and science-based scenario analysis, (e.g. "SBTi," the Science-Based Targets Initiative) assist us in evaluating material risks and opportunities arising from social and environmental issues.

In general, we support resolutions that expand or enhance transparency around material topics. Examples 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 (e.g. EEO-1 reports filed with the

federal government, which provide a demographic breakdown of a workforce broken down by race and sex);

- Integrating environmental and social metrics and targets alongside financial ones into management decision-making and standard reports;
- Promoting efforts to thoroughly disclose all elements of executive compensation annually, as well as a discussion of any modifications made to an executive's pay;
- Disclosing science-based greenhouse gas ("GHG") emissions reduction targets and integrating them into management decision-making and standard reports;
- Publishing sustainability reports or integrated reports in accordance with established frameworks; and
- Disclosing results of assessments conducted by objective third-parties on any environmental, social and/or governance issue (e.g. racial equity audit).

2. Governance

Good corporate governance serves to enhance the effective deployment of shareholder capital, which ultimately contributes to 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.

In most markets where we vote, governance topics represent the vast majority of ballot items we evaluate. For example, how a company's board is structured, who has a voice at the table, how boards recruit, retain, and plan for the departure of key executives, and who has oversight and accountability for risk management are all important governance issues which impact shareholder value. We closely examine these and other characteristics when determining the appropriateness of the personnel, policies, and practices to address risks.

We depend on companies to provide thorough disclosure of their corporate governance practices to have the information necessary to fulfil our fiduciary duties to vote our clients' proxies.

2a. Board of Directors

The keystone of effective corporate governance is an independent and engaged board of directors, elected by shareholders and responsive to their input. As shareholders, we rely on our

board representatives—in their individual capacity, committee roles, and as an entire board—to exercise sound judgement and make informed decisions that affect a company's long-term performance, including how it navigates environmental and social risks. Individual directors must possess the necessary characteristics to enable a board to carry out these duties.

2a-1. Characteristics of Effective Individual Directors

Independent

Directors' loyalty should be to shareholders and the company. Specifically, the board as a whole has a duty to represent the interests of shareholders who are not affiliated with the company. A board must not be beholden to key insiders. A significant majority of the board should be independent using the definition articulated by the New York Stock Exchange rules[1] or similar listing standards.[2] 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. Board members should retain unfettered access to management in order to stay apprised. Additionally, directors should review a wide range of independent sources to further their understanding of company operations and context, and not rely solely on information provided by management. A well-constituted board typically will have a subset of directors with professional experiences directly related to the company's business. However, boards should recognize that some of the best ideas, insights, and contributions can come from directors whose 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.

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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/09013e2c85c00744?searchId=2122043895*

[2] *See, e.g.*, Nasdaq listing requirements Rule 5605 (2020), available at https://listingcenter.nasdaq.com/rulebook/nasdaq/rules/nasdaq-5600-series.

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 (including sustainability-related programs and policies), and important legal and regulatory issues.

Diverse

Directors should have complementary and diverse perspectives, skillsets, 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") and in some cases, other Named Executive Officers ("NEOs") report 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 company. To this end, the board is responsible for overseeing the following:

- Evaluation, compensation, and succession planning for executives;
- 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 sustainability issues, including environmental, social, and governance performance; and
- Addressing and/or implementing shareholder resolutions and key shareholder concerns.

Oversee Chief Executive Officer and Executives

Even when CEOs or other company executives serve on their own boards, independent directors must retain sole responsibility for designing and disclosing all elements of the incentive-based compensation program for the CEO and NEOs, and reviewing their performance against pre-established targets. 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 NEO compensation is equitable and provides a proper incentive structure. The board is also responsible for CEO and director succession planning. Such planning and transition timelines should be disclosed to shareholders and include mechanisms for shareholder input.

Oversee Social and Environmental Risks and Opportunities

Environmental and Social ("E&S") impacts can be disruptive and materially affect financial performance, as well as provide market and growth opportunities. We believe the board must fully embrace oversight of E&S topics, including human rights, climate change and other environmental sustainability topics, and equity and diversity. We will assess individual director responsibility for E&S issues on a case-by-case basis and, in egregious cases, may extend our expectations to executive directors as well. We will generally support resolutions that ask the board to incorporate E&S oversight, including by:

Nominating directors with expertise in relevant E&S issues;

- Establishing a standalone board committee dedicated to overseeing material E&S issues, risks, and opportunities;
- Disclosing an existing committee's responsibility and oversight for E&S issues, risks, and opportunities;
- Incorporating E&S reporting into the annual report; and
- Publishing a standalone report on an E&S issue.

2a-3. Board Independence

Director Evaluation and Tenure

We support a robust director evaluation process and ongoing board refreshment in order to ensure an independent and effective board. 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 one another on an annual basis, overseen by the independent chair or lead independent director and disclosed to shareholders. Re-nomination should be contingent upon meeting these expectations.

We consider a company's corporate governance documents, the extent of a board's disclosure, and the communication of its leadership to determine whether a company has the latitude and the fortitude to replace any and all ineffective directors. As such, we will generally support resolutions that strengthen board evaluation processes and enhance disclosure.

Board refreshment should always be considered to ensure that the board's skillset and perspectives remain relevant 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, committee structure and assignments, or leadership 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. If boards grant directors an exemption from their mandatory retirement policies, their reasoning should be disclosed fully, and directors should not be re-nominated for more than two years under this exemption. 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 independent 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

We believe that a significant majority of directors should be independent and will oppose slates of directors without at least a majority of independent directors. Further, we believe that a company should aim to have its board comprise at least two-thirds independent directors and will, on a case-by-case basis, oppose non-independent directors if this standard is not met. 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

Board committees are often the primary instrument through which the board carries out its responsibilities. 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, oversight responsibilities, and current members of each committee.

Key committees—including the audit, nominating, governance, and compensation committees—hold a great deal of influence, and therefore the board's independent leadership, not the CEO, should appoint committee members and chairs. Membership in key committees should be limited to unquestionably independent directors, and most key committee meetings should be held with only those members present. We will generally oppose the election of non-independent directors if they serve on key committees. If any key committees lack a minimum of three members or failed to meet during the year in review, we may oppose the relevant directors, up to and including the entire board.

[3] *See* Glass Lewis & Co., 2024 Policy Guidelines (2023), pg. 13 *available at* https://www.glasslewis.com/wp-content/uploads/2023/11/2024-US-Benchmark-Policy-Guidelines-Glass-Lewis.pdf.

Further, we will oppose the election of any director who sits on the compensation committee while they currently serve as either the CEO or Executive Chair 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

We believe that, in most cases, boards should be chaired by an independent director, and while different board leadership arrangements may be permissible under certain circumstances, specific board leadership responsibilities must be held by an independent director, and not by executive directors or other affiliated individuals. The board chair guides the culture of the board itself and has the distinct responsibility of leading, convening, and supervising its membership.

The board chair plays a central role in overseeing the CEO, who often reports to the board via the chair. This vital feedback loop is impaired when the CEO is also the board chair, or when the board chair retains key management responsibilities, as is often the case for an Executive Chair. Consequently, we strongly prefer an independent board chair—not the current or former CEO—which is considered a more robust corporate governance practice.[4] Following a CEO transition, we do not believe it is necessary or appropriate for a former CEO to serve as Executive Chair beyond a reasonable window of two years. Furthermore, we will generally support resolutions requiring that the board chair be independent through the adoption of a policy or amendment of governance documents as necessary.

If the roles of CEO and chair are combined or the company has an Executive Chair, we expect that the independent directors will nominate a lead independent director whose responsibilities include, but are not limited to, all of 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. While many companies have an independent lead or presiding director who performs many of the same functions of an independent chair (e.g., setting the board meeting agenda), we do not believe this alternate form of independent board leadership provides as robust protection for shareholders as an independent chair." Glass, Lewis & Co., 2023 Proxy Paper Guidelines (2022), *available at* https://www.glasslewis.com/wp-content/uploads/2022/11/US-Voting-Guidelines-2023-GL.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 input of independent directors is reflected in board meeting agendas;
- Guiding the annual board self-assessment;
- Guiding the board's consideration of NEO 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 registered independent 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 thorough 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 the auditor in the previous year;
- The auditor requires the company to sign an arbitration agreement; or
- The audit contract included an alternative dispute resolution or 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 varied expertise, skillsets, backgrounds, perspectives, and experiences. Further, we believe that gender, race/ethnicity, culture, age, and geography, among other attributes, enhance a board's diversity of expertise, perspectives, and experiences. 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 a more diverse board can support more diverse representation at the executive level, which in turn strengthens company-wide efforts to recruit, retain, and promote the most talented, effective employees.

In the long term, we expect all boards to reflect the gender and racial/ethnic diversity of society. We expect companies to commit to having a racially/ethnically and gender diverse slate of candidates in every new director and executive candidate search. We further expect all companies to disclose the self-reported gender and race/ethnicity of individual directors and NEOs.

In fulfillment of these expectations, we will generally vote in the following manner:

- For all companies, we will generally oppose incumbent directors on the nominating committee when the board does not have at least 33% gender diverse nominees;
- At all holdings of U.S. domiciled companies, we will generally oppose incumbent directors on the nominating committee:
    - Failing to put forth a slate of nominees composed of at least 33% people of color,[5] with particular attention paid to communities typically underrepresented in corporate America;
    - When the self-reported gender and race/ethnicity of individual directors is not disclosed.
- When applying the gender and racial/ethnic diversity expectations articulated above, we will give consideration to new candidates, whether a diverse slate commitment or goal is

[5] For these purposes, "people of color" includes individuals who self-identify in one or more of the following groups: (i) Black or African American; (ii) Hispanic or Latinx; (iii) Asian or Asian American; (iv) Native Hawaiian or Pacific Islander; (v) American Indian or Alaska Native, having origins in one of the original peoples of North America; (vi) Arabic or North African; (vii) Middle Eastern; and (viii) Two or More Races or Ethnicities, having a mixed racial or ethnic heritage. Companies may report based on similar self-identified racial/ethnic categories.

in place, and the gender and/or racial/ethnic diversity of the committee's incumbent members, in casting our vote.

Companies should have policies and practices in place to ensure an equitable workplace and support a culture that values and prioritizes diversity of all kinds. To this end, we will generally support resolutions that request:

- Disclosure of the self-identified racial/ethnic and gender diversity of individual board members and executives (such as EEO-1 data);
- Disclosure of gender and racial/ethnic diversity considerations within governing documents, such as the nominating committee charter;
- Inclusion of racially/ethnically and gender diverse candidates in director and executive searches;
- Independent racial equity or civil rights audits, which typically evaluate board and executive diversity against the demographics of key stakeholders such as customers and employees, and may recommend, among other actions:
    - Disclosure of policies, processes, and goals to foster a more equitable workplace, including progress toward diversity objectives, and impediments to achieving them;
    - Broadening the range of backgrounds and qualifications for director searches beyond those typical of corporate management, including input from other stakeholders, such as the company's own non-executive employees; or
    - Aligning a company's commitment to diverse leadership representation with related operational objectives, such as suppliers, employee recruitment, and other areas.

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

Directors have a duty to represent the interests of shareholders. We hold directors accountable for their individual performance and the decisions they make as members of key committees. We believe that the board should take meaningful action whenever a significant percentage of unaffiliated shareholders vote contrary to the recommendations of the board and management, as addressing shareholder feedback is a primary board responsibility.

As shareholders, one of the main ways to deliver feedback is to oppose director nominees if we believe they are not fulfilling their individual or committee responsibilities. In addition, if our proxy advisor (Glass Lewis) identifies significant concerns and recommends that shareholders oppose an individual director, we will generally do so. On a case-by-case basis, we will oppose individual directors, committee members, or the entire board if the board fails to:

- Take meaningful action on a shareholder resolution that was approved by a significant percentage of votes cast;
- Address an issue(s) that caused significant shareholder opposition at the previous meeting; or
- Ensure fiduciary responsibility, transparency, and risk oversight, including environmental and social risks.

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;
- 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 and governance committee members who:

- Nominate a slate of candidates lacking gender or racial/ethnic diversity (see "Board Diversity");
- Fail to fully disclose directors' potential conflicts of interest; or
- Nominate an individual who did not receive support from a majority of voting shareholders in the prior election.

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, including executive directors. We generally oppose resolutions to adopt exculpatory provisions for officers, which functionally insulate corporate officers from shareholder claims of negligence and breaches of their fiduciary duty of care.

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 seeking 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, with special attention to the impact a change in board size could have on board diversity.

Annual Election of Directors

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. When a board is classified, we will consider on a case-by-case basis whether to oppose the nominees who are up for election in a particular year. For example, if the director(s) responsible for a practice we determine to be problematic are not up for re-election that year, we may choose to vote against those directors who are.

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 proxy access, a shareholder's ability to nominate directors to appear on the ballot. If a Company has not yet established this right, we generally support proxy access resolutions with the following provisions: (i) an ownership requirement of not more than 3% of the voting power; (ii) a holding requirement not longer than 3 years of continuous ownership for each member of the nominating group; (iii) an unlimited number of shareholders permitted to form a nominating group; and (iv) the ability of shareholders to nominate a maximum of 2 directors or 25% of the board, whichever is greater. If a resolution seeks to amend a company's existing proxy access bylaws, we will determine on a case-by-case basis whether the amendment would result in a meaningful improvement in shareholder rights.

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 with unequal voting rights. We support proposals to recapitalize multiple share classes in a way that would afford shareholders voting power commensurate with their economic interest.

If a company's initial public offering ("IPO") or other public listing established unequal voting rights, we expect the governance committee to disclose specific sunset provisions which would unify the rights of one vote per share within five years, or upon a preestablished trigger.

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 a simple majority should be the standard for most matters 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.

A simple majority election method is also best practice in uncontested director elections. If a director does not receive the support of a majority of voting shareholders, that director should not be nominated at the following annual general meeting. The alternative—the plurality election method in which a director only needs to receive more votes than a competing nominee to be elected—is acceptable only in contested director elections. We will support 'true majority' proposals, consistent with our expectation that directors must secure a majority of voting support in order to continue serving on the board.

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.

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

Accessibility is an important element of board accountability. When boards unilaterally limit shareholder participation, we may take those actions into account when voting. In addition, shareholders have the right to carry out actions without waiting for a scheduled meeting or facing restrictions. As such, 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 has long been a widely debated topic among shareholders and proxy advisors. We believe the pay gap between the highest paid executives and the typical employee is unsustainable for companies as well as the economy and society: it is costly to a company's reputation and undermines a motivated and engaged workforce, while the associated rise in economic inequality slows economic growth and invites regulation. In egregious situations, compensation can rise to such levels that shareholders are diluted or investment in a company is diverted to pay executives.

In 2023, Equilar and the Associated Press reported that median total compensation for CEOs in the S&P 500 included in their study totaled $14.8 million, a modest annual jump following two

years with record high increases.[6] Bloomberg reported in 2021 that "the number of issued CEO awards worth at least $25 million has grown four-fold since 2016."[7] Further, according to the Economic Policy Institute, the inflation-adjusted pay of a typical worker in the United States grew by a total of 15.3% from 1978 to 2022, while the pay of a typical CEO grew 1,209%.[8]

The widening chasm in pay between the highest paid executives and typical workers has been driven by several factors, including the growth in stock-based compensation for executives.[9] As a result, we believe this warrants a re-assessment of the outsize role that variable compensation (i.e. annual bonuses, as well as multiple forms of equity in awards) plays in the current model.

In the United States, shareholders have been able to provide feedback on executive compensation through an advisory vote (also referred to as "Say-on-Pay") for more than a decade. We always support an annual frequency of this vote. Given the many elements of executive compensation, companies have a duty to engage shareholders, articulate their philosophy and plan, and address the results of the advisory vote.

At every annual meeting, shareholders can register feedback on executive compensation by: (1) opposing "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. At special meetings, we consider compensation-related issues on a case-by-case basis.

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 also believe that total compensation should be set within the context of the company's workforce as a whole and expect the compensation committee to consider the company's overall human capital management strategy, and worker pay in

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[6] CEO Pay Study 2023", Equilar & Associated Press (May 31, 2023), *available at* https://www.equilar.com/reports/101-equilar-associated-press-ceo-pay-study-2023

[7] Anders Melin, "Highest Paid U.S. CEOs: Elon Musk's Outrageous Moonshot Award Catches on Across America", Bloomberg (August 4, 2021) *available at* https://www.bloomberg.com/graphics/2021-highest-paid-ceos/.

[8] Josh Bivens & Jori Kandra, "CEO pay slightly declined in 2022", Economic Policy Institute (September 21, 2023), *available at* https://www.epi.org/publication/ceo-pay-in-2022/

[9] Ibid.

particular, when setting target compensation for executives. We will apply additional scrutiny to one-time awards.

Further, the rise in executive compensation levels has been driven primarily by the variable components of pay packages (generally equity and performance-based components). This shift has also made compensation plans increasingly complicated to decipher. [10] To address both the upward spiral in total awarded pay and growing complexity of incentive designs, we believe that compensation committee members should pay closer attention to the mix of variable and fixed components, and in most cases make efforts to simplify compensation plans.

Pay-for-Performance and Metrics

We believe that all compensation plans should address long-term performance over at least a five-year time horizon, and any performance hurdles should align the interests of management with those 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 quantifiable non-financial performance metrics in the awards to all NEOs. 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. 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.

[10] Kevin J. Murphy and Michael C. Jensen, "The Politics of Pay: The Unintended Consequences of Regulating Executive Compensation," USC Gould School of Law Center for Law and Social Science (April 18, 2018), pg. 15.

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;
- Threshold, target, and maximum awards 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. Modifications to in-flight performance-based awards should be fully explained. We scrutinize whether changes to a compensation plan's design serve to increase the rigor of the plan, and may vote to oppose a compensation package or members of the compensation committee if they loosen thresholds, lower targets, or make award payouts easier for NEOs to achieve.

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;
- Discretionary stock awards should not be payable based solely on attainment of tenure requirements;

- Upon change-in-control, unvested equity should not accelerate; 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 threshold, target, and maximum performance hurdles and associated award amounts;
- The distribution, and vesting or holding requirements;
- Grant timing; and
- Disclosure, including equity stock ownership guidelines, on an annual basis.

2c-2. Voting Recommendations Related to Executive Compensation

In most cases, we will vote against Say-on-Pay 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".[11]

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 NEO exceeds that of the S&P 100 median;[12]

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[11] Glass Lewis applies a letter grade to compensation packages relative to a company's peers, using a proprietary methodology developed in partnership with CGLytics that considers both country-based and sector-based peers, and also incorporates each company's self-disclosed compensation peer group. Each component of pay and performance is considered on a weighted basis and is subject to size-based ranking and screening. Pay-for-Performance ("P4P") grades reflect the relationship between a company's percentile rank for pay and its percentile rank in performance. "A" and "B" are underpaying executives; "C" means the gap between compensation and performance rankings is not significant; "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.

[12] Using Bloomberg data as of 12/29/2023, this value was approximately $21.7M.

- The average total compensation of all named executives exceeds that of the S&P 100 median;[13]
- The ratio of the highest-paid NEO's total compensation to the average NEO total compensation exceeds that of the S&P 100 median;[14]
- The previous Say-on-Pay vote received support below that of the S&P 100 median (excluding non-votes and abstentions);[15] and
- Frequency of the Advisory Vote on Executive Compensation proposal is anything other than one year.

In the future, as data availability improves, we expect to apply additional scrutiny during voting to whether long-term equity award time horizons meet or approach our expectation of a minimum of five years.

2d. Other Compensation Matters

2d-1. Other Compensation Plan Features

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.

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[13] Using Bloomberg data as of 12/29/2023, this value was approximately $10.7M.
[14] Using Bloomberg data as of 12/29/2023, this value was approximately 2.0x.
[15] Using Bloomberg data as of 12/29/2023, this value was approximately 91.9%.

Option Re-pricing and Exchanges

Stock-option exchanges allow employees—typically high-level employees—to trade nearly worthless options 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 types 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 apply additional scrutiny to single- or modified single-trigger cash severance and single-trigger acceleration of unvested equity awards.

2d-2. Non-Executive 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 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 $300,000 per year[16];
- 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; and
- Director stock ownership guidelines and holding requirements should be in place to ensure directors' interests are aligned with those of shareholders.

2d-3. 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

[16]According to Spencer Stewart, the average total compensation of S&P 500 directors is $321,220 therefore, paying more than the average is inadvisable. "2023 S&P 500 Compensation Snapshot," Spencer Stewart, August 2023, available at: https://www.spencerstuart.com/-/media/2023/august/2023compsnapshot/2023-sp-500-compensation-snapshot.pdf.

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 consist 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-4. Compensation-related Accountability

Compensation Committee

In order to make informed decisions, 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 hold the position of CEO at 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. Corporate Structure

2e-1. Corporate Structure Considerations

In addition to the many avenues discussed in these guidelines, converting to a public benefit corporation is an additional way to integrate stakeholder interests into the management of a company. We will generally support resolutions calling for a study or report on such a conversion, and will consider on a case-by-case basis proposals to convert to a public benefit corporation, 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.

2e-2. Mergers and Acquisitions 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 capital;
- The acquiring company's history of acquisitions;
- Resulting levels of industry concentration; and
- Conflicts of interest.

2e-3. 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 anti-takeover 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-4. 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. All changes to a company's equity plan must specify voting, conversion, dividend distribution, and other rights. We evaluate proposals to authorize a company's equity issuance and/or repurchase on a case-by-case basis, including but not limited to its potential dilution, the company's use of stock-based compensation, the length or scope of this authority, and whether there is already a large amount of stock authorized but not issued, which could indicate a takeover defense.

We do not support plans containing so-called 'evergreen' equity provisions which obviate the requirement for companies to seek shareholder approval of future changes to the capital structure. Nor do we support plans involving the creation of blank check preferred stock, that is, stock with a fixed dividend and preferential claim on company assets relative to common shares with terms, including voting, dividend, and conversion rights, that are set at a later date without any further shareholder approval.

2e-5. 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 individual 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 and Tax Havens

Globally tax havens collectively cost governments between $500 billion and $600 billion in lost tax revenues annually.[17] By one measure, U.S. multinationals shift about 25-30% of gross profits into tax havens, a sharp increase from an estimated 5-10% in the 1990s.[18] This increase in the use of tax havens creates meaningful financial risk for companies as attention to the issue from governments and international organizations grows. As a result, we believe tax policies and practices must be disclosed so investors can assess the magnitude of risk. We will generally support resolutions asking companies to:

- Report in accordance with the Global Reporting Initiative Standard on Tax and Payments to Governments, which promotes country-by-country reporting;
- Adopt and disclose a set of principles to guide tax practices, including consideration of the impact of tax strategies on local economies and government services from which the company benefits;
- Conduct an assessment of financial and reputational risks and report findings;
- Review alignment between tax strategies and stated values or sustainability goals; or
- Report on policies that are in place to safeguard against the provision of financial services for corporate or individual clients that enable capital flight and result in tax avoidance.

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.

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[17] Nicholas Shaxon, "Tackling Tax Havens," Finance & Development Vol. 56 No. 3, IMF, September 2019, pg. 7 *available at* https://www.imf.org/external/pubs/ft/fandd/2019/09/tackling-global-tax-havens-shaxon.htm

[18] Nicholas Shaxon, "Tackling Tax Havens," Finance & Development Vol. 56 No. 3, IMF, September 2019, pg. 8 *available at* https://www.imf.org/external/pubs/ft/fandd/2019/09/tackling-global-tax-havens-shaxon.htm.

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 and Values Congruence

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 always 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 and stated policy positions of individual member companies. 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 spending, 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.

We believe that it is important for all companies to disclose policies and practices around lobbying positions and their processes to influence public policy. Therefore, we will generally 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;
- All memberships in and payments to any tax-exempt organizations; or
- Provide 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 (including name(s) and title(s) of the individuals responsible) 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 refraining from making political contributions.

3. Environmental & Social

Over the last three proxy seasons alone (2021-2023), shareholders have filed approximately 1,750 resolutions related to environmental, social, and sustainable governance issues.[19] Over 600 proposals were filed in each of the last two years, the highest levels ever.[20] Climate change and corporate political influence remain the largest categories, followed by human rights, decent work, health and diversity topics.[21]

In general, we believe that companies must incorporate the impacts on all stakeholders—including but not limited to shareholders—into decision-making. We believe this approach is in the long-term interest of shareholders: incorporating material environmental and social factors into corporate planning and strategy promotes long-term stability. Well-managed companies use natural resources responsibly, ensure that all members of the workforce are treated fairly, and provide transparency on these and other issues from operational impacts to political giving. As such, we typically support environmental and social resolutions that encourage improved disclosure and increased accountability.

In keeping with this "system-level" approach, we consider the interconnected nature of current crises when evaluating corporate action (or lack thereof) and voting on management resolutions, shareholder proposals, and director nominees.

3a. Fossil Fuel Use

3a-1. Climate Change

Climate change currently poses one of the largest threats to our planet and economy. One recent study estimated that inaction on climate change would reduce GDP by as much as $178 trillion over the next 50 years, whereas achieving net zero emissions in the same time period could increase GDP by $43 trillion.[22] As climate change forces us to reconfigure our lives and economies, we expect companies to adjust quickly, take responsibility for their contributions, and proactively seek climate change-related opportunities. The transition to a low carbon economy presents significant opportunities, and as such all companies should proactively

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[19] As You Sow, Proxy Impact, and Sustainable Investments Institute, "Proxy Preview 2023: Helping Shareholders Vote Their Values" (2023), and As You Sow, "Key Findings: Environmental & Social Issues in the 2023 U.S. Proxy Season" (July 27, 2023) *available at* https://www.proxypreview.org/review/2023-key-findings

[20] Ibid.

[21] As You Sow, Proxy Impact, and Sustainable Investments Institute, "Proxy Preview 2023: Helping Shareholders Vote Their Values" (2023).

[22] Pradeep Philip, Cedric Hodges, and Claire Ibrahim, "The Turning Point: A Global Summary" Deloitte (May 2022), *available at* https://www2.deloitte.com/content/dam/Deloitte/global/Documents/gx-global-turning-point-report.pdf.

integrate transition planning in line with Paris Climate Agreement[23] 1.5°C scenarios into their operations and strategy, and disclose these plans.

3a-1a. Carbon Accounting, Targets, and Reporting

We believe companies must report environmental information with the same rigor as financial information, and as such we will generally support resolutions requesting enhanced disclosure of material climate-related data and issues. More specifically, we continue to press for robust disclosure of a company's full carbon footprint across its value chain, and ask companies to set absolute, science-based emissions reduction goals in line with a credible 1.5°C scenario.

In general, we will support resolutions asking companies to:

- Separately disclose Scopes 1, 2, and 3 GHG emissions data;
- Respond to the CDP climate survey;
- Adopt both near-term and long-term absolute, science-based emissions reduction targets encompassing Scopes 1, 2 and 3, and ideally approved by the Science-Based Targets Initiative and in line with the Net Zero Standard;[24]
- Have all climate data formally audited and independently verified for accuracy;
- Disclose the use of carbon offsets, including details such as type and verification, as well as how offsets are being used in place of absolute emissions reductions;
- Report in accordance with the TCFD and related frameworks, or include climate-related information in mainstream reports, or prepare annual sustainability reports that include disclosure of all relevant data and quantifiable indicators.

3a-1b. Transition Planning and Risk Assessments

To credibly achieve a 1.5°C goal requires nearly halving absolute global emissions from 2010 levels by 2030, reaching net zero by 2050 or sooner.[25] Companies must provide thorough transparency of all such efforts, with an emphasis on *how* near-term, intermediate, and long-term targets will be achieved. In particular, we believe the transition to renewable energy should be

[23] The Paris Agreement. What is the Paris Agreement, United Nations Climate Change Conference, *available at* https://unfccc.int/process-and-meetings/the-paris-agreement

[24] A company's GHG reduction goals and interim targets can be independently verified for their alignment with credible 1.5°C pathways by the Science Based Targets Initiative ("SBTi"), the Partnership for Carbon Accounting Financials ("PCAF"), The Paris Agreement Capital Transition Assessment ("PACTA"), The Transition Pathway Initiative ("TPI"), the International Organization for Standardization ("ISO"), among others.

[25] Intergovernmental Panel on Climate Change Special Report, 2019, "Headline Statements from the Summary for Policymakers," *available at* https://www.ipcc.ch/site/assets/uploads/sites/2/2019/06/SR15_Headline-statements.pdf

achieved through methods that lead to the development of new renewable energy sources. We will generally support resolutions asking companies to:

- Provide a long-term impact assessment of a 1.5°C or net zero by 2050 scenario on the company's portfolio, operations, and business strategy;
- Report on the alignment of capital expenditure strategy with a credible 1.5°C scenario;
- Report on the impact of new technologies and public policy changes on operations and planning;
- Report on how energy efficiency and renewable energy goals contribute to absolute emissions reductions and the achievement of interim targets or net zero goals;
- Issue formally audited climate plans;
- Report on efforts to support a "just transition"[26], including how companies will help workers and communities affected by climate change and the transition to a low carbon economy; or
- Embrace measures to facilitate decarbonization, including accounting metrics in energy units and transition planning reflective of carbon asset risk, where applicable.

3a-1c. Governance Issues

We support governance-related resolutions that integrate the transition to a low carbon economy into the overall strategy of companies. Furthermore, we increasingly expect directors to assume responsibility for overseeing and improving the governance of this transition. Examples of resolutions we will generally support include those asking companies to:

- Align policy influence activities with a credible 1.5°C scenario;
- Submit climate transition plans to an advisory vote of shareholders ("Say-On-Climate") (we will evaluate transition plans put forward by shareholders or management on a case-by-case basis);

[26] Per the International Labour Organization (ILO), a "just transition" is "Greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind." See ILO, "Climate change and financing a just transition", *available at* https://www.ilo.org/empent/areas/social-finance/WCMS_825124/lang--en/index.htm

- Link and disclose some portion of executive compensation to quantifiable, climate-related indicators, such as completion of a full GHG footprint analysis, setting emissions reduction goals, or progress towards achieving emissions reduction goals; or
- Create a sub-committee of the board of directors dedicated to the company's policies and practices related to climate change.

3a-1d. Carbon Financing

While the urgency for accurate disclosure and robust planning transcends sectors, the role of banks, insurers and other financial institutions in addressing the climate crisis is significant, as are the potential impacts to these companies' businesses. Financial institutions must adjust their lending, investing, and insurance practices to be consistent with credible 1.5°C pathways.

In general, we will support resolutions asking:

- Banks and other financial services organizations to report on their financing or underwriting of carbon-intensive projects, such as those contributing to deforestation or to the exploration, extraction, and transportation of fossil fuels; or
- Banks and other financial services organizations to take action, such as setting absolute reduction targets for their financed or underwritten GHG emissions, and curtailing exposure to new fossil fuel development, consistent with credible 1.5°C pathways.

3a-2. Plastics and Toxic Chemicals

The modern chemicals and plastics industries are heavily reliant on fossil fuels, both as raw materials and given the energy intensive nature of production.[27]

3a-2a. Plastics

Plastic production is expected to triple by 2050, making the sector responsible for 15% of total estimated greenhouse gas emissions.[28] While the carbon intensive nature of plastic production poses a huge risk to both producers and users, it also offers opportunities. Plastic packaging—26% of the total and 95% of single-use—represents a lost value of $80-120 billion to the global

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[27] Joel Tickner, Ken Geiser and Stephanie Baima, "Transitioning the Chemical Industry: The Case for Addressing Climate, Toxics, and Plastics Crises" Taylor Francic Online, Volume 63 No. 6, *available at* https://www.tandfonline.com/doi/epdf/10.1080/00139157.2021.1979857?needAccess=true

[28] World Economic Forum, Ellen MacArthur Foundation and McKinsey & Company, The New Plastics Economy: Rethinking the future of plastics (2016).

economy that can be recaptured under a circular economy model.[29] In general, we will support resolutions asking:

- Adopt policies and programs embracing the principle of producer responsibility to keep plastic waste out of waterways;
- Set targets for the transition away from non-recyclable plastic packaging and materials;
- Report on the impact of certain practices, such as the use of single-use plastic bags or the release of plastic pollution into the environment;
- Report on reputational risks associated with the use of plastics in products and contribution to plastic pollution; or
- Strengthen policies and practices overseeing the management of plastic waste in the supply chain.

3a-2b. 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. Specific concerns include but are not limited to lead paint, nanotechnology, antibiotics, microbeads, and pesticides. We will generally support resolutions asking companies to:

- Set public, time-bound goals to address the company's chemical footprint;
- Adopt a hazard-based approach to proactively assess and reduce chemicals-related risks;
- Invest in safer chemicals, and report on plans to do so;
- Reduce the toxicity of known chemicals used in production and operations, and report on plans to do so; or
- Provide stakeholders with thorough transparency of the company's chemical footprint, including reporting to the Chemical Footprint Project.

[29] World Economic Forum, Ellen MacArthur Foundation and McKinsey & Company, The New Plastics Economy: Rethinking the future of plastics (2016).

3b. Land Use

3b-1. 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. Forests, especially virgin or old-growth forests, are the "lungs" of the world. Their destruction for forestry products or to make way for agriculture exacerbates climate change and increases human rights and environmental degradation risks. In general, we will support resolutions asking companies to:

- Report to CDP on forestry practices;
- Enhance disclosure on all aspects of land appropriation and land use in operations and in the company's supply chain;
- Adopt and/or enhance sustainable forestry practices, including the phasing out and eventual elimination of inputs from virgin or endangered forests;
- Report on risks related to deforestation, especially in the company's supply chain;
- Report on efforts to reduce GHG emissions from deforestation and land use in direct operations and the supply chain; or
- Develop comprehensive policies and implement plans to eliminate deforestation and related human rights risks from operations and the supply chain.

3b-2. Industrial Agriculture

Industrial agriculture has greatly contributed to the biodiversity crisis and deforestation, which has significant climate implications. Many industrial agricultural practices pose specific risks for companies, including supply chain vulnerability, reputational risks, and regulatory risks. In general, we will support resolutions asking companies to:

- Report on water quality risks associated with water use, including erosion, wastewater seepage, overflow, runoff, and use on fields;
- Adopt, implement, or strengthen policies to reduce water use and risks associated with water use;
- Adopt policies to ensure agricultural products (e.g. palm, sugar, soy, etc.) are grown sustainably, or to phase out their use if not;

- 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; or
- Report on efforts to ensure a company's agricultural supply chain is sustainable and to minimize deforestation or desertification.

3b-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.

3c. Water Use

The need for good stewardship of this critical, finite, natural resource is rapidly growing. 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 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.

3d. 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. 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;
- Make products more easily repairable, also known as the "right to repair";
- Increase disclosure around food waste; or
- Develop policies and programs to reduce food waste.

3e. Decent Work and Diversity

We generally support the concept of decent work as defined by the United Nations, including the notion that all workers—including company employees and contractors, as well as workers through the supply chain—deserve fair compensation or a "living wage".[30] This concept guides our voting on the specific topics mentioned below.

We believe investing in employees is good for business because it can help companies attract and retain talented employees, increase job satisfaction, and improve worker performance.[31] We believe that the decisions companies make about their workforces can impact systemic risks including income inequality and gender and racial inequalities, which have far-reaching, negative consequences for companies' long-term growth and for society as a whole. This

[30] Per the United Nations Sustainable Development Goals, "Decent work means opportunities for everyone to get work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration." https://www.un.org/sustainabledevelopment/wp-content/uploads/2018/09/Goal-8.pdf

[31] Marguerite Ward, Emily Bonta, "Zeynep Ton on Investing in Workers: Paying Workers Low Wages is Actually Very Expensive" Just Capital, July 19, 2023, *available at* https://justcapital.com/news/zeynep-ton-case-for-good-jobs-worker-investments-higher-returns-2023/

"system-level" understanding of the importance of decent work guides our voting on the specific topics mentioned below.

3e-1. Workforce-Related Disclosure

Because employees are a key corporate asset, we support improved disclosure of the make-up of a company's workforce and leadership, as well as the access of all groups to justice, advancement, and a safe working environment. We will generally support resolutions asking companies to:

- Disclose the self-identified race/ethnicity of board members, executive leadership, and senior management;
- Disclose equal employment opportunity ("EEO") data regarding diversity in the workplace and report on efforts to comply with federal EEO mandates;
- Disclose workforce turnover, retention and promotion rates by EEO-1 category;
- Report unadjusted median pay gaps across race and gender (to assess equal opportunity for the same role) and statistically adjusted pay gaps across race and gender (to assess pay discrepancies among individuals performing the same role);
- Report on policies and goals to address pay gaps based on gender and race; or
- Commit to and/or improve transparency around accident prevention metrics and policies.

3e-2. Workforce-Related Governance

Beyond the integration of sustainability issues into governance broadly, we believe that additional attention is needed for workforce-related issues. We will generally support resolutions asking companies to:

- Consider worker input in board and executive decision-making;
- Improve board oversight of workforce diversity, equity, and inclusion through the integration of these issues into board searches and recruitment, education, and board policies;
- Elevate the importance of human capital management reporting alongside financial reporting through improved disclosure of related issues; or
- Link executive compensation to broader employment relationships, taking into account the compensation earned by all classifications of workers.

3e-3. Income Inequality and Comprehensive Benefits

We believe companies should pay a living wage and provide comprehensive benefits to all employees. Generally, we will support resolutions asking companies to:

- Offer living wages and comprehensive benefits, including reproductive health and paid sick leave benefits, to all employees;
- Assign responsibility to the compensation committee to consider the company's overall human capital management strategy and worker pay, in particular when setting target compensation for executives; or
- Provide detailed information regarding benefits eligibility, whether temporary or full-time.

3e-4. Diversity, Equity and Inclusion

To be sustainable in the long-term, we believe companies should reflect society at large. We will generally support resolutions asking companies to:

- Report on efforts to increase board, executive, senior management, and workplace diversity, for example by disclosing a policy requiring women and minorities to be included in the initial pool of candidates;
- Assess the effectiveness of diversity, equity, and inclusion policies and practices;
- Report on how diversity and inclusion programs provide equitable opportunities for personal and professional development, and their impact;
- 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.

3e-5. Working Conditions

Safe and respectful working conditions—and the right to organize to improve conditions—have taken center stage in recent years. We generally support resolutions asking companies to:

- Protect the rights of freedom of association and collective bargaining;

- Report on the impact of health crises on workers' health and safety, as well as company actions to protect workers during a health crisis;
- Protect and strengthen whistleblower policies;
- Strengthen protections and recourse for victims of harassment and abuse, and improve disclosure of disciplinary actions (including mandatory arbitration), settlements, and use of concealment clauses;
- Report on risks associated with worker misclassification as contractors; or
- Improve disclosure regarding worker exposure to toxic chemicals and ensure recourse to cover health costs and lost wages.

3f. Human Rights

3f-1. Human Rights Policies

We expect companies to ensure human rights are protected throughout their operations and supply chains. Generally, we will support resolutions asking companies to:

- Conduct and disclose a human rights impact assessment;
- 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;
- Respect the right to healthcare, including reproductive healthcare; or
- Respect the human right to water, including the adoption of policies and programs to enhance access and affordability to safe drinking water and sanitation.

3f-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 50 million people are in some form of modern slavery.[32] 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.

3f-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.

3f-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:

[32] International Labour Organization (ILO), Walk Free, and International Organization for Migration (IOM), *Global Estimates of Modern Slavery: Forced Labour and Forced Marriage*, Geneva, 2022.

- 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.

3g. Societal and Human Rights Impacts of Technology

As technology plays a larger role in our daily lives, the societal implications and risks to both companies and individuals are increasingly urgent. Association with controversial or risky products and services are particularly significant as the use of artificial intelligence proliferates.

To mitigate and manage these risks, we believe that companies must respond with stronger policies and practices, increased transparency, and proper governance structures.

3g-1. Policies and Practices

We will generally support resolutions asking companies to adopt transparent policies and practices, including:

- Strengthen privacy policies and disclosure;
- Report on business risks and take action related to illegal or problematic content such as online child exploitation, hate speech, and false information;
- Report on policies and practices that support or undermine net neutrality and an open internet; or
- Report on how the company is managing direct or indirect human rights risks and the societal impacts of its technologies or operations.

3g-2. Governance

As more aspects of our lives are intermediated online, companies must have governance structures in place to manage the attendant impacts of the intended and unintended uses of technologies. We will generally support resolutions asking companies to:

- Improve board oversight by emphasizing human rights topics in director recruitment, board education, and board evaluation, through board and committee charters, and/or through the creation of a committee dedicated to societal risk oversight; or
- Create a C-suite level position and/or link executive compensation to internet and information security as well as the societal and ethical impacts of the business.

3h. 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.

4. Voting in Non-US Markets

4a. 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 generally follow Glass Lewis's recommendations.

4b. 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 Guidelines (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.

4c. 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, if an individual non-independent director sits on a key committee or if the board does not include any gender diversity.

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/ethnicity when applying our board diversity guideline to foreign companies. We will oppose nominating committee members when the board slate is not comprised by at least 33% 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.