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# NEW YORK STATE COMMON RETIREMENT FUND PROXY VOTING GUIDELINES

## About the New York State Common Retirement Fund

The New York State Common Retirement Fund (Fund) is the third largest public pension fund in the nation with invested assets valued at \$254.8 billion in assets (as of March 31, 2021) held in trust for the more than one million members and beneficiaries of the New York State and Local Retirement System (System) . The System is widely regarded as one of the nation's best-funded public pension plans.

## The Bureau of Corporate Governance

The role of the Bureau of Corporate Governance (BCG) is to identify and address environmental, social and governance (ESG) risks and opportunities that could enhance the long-term value of the CRF's investments. The CRF considers ESG factors in its investment process because they can influence both risks and returns. Assessing company and external manager performance with respect to ESG factors and encouraging both to embrace ESG best practices could help protect the long-term value of the CRF's investments.

The BCG's key programs and responsibilities include:

- Working with the Chief Investment Officer and investment staff in establishing, executing and updating the CRF's ESG Strategy.
- Establishing and updating the CRF's Proxy Voting Guidelines;
- Conducting proxy voting and engaging in active stewardship for the CRF's public equity holdings;
- Assessing and managing the CRF's investment restrictions;
- Supporting and facilitating the integration of ESG factors in the CRF's due diligence processes, investment decisions, and manager engagements; and
- Advocating for public policies that promote the stability, transparency and functionality of the overall economy and the financial markets.

## **Environmental, Social, and Governance (ESG) Strategy<sup>1</sup>**

The CRF's Investment Philosophy requires the consideration of ESG factors in its investment process because they can influence both risks and returns. A thriving economy, efficient markets and the adoption of best practices with respect to ESG issues by portfolio companies can help ensure the long-term value of the Fund's investments.

The Corporate Governance Program focuses on key ESG factors, which the Fund believes pose material risks and create opportunities for its portfolio companies. These factors include:

Environmental: climate risks and opportunities; natural resource and raw material usage; and pollution and waste management.

Social: human capital management; labor relations; human rights; health and safety; diversity, equity and inclusion; supply chain labor standards; privacy and data security; product safety and quality; and community impact.

Governance: risk oversight; board governance practices; director qualifications and diversity; corporate strategy and capital allocation; executive compensation; and lobbying and political spending.

## **Public Equity Portfolio Companies – Principles and Practices**

As a long-term owner that invests across all sectors of the economy, the Fund works to promote sound ESG practices at the companies in its public equity portfolio through active ownership. At the center of the Fund's ESG investment philosophy is the belief that high-performing, diverse boards of directors, good governance, and prudent management of environmental and social factors provide the foundation for sustainable long-term company success.

Underlying all of the Fund's engagement activities is a commitment to active ownership: using the Fund's voice and votes to mitigate risks can support the long-term success of its portfolio investments. The Fund's public company engagement activities take various forms, including proxy voting, shareholder proposals, written correspondence, investor statements, press strategies and direct dialogue. These efforts have resulted in many important company actions, commitments and disclosures, which can enhance and protect the long-term value of the Fund's investments.

## **ESG Expectations for Public Equity Portfolio Companies**

The Fund expects companies in its public equities portfolio to identify ESG-related risks and opportunities, and to integrate ESG considerations into their long-term business strategies. The Fund looks to companies' board of directors to provide leadership and oversight of the management of ESG issues, policies and strategy. Additionally,

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<sup>1</sup> <https://www.osc.state.ny.us/common-retirement-fund/corporate-governance?redirect=legacy#:~:text=the%20New%20York%20State%20Common%20Retirement%20Fund%27s%20ESG%20Strategy.>

companies should have strong internal leaders and support from senior management to drive ESG performance improvements.

The CRF also expects companies to disclose their approach to addressing ESG risks and opportunities. For example, how they determine ESG materiality and apply ESG-related data using widely accepted frameworks such as those established by the Sustainable Accounting Standards Board (SASB) and the Task Force on Climate-Related Financial Disclosures (TCFD). The CRF's ESG initiatives include encouraging companies to communicate their ESG efforts in mainstream financial filings, and to release a yearly ESG-related report (Corporate Sustainability Report) that includes, among other things, information about the company's efforts to address ESG risk and opportunities and decision-useful data that is comparable over multiple years.

The Fund expects all its portfolio companies to engage regularly with shareholders on ESG-related issues and to respect all shareholder's rights.

## **Proxy Voting**

The Fund independently votes by proxy on all director nominees and proposals presented at annual meetings and special meetings for each of the domestic companies in the Fund's public equity portfolio, as well as those of selected non-U.S. companies. The CRF's independent proxy voting is an important part of the Comptroller's fiduciary duty to prudently manage investments for the exclusive benefit of the System's members, retirees, and beneficiaries as it provides a direct means of influencing a company's governance and risk management. Proxy voting decisions are based on these Guidelines and reviews of available information relating to items on the ballot at each portfolio company's annual and special meetings.

It is not possible for the Guidelines to anticipate every proposal that will appear on portfolio companies' proxy statements. In addition, the assessment of the facts and circumstances regarding a particular company or its proposal may require a different conclusion in order to vote prudently in the best interests of the CRF.

The Guidelines also provide guidance on voting practices to CRF's managers as the CRF encourages its managers to consider the principles in the Guidelines in investment decision making, proxy voting, and corporate engagements consistent with their fiduciary duties. Finally, the Guidelines also serve to inform and prioritize corporate engagements and policy initiatives under the BCG's stewardship program.

## **Review of Proxy Voting Guidelines**

The BCG updates the Guidelines biennially; however, they may be updated at any time as deemed prudent upon approval of the Chief Investment Officer and the Comptroller.

Prior to the biennial update of the Guidelines the BCG conducts a review of the adequacy of the prior version of the Guidelines. This includes auditing a sample of proxy votes from the prior two years; reviewing voting guidelines of public fund peers; conducting a gap analysis comparing prior adopted Guidelines and ballot items topics from the prior two years; reviewing the CRF's voting trends on various ballot item topics; and reviewing relevant trends related to corporate governance, proxy statement disclosures, and shareholder proposals.

Staff also evaluates the CRFs proxy voting procedures to determine whether certain types of proxy votes should be designated for more detailed analysis, such as corporate events and contested director elections.

## **Proxy Voting Procedure**

Proxy voting decisions are based on these Guidelines and reviews of available information relating to items on the ballot at each portfolio company's annual and special meetings. The Fund analyzes a variety of materials from public and private sources, including but not limited to, U.S. Securities and Exchange Commission (SEC) filings, analyst reports, relevant studies and materials from proponents and opponents of shareholder proposals, third-party independent perspectives and studies, internal CRF staff expertise, and analyses from several corporate governance and ESG service providers. To the extent the Fund uses information from third-party research providers such as proxy advisors, the Fund reviews whether those advisors have a process for seeking input from issuers, whether the advisors disclose methodologies for formulating recommendations, what sources are used by the advisors, the advisors' policies for preventing and disclosing conflicts of interest, and the extent of their engagement with issuers to ensure accurate information. The Fund also has a process for considering additional information, such as updating proxy materials, that arises after proxy advisor recommendations are published.

The Fund utilizes a vote management platform to execute its proxy votes. In accordance with the terms of its asset lending program, the Fund seeks to recall loaned domestic securities in order to facilitate the Fund's ability to exercise its voting rights.

## **REPORTING**

The CRF makes its votes available annually on its website and releases an annual Corporate Governance Stewardship Report, which summarizes the Fund's voting during the year.

## **GOVERNANCE ISSUES**

### *Access to the Proxy*

Proxy access is a fundamental right of long-term shareholders. Allowing shareholders that meet the appropriate ownership requirements the ability to use management's proxy materials for the purpose of nominating director candidates to boards at companies in which they are stakeholders is a cost-effective tool to increase shareholders' ability to hold boards accountable. The Fund will support proposals allowing shareholder access to the director nomination process and the company's proxy materials with provisions no more restrictive than an aggregate of three percent of the company's voting stock for at least three years.

### *Anti-takeover Provisions*

#### **a. Greenmail**

The Fund generally oppose the use of corporate assets to repurchase shares, typically at a premium, from a designated shareowner, often in an effort to deter a change in control. These "greenmail" payments unduly discriminate against other shareowners who are not offered the same premium and may deter a takeover that

is otherwise in the interest of all shareowners. The Fund will support proposals that ask companies to require shareholder approval of greenmail payments, which pay a premium price to repurchase shares and avert a hostile takeover.

**b. Supermajority Requirements**

Supermajority provisions can be used to impose voting barriers to deter hostile takeovers. They can also be used to disenfranchise shareholders by diminishing shareholder rights and entrenching current management and boards. The Fund may vote against members of the governance committee where a company has adopted or fails to remove a supermajority voting requirement.

The Fund will support proposals that ask companies to eliminate any requirement that corporate actions be approved by more than a simple majority of shareholders. The Fund will not support proposals that include provisions requiring more than a simple majority of shareholders to approve actions such as mergers, sales of assets or by-law amendments.

**c. Unequal Voting Rights**

Unequal voting rights can benefit some shareholders at the expense of others. Also, such rights can effectively deter premium takeover offers. The Fund will not support proposals that allow companies to issue shares with unequal voting rights.

Additionally, the Fund will support proposals for companies with unequal voting rights to adopt a recapitalization plan for all outstanding stock to have one vote per share.

**d. Written Consent/Special Meeting**

The ability to act by written consent allows shareholders to take action collectively without a shareholder meeting. This is potentially powerful to shareholders because they may run the equivalent of a proxy contest without having to wait for the Company to set a meeting. By banning the use of consents, companies may discourage hostile takeovers by delaying an attempt to gain control of the company until a meeting is set by the Board. The Fund will support proposals that ask a company to allow shareholders meeting a minimum 10% ownership threshold to call a special meeting or act by written consent.

The Fund will vote against governance committee members at companies where shareholders are unable to call special meetings or act by written consent.

***Auditors***

The Fund believes that a company's external auditor plays a critical role in the independent review of financial reports presented to shareholders. The auditor should be independent and avoid conflicts of interest when auditing the company's financial statements. The auditor provides reasonable assurance that the financial statements are free from material misstatements, whether due to fraud or error.

The Fund believes the audit committee should be proactive in promoting auditor independence and audit quality. Additionally, the audit committee should regularly evaluate the external and internal auditors and review management reports related to compliance with laws, regulations and internal procedures.

The audit committee plays a critical role in providing oversight of a company's financial reporting processes, internal controls and independent auditors. In order for an audit committee to effectively carry out its responsibilities on

behalf of shareholders, the committee should be governed by a formal, written charter stating its responsibilities and there should be disclosure in the proxy statement stating that the audit committee has complied with the charter responsibilities. Additionally, the Fund believes the audit committee should be composed entirely of independent directors with the necessary financial and management skills, and experience, to perform their oversight duties.

The appointment of independent auditors is critical to long-term shareholder value. The Fund believes the following:

a. Non-Audit Services

Conflicts of interest can arise when auditors provide both audit and non-audit services to the same company. These conflicts can compromise auditors' independence and jeopardize investors' interests. The Fund will support the appointment of an independent external auditor as long as the auditor's non-auditing services are limited to no more than 25 percent of services in order to minimize the conflicts of interest for auditing firm with the company.

b. Investor Protection

The Fund will generally withhold support from board nominees who are incumbent members of the audit committee and/or from approval of outside auditors if contracts with external auditors require the company to use alternative dispute resolution procedures, if there have been recent material restatements of annual financial statements or persistent late filings by the company, or if the company has granted back dated option awards.

c. Auditor Ratification

Given the importance of a public company's financial statements, the Fund believes shareholders should have a voice in deciding which firm audits the company's financials. To that end, the Fund believes shareholder ratification of the auditor serves to increase the auditor's accountability. In the event that the board fails to put the selection of the auditor up for shareholder ratification, the Fund will withhold support from the chair of the audit committee.

d. Auditor Tenure/Rotation:

The Fund believes that boards should periodically review the length of the auditor's tenure and any possible impact this may have on the independence of the auditor. Companies should have a policy on audit firm rotation that promotes change to ensure a fresh perspective and review of the financial reporting framework. The Fund may vote against ratification and/or audit committee members if:

- i. The audit committee fails to disclose considerations of auditor rotation for long tenured auditors; or
- ii. There is a long tenured auditor and an adverse material event involving the audit committee's review of financial reporting, unreported poor internal controls, or poor risk oversight.

## ***Board of Directors' Independence, Accountability and Responsibilities***

The election of directors is a fundamental shareholder right, providing the most direct means for shareholders to hold directors accountable for their actions and decisions. Shareholders' interests are best served by directors who demonstrate a commitment to sustainable long-term performance and responsible corporate governance.

### **a. Board Accountability**

The Fund will cast its votes in a manner that promotes the election of independent directors. In addition, the Fund will generally withhold support from the following director nominees:

- i. Directors who have attended less than 75 percent of board and committee meetings during the preceding year without a reasonable and disclosed justification.
- ii. Directors who are members of an excessive number of corporate boards and/or number of key committees. The Fund defines excessive as: Director nominees who serve on more than a total of four public company boards; and a chief executive officer of a public company who serves on more than one board other than the company where the individual is chief executive officer. The Fund may also consider a nominee's other committee memberships (e.g., service on multiple audit committees at other companies), committee leadership positions, or other activities, including private company service, when assessing excessive outside commitments.
- iii. Directors who have failed to fulfill their committee duties or ignored the best interests of shareholders.
- iv. Governance and nominating committee chairs when a director nominee who failed to receive the majority of votes case in a previous director election at the company was allowed to remain on the board.
- v. Nominating committee members of boards that have failed to establish all-independent audit, compensation and/or nominating committees at the corporation.
- vi. Nominating committee chair when the board has neither appointed an independent chairman nor an independent lead/presiding director.
- vii. Nominating committee members of boards that have failed to establish a majority independent board.
- viii. Audit committee members when the board has failed to put the selection of the auditor up for shareholder ratification.
- ix. Audit committee members of boards that have limited auditor liability in their auditor contracts.
- x. Governance committee members when the board adopts a governance provision that weakens shareholder rights without shareholder approval. In egregious instances, the Fund may withhold from all board nominees.
- xi. All incumbent directors who have approved a poison pill without seeking prior shareholder approval.
- xii. Compensation committee members of boards that fail to adopt executive compensation policies and practices focused on ensuring long-term sustained performance.

- xiii. Directors on relevant committees where there is inadequate disclosure of human capital management practices or data.<sup>2</sup>
- xiv. Audit committee members or directors responsible for oversight when there is failure of the company to disclose and appropriately manage and comprehensively report climate and other material ESG risks.
- xv. Governance committee members at companies that have a dual-class capital structure without a reasonable sunset. The Fund does not consider sunset periods of more than seven years from the date of the IPO to be reasonable.

The Fund also monitors director performance by analyzing a variety of company performance metrics, including but not limited to total shareholder return (TSR) relative to industry peers for 3-, 5- and 10- year periods. In the event of chronic underperformance, the Fund may vote against or withhold support from directors who served on the board during such periods of underperformance.

As part of director performance evaluation, the Fund will evaluate if the board maintains governance provisions that may entrench directors or insulate directors from accountability. Such entrenchment devices include, but are not limited to, classifying the board, imposing supermajority vote requirements, issuing dual-class shares and approving “poison pills” (or shareholders’ rights plans – see section on Poison Pills below). In such instances, the Fund may vote against members of the governance committee who have established such provisions. Further, the Fund will generally vote against directors, who either in their individual capacity or in their capacity as a director sitting on another board, has a history of material financial lapses, poor management of ESG-related issues, poor risk management, or regulatory and/or ethical misconduct.

## **b. Board Composition**

- i. **Attributes and Skills.** The Fund will support the election of qualified directors who are capable of fulfilling fiduciary responsibilities. The Fund focuses on long-term performance and expects that each director possesses the requisite attributes and skills to appropriately oversee a company’s overall strategy and operations. To this end, and in order to focus on long-term sustainability of the company’s business, a board should reflect a broad range of experience including leadership, finance, accounting, international business management, industry expertise, customer base experience, and crisis management. Additionally, the Fund believes director attributes and skills should be relevant to a board’s capacity to effectively oversee risk, including operational, regulatory, climate-related and environmental, human capital, geopolitical, macroeconomic, financial, and cyber risks.
- ii. **Board Diversity.** The Fund believes in the importance of board diversity as an essential measure of sound governance and a critical attribute of a well-functioning board. Research shows that the ability to draw on a wide range of viewpoints backgrounds, skill and experience is increasingly critical to corporations’ long-term success in the global marketplace. The Fund will scrutinize boards that are not sufficiently diverse, including diversity of age, race, gender, ethnicity, sexual orientation and gender

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<sup>2</sup> See section on SOCIAL ISSUES on page 2-134.



identity, geography, and disability. A determination that a board is not sufficiently diverse may result in the Fund withholding support from incumbent board nominees. The Fund may withhold support from:

- a. All incumbent board nominees if there are no women on the board;
  - b. All incumbent nominating committee nominees when a board does not have more than one woman director;
  - c. All incumbent board nominees if there are no directors identifying as an underrepresented minority on the board;<sup>3</sup>
  - d. All incumbent nominating committee nominees when a board does not have more than one director identifying as an underrepresented minority.<sup>4</sup>
  - e. All incumbent nominating committee nominees that do not disclose the self-identified individual racial/ethnic diversity of their board directors; and or
  - f. All incumbent nominating committee nominees at companies that have not listed both gender and racial/ethnic diversity as explicit considerations in their search for directors.
- iii. **Director Independence.** The election of independent directors is critical to long-term shareholder value. "Inside" directors can experience conflicts of interest when faced with decisions that impact management. Independent directors are better able to objectively evaluate management's recommendations to the Board and generate alternatives and proposals for Board consideration. Independent directors are necessary to ensure that the Board consistently acts in the best interests of shareholders. The Fund will support proposals that ask that a majority or a substantial majority of a company's directors be "independent" directors. A director will not be considered "independent" if the director:

- (i) is, or in the past 5 years has been, or whose relative is, or in the past 5 years has been, employed by the corporation or employed by or a director of an affiliate;

An "affiliate" relationship is established if one entity either alone or pursuant to an arrangement with one or more other persons, owns or has the power to vote more than 20 percent of the equity interest in another, unless some other person, either alone or pursuant to an arrangement with one or more other persons, owns or has the power to vote a greater percentage of the equity interest. For these purposes, equal joint venture

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<sup>3</sup> For purposes of this document, an underrepresented minority has the meaning established by the U.S. Equal Employment Opportunity Commission and includes one or more of the following: Black or African American, Hispanic or Latino, Asian, Native American or Alaska Native, Native Hawaiian or Pacific Islander, or two or more of the preceding.

<sup>4</sup> While the Fund and other market participants have long advocated for standardized disclosure relating to the self-identified race and ethnicity of board candidates, the Fund believes there is renewed momentum for improving company disclosure. Due to initiatives spearheaded by investors and corporate governance organizations, disclosure of board diversity should greatly improve in the coming years. As a result, the Fund will regularly reassess the situation and implement board diversity guidelines in accordance with the availability of data.

partners and general partners meet the definition of an affiliate, and officers and employees of equal joint venture enterprises and general partners are considered affiliated. A subsidiary is an affiliate if it is at least 20 percent owned by the corporation.

Affiliates include predecessor companies. A "predecessor" of the corporation is an entity that within the last 5 years was party to a "merger of equals" with the corporation or represented more than 50 percent of the corporation's sales or assets when such predecessor became part of the corporation.

"Relatives" include spouses and domestic partners, parents, children, step-children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law, aunts, uncles, nieces, nephews, first cousins, and anyone sharing the director's home.

- (ii) is, or in the past 5 years has been, or whose relative is, or in the past 5 years has been, an employee, director or owner of a firm that is one of the corporation's or its affiliate's paid advisers or consultants or that receives revenue of at least \$50,000 for being a paid adviser or consultant to an executive officer of the corporation;

The term "executive officer" includes the chief executive, operating, financial, legal and accounting officers of a company. This includes the president, treasurer, secretary, controller and any vice-president who is in charge of a principal business unit, division or function (such as sales, administration or finance) or performs a major policymaking function for the corporation.

- (iii) is, or in the past 5 years has been, or whose relative is, or in the past 5 years has been, employed by or has had a 5 percent or greater ownership interest in a third-party that provides payments to or receives payments from the corporation which account for 1 percent of the third-party's or 1 percent of the corporation's consolidated gross revenues in any single fiscal year, or if the third-party is a debtor or creditor of the corporation, the amount owed exceeds 1 percent of the corporation's or the third party's assets. Ownership means beneficial or record ownership, not custodial ownership.
- (iv) has, or in the past 5 years has had, or whose relative has paid or received more than \$50,000 in the past 5 years under, a personal contract with the corporation, an executive officer or any affiliate of the corporation;
- (v) is, or in the past 5 years has been, or whose relative is, or in the past 5 years has been, an employee or director of a foundation, university or other non-profit organization that receives significant grants or endowments from the corporation or one of its affiliates or has been a direct beneficiary of any donations to such an organization;
- (vi) is, or in the past 5 years has been, or whose relative is, or in the past 5 years has been, part of an interlocking directorate in which the CEO or other employee of the corporation serves on the board of a third-party entity (for-profit or not-for-profit) employing the director; or

- (vii) (vii) has a relative who is, or in the past 5 years has been, an employee, a director or a 5 percent or greater owner of a third-party entity that is a significant competitor of the corporation.

**c. Classified Board**

All directors should be accountable to shareholders on an annual basis. Classified boards limit shareholders ability to regularly evaluate a board's performance. Moreover, classified boards make it extremely difficult for a bidder to acquire control or for a challenger to engage successfully in a proxy contest even when those might be in the best interest of the company. The Fund may vote against members of the governance committee where a company has adopted a classified board structure without a reasonable sunset.

The Fund will generally support proposals to eliminate a classified (staggered) board and elect all directors on an annual basis.

**d. Committees**

The formation of committees intended to examine specific issues helps to ensure that the board gives accurate, complete and thorough consideration to the variety of issues that prudent oversight requires. Independent directors are best able to evaluate objectively management's recommendations on specific issues and generate alternatives and proposals for board consideration. All-independent committees are necessary to ensure that the board consistently acts in the best interests of shareholders. The Fund will support proposals that request that companies establish compensation, governance and nominating committees of the board of directors. The Fund will also support proposals that request that compensation, governance and nominating committees consist solely of independent directors. The Fund will evaluate on a case-by-case basis the establishment of a new standing or ad-hoc board committee, taking into consideration the extent to which the board's existing committee(s) appropriately evaluate risks that are material to the company's strategy and operations.

**e. Director Liability and Indemnification**

While limitations on directors' liability are standard in company charters, shareholders should be protected in situations of egregious misconduct by directors. Therefore, company indemnification provisions and insurance policies should have appropriate carveouts.

The Fund will not support proposals that provide indemnity for the following actions:

- i. Breach of fiduciary duties.
- ii. Acts or omissions not in good faith or involving intentional misconduct or knowing violations of the law.
- iii. Unlawful purchase or redemption of stock.
- iv. Payment of unlawful dividends.
- v. Receipt of improper personal benefits.

**f. Employee Membership on the Board**

The Fund will review proposals that request the appointment of an employee to a company's board of directors on a case-by-case basis. The Fund views such employee membership in the context of a board member's fiduciary duty to shareholders and the company.

#### **g. Director Tenure**

Arbitrary limits on director tenure will not necessarily ensure that a director will be more qualified to serve in shareholders' best interests. The Fund believes that boards should continually evaluate director tenure as part of their comprehensive self-evaluation and encourages boards to establish mechanisms that promote periodic board refreshment. The Fund will not support proposals that ask a company to provide for age limits for directors. The Fund also will not support proposals that request that a company provide for term limits for directors. Although the Fund does not support director term limits, the Fund will scrutinize boards more closely in terms of independence and overall performance where the average tenure of directors exceeds 15 years.

#### **h. Independent Board Chair**

The Fund will support proposals that request that a company take the steps necessary to adopt a policy that the board chair be an "independent" director. The Fund will also support proposals that request or require that a company take the steps necessary to separate the roles of chair and chief executive officer. Alternatively, where there is one director acting as both the chair of the board and the chief executive officer, the Fund will support proposals that request that the company appoint a lead or presiding director. Independent directors are best able to evaluate objectively management's recommendations on corporate strategy and specific issues, and generate alternatives and proposals for board consideration. The appointment of an independent director as chair of the board would help to ensure that the board consistently acts in the best interests of shareholders.

#### **i. Independent Director/Shareholder Dialogue**

Communication between shareholders and independent directors helps ensure that the interests and concerns of shareholders are represented in board deliberations. Failure to provide access to directors may result in votes against the chair of the board and governance committee members. The Fund will support proposals that request that a company establish a policy and procedure by which shareholders can communicate with independent directors.

#### **j. Majority Voting**

A majority vote standard provides shareholders a meaningful say in determining who will represent them in the boardroom resulting in increased accountability and performance of directors. Board nominees should therefore be elected by the majority of votes cast at the annual meeting of shareholders. The Fund will withhold support from directors failed to receive majority support in prior years and have not stepped down from the board. Further, the Fund will withhold support from nominating committee members who have failed to appropriately address directors who failed to receive majority support in a prior year.

#### **k. Risk Expertise**

The Fund will generally support proposals that request the nomination of independent director candidates with expertise in areas that will assist in the mitigation of company risk. This may include environmental experts in the extractive industries. Other industries where a "risk expert" might be appropriate are banking, nuclear energy, and waste management, among others.

Additionally, the Fund believes director attributes and skills should be relevant to the board's capacity to effectively oversee risk, including operational, regulatory, climate-related and environmental, human capital, geopolitical, macroeconomic, financial, and cyber risks.

The Fund believes that companies operating in high impact sectors as defined by the Financial Stability Board's Task Force on Climate related Financial Disclosures (TCFD) should possess climate risk competency on the board in order to effectively manage long-term material climate risks and opportunities. For companies in TCFD high impact sectors, the board should clearly define climate risk oversight that includes:

- i. Naming specific committees and individual directors in charge of addressing climate risks and opportunities;
- ii. Detailing specific director skills and expertise required for director nominees;
- iii. Building climate competence on the board and ensuring board engagement on climate issues; and
- iv. Reporting on material climate risks and opportunities using TCFD recommendations;<sup>5</sup>

The Fund will support proposals that require climate expertise and qualifications for director nominees, and that establish a board committee on climate issues.

In the event that companies fail to appropriately manage climate risks described in the "Climate Risks" section below, the Fund may withhold support from directors responsible for climate risk oversight.

Furthermore, the Fund believes that companies should clearly define what constitutes relevant oversight of material ESG-related issues. Such oversight should include the assurance of appropriate comprehensive reporting to shareholders beyond what is required within current financial reporting with adherence to internationally recognized sustainability reporting protocols. The Fund will vote against audit committee members at companies that fail to provide explicit disclosure concerning the board's roles and responsibilities in overseeing ESG-related risks. Failure of companies to appropriately manage and comprehensively report climate and other material ESG risk may lead the Fund to withhold support from audit committee members, directors responsible for oversight, or the entire board.

#### **I. Size of the Board of Directors**

The Fund may vote against members of the nominating committee if there are fewer than five board members and may vote against members of the nominating committee if there are more than 20 board members. While there is no universally applicable optimum board size, the Fund believes boards should have at least five directors to ensure sufficient competency and diversity in decision-making and to allow for the formation of key board committees. Conversely, boards with more than 20 members may have difficulty reaching consensus and making timely decisions.

#### **m. Succession Planning**

The Fund will support proposals requesting the adoption and disclosure of a well-defined succession planning process. Boards have a responsibility to oversee CEO and board succession planning including the assessment of candidates and development of a transition plan. Lack of appropriate succession planning by boards can risk serious disruption of company operations in the event of CEO or board member departures

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<sup>5</sup> <https://www.fsb-tcfid.org/>

#### **n. Post-IPO Governance**

For the newly public companies, the Fund will generally withhold support from incumbent board nominees if, prior to or in connection with the company's public offering, the company or its board implement provisions or structures that negatively affect governance, including a multi-class capital structure in which the classes have unequal voting rights without subjecting the multi-class capital structure to a reasonable time-based sunset. The Fund does not consider sunset periods of more than seven years from the date of the IPO to be reasonable.

The Fund will continue to vote to withhold support from governance committee members at companies that have a multi-class capital structure without a reasonable sunset requirement.

#### **o. Virtual Shareholder Meetings**

The Fund believes a hybrid annual shareholder meeting, whereby virtual or remote participation is an alternative to attending the meeting in-person is a governance best practice. Companies incorporating virtual technology into their shareholder meeting should use it as a tool for broadening, not limiting, shareholder meeting participation. The Fund will withhold support from governance committee members when a company conducts a virtual-only meeting, and will vote against proposals that mandate or request virtual-only meetings.

The Fund understands that a virtual annual meeting may be necessary under specific circumstances, including, but not limited to, public health emergencies. During these circumstances, the Fund will review its voting guidelines and determine reasonable implementation of its virtual shareholder meetings guideline.

If a company holds a hybrid or virtual-only meeting, there should be robust disclosure in the proxy statement addressing shareholders participation in the meeting. This includes disclosure of shareholders' ability to ask questions at the meeting; procedures, if any, for posting appropriate questions received during the meeting and the company's answers on its public website; as well as logistical details for meeting access and technical support. The Fund will vote against governance committee members where such disclosure is not provided or meaningfully addressed.

#### **p. Bundled Proposals**

Individual voting issues, especially those related to a company's bylaws or charter, should be voted on separately instead of as a bundled proposal. The Fund will withhold support from governance committee members when a company bundles ballot items.

#### **q. Forum Selection & Forced Arbitration**

Companies should not attempt to restrict shareholders' legal rights to redress. Exclusive forum provisions, mandatory mediation provisions, or arbitration provisions should not be adopted in governing documents. The Fund will withhold support from governance committee members when a company pursues such actions.

The Fund will vote against proposals requesting that companies adopt a provision requiring the arbitration of securities litigation.

## *Capital Structure*

For voting matters involving capital structure, the CRF may consult with internal staff to determine voting positions that are in the best interests of the CRF.

### **a. Dividend Policy**

- ii. **Declare/Increase Annual Dividend.** Many factors should be considered in a decision to declare/increase dividends, including corporate profits, expenses, strategic plans and market conditions. The Fund will consider supporting proposals asking companies to declare/increase dividends on a case-by-case basis.
- iii. **Disclosure.** Disclosure of company dividend policies allows shareholders to be well informed and can assist decision making by shareholders. The Fund will support proposals that request a company report on its dividend policy.

### **b. Special Purpose Acquisition Corporations (SPACs)**

- i. **SPAC Transactions and Acquisitions.** The Fund will use internal and external resources to evaluate any proposed SPAC transaction or acquisitions on a case-by-case basis in terms of what is in the best long-term economic interest of the Fund.
- ii. **SPAC Proposal Extensions.** The Fund will use internal and external resources to evaluate any proposed SPAC extension on a case-by-case basis. This includes, but not limited to, taking into account the length of the requested extension, the status of any pending transaction(s) or progression of the acquisition process, any added incentive for non-redeeming shareholders, and any prior extension requests.

### **c. Stock Authorization**

- i. **Blank-Check Preferred Stock.** When issuing preferred stock, a company's board of directors is allowed to specify dividend rates, voting rights, conversion rights and other rights . The Fund will not support proposals that authorize the creation or increase of preferred stock with unspecified voting, conversion or other rights ("blank check preferred stock"). The Fund will support proposals that ask a company to redeem preferred stock that has been previously issued.
- ii. **Multi-Class Stock.** Multi-class capitalization creates multiple classes of common stock with either superior or inferior voting rights to those of the existing class of stock. Multiple classifications with unequal voting rights violate the principle of "one share, one vote" and enable management to perpetuate itself without the support of a true majority of shareholders. The Fund will not support proposals that authorize the creation or extension of multi-class voting stock.
- iii. **Increase Stock Authorization.** An increase in the number of shares authorized but not issued provides a company's board of directors with flexibility to meet changing financial conditions. However, such increases can also be used to entrench management and/or thwart takeovers that may be in the best economic interest of the company. The Fund will support proposals that request an increase in the number of authorized but not issued common stock, provided the amount requested is necessary for sound business practice and is reasonable given the company's industry group and performance history. All such proposals will be reviewed on a case-by-case basis.
- iv. **Tracking Stock.** When a parent company issues "tracking stock", all revenues and expenses of the division are separated from the parent company's financial statements and are then attributed to the

tracking stock. Often this is done to separate a high-growth division with large losses from the financial statements of the parent company. Tracking stock can boost the market value of the parent company; however, tracking stock does not provide shareholders with ownership of corporate assets, nor does it necessarily provide voting rights. The existence of tracking stock can also pose conflicts of interest between the parent company and the portion of the business that is being “tracked.” The Fund will generally not support proposals that ask companies to create tracking stock, but such proposals will be considered on a case-by-case basis.

**d. Share Pledging.**

The SEC’s Item 403(b) of Regulation S-K requires the disclosure of the number of shares pledged as security by named executive officers, directors, and director nominees. Pledging of company stock as collateral for a loan may not be a responsible use of equity and may have a detrimental impact on shareholders if the director or officer must sell company stock, for instance to meet a margin call. The forced sale of a substantial amount of company stock has the potential to negatively impact the company’s stock price, and may also violate company insider trading policies. In addition, share pledging may be used as part of hedging or monetization strategy that could insulate an executive against the financial impacts from downturns in the company’s stock price, despite maintaining voting rights. The Fund, as part of its board of director evaluation process, will review directors and executives who have pledged company stock. Excessive pledging activity calls into question the audit committee’s ability to effectively oversee such a risk. In such instances, the Fund may consider withholding support from audit committee members. The Fund will also withhold support from directors who are conducting excessive pledging.

**e. Share Repurchasing.**

Stock buyback programs, in narrow circumstances, can serve as an efficient vehicle for effectively distributing cash to shareholders. However, many factors should be considered in a decision to institute a share buyback plan, including the existence of a robust 10b5-1 plan, the ability to pay out of current corporate profits, debt levels, expenses, strategic plans and market conditions. Share buybacks may not necessarily promote long-term shareholder value if there is opportunity to reinvest cash back into the corporation to promote growth. The Fund will support proposals submitted by management to institute open-market share repurchase plans in which all shareholders may participate on equal terms. Such proposals will be considered on a case-by-case basis.

**f. Transitions to a Public Benefit Corporation Structure**

The Fund will review proposals that request a company takes steps necessary to amend its certificate of incorporation and, if necessary, bylaws, to become a public benefit corporation, on a case-by-case basis in terms of what is in the best long-term economic interest of the Fund.

***Cumulative Voting***

Cumulative voting allows each shareholder as many votes as the number of shares each owns multiplied by the number of directors to be elected and allows shareholders to allocate their votes for any individual candidate or any slate of candidates. The result is that a minority block of stock can be disproportionately represented on the board. Such representation could be counter to the interests of the majority of shareholders. The Fund will not support proposals that request the adoption of a cumulative voting policy.



## ***Employee Stock Purchase, Retirement and Pension Plans***

### **a. Stock Purchase Programs**

The Fund will support management proposals that authorize or amend Employee Stock Purchase Plans for all employees at prices that are not less than 85 percent of the fair market value of the shares; with an offering period no greater than 27 months.

The Fund will not support proposals that ask a company to restrict stock purchase programs to selected employees. The Fund will support proposals that ask companies to require disclosure about such programs.

### **b. Supplemental Executive Retirement Plans (SERPs)**

SERPs provide additional pension benefits for individual senior executives. They impose additional pension liabilities on companies and are not tax-deductible. The Fund will generally not support proposals that ask a company to increase the benefits awarded in supplemental executive retirement plans (SERPs). The Fund will support proposals that ask a company to eliminate SERPs or to increase disclosure regarding its SERPs.

## ***Executive and Director Compensation***

The Fund views executive compensation as a key component of company accountability, as well as a critical and visible aspect of a board's governance. The Fund believes that executive compensation should be transparent and tied to sustainable performance, create value for the long term and advance the company's long-term strategic goals. The Fund generally considers long-term to be at least 5 years. The overarching goals of executive and director compensation should be to create sustainable value and to advance the company's strategic objectives. If the members of an independent compensation committee fail to set responsible executive compensation levels, it is a strong indicator that the board's overall oversight of management is inadequate.

### **a. Advisory Vote on Executive Compensation ("Say-On-Pay")**

Allowing shareholders, the opportunity to vote on executive compensation practices and strategies is an effective measure to express concern about, and open dialogue with the company to promote, pay accountability.

The Fund will vote case-by-case on proposals requesting ratification of a company's executive compensation plan. The Fund supports annual advisory votes on compensation with the view that it is the responsibility of an independent compensation committee to formulate executive compensation policies and practices focused on ensuring long-term sustained performance for the company and its shareholders. In aligning compensation practices with shareholder interest, the Fund takes a holistic approach (rather than focusing singularly on any individual plan feature) when reviewing and determining how to vote on a company's compensation plan as disclosed within the Compensation Discussion and Analysis (CD&A) sections of its proxy statement. Executive Compensation plans should also include provisions requiring executives and directors to hold an equity stake in the company to better align their interest with those of shareholders.

Subject to this case-by-case analysis, the Fund generally disfavors compensation plans with problematic pay features. These problematic pay features may include, but are not limited to:

- i. Where there is not well-structured, performance-based, short- and long-term incentives. This includes where similar metrics are used for short-term and long-term incentive plans, and short performance periods are used for long-term incentive awards;
- ii. Where executive pay is excessive relative to peer benchmarks. The Fund's considerations include reviewing at what pay percentile the company has targeted executive pay and the most appropriate peer group for the company;
- iii. If there are demonstrated pay disparity concerns either between members of the executive team or between executives and other levels in the company. The Fund considers the company's CEO Pay Ratio, how it changes over time, and supplemental CEO Pay Ratio disclosures as indicative of the company's approach to internal consistency when setting executive pay levels;
- iv. If there is a disconnect between executive pay and company performance;
- v. In instances where excessive post-employment pay (perquisites and/or severance packages, including golden handshakes and golden parachutes, has been established;
- vi. Lack of comprehensive disclosure of the incentive plan structure and features;
- vii. Discretionary pay, one-time awards, and guaranteed bonus without sufficient justification and robust disclosure;
- viii. Short vesting periods, and insufficient holding and retention periods for equity awards;
- ix. Lack of a comprehensive clawback policy;
- x. Excessive change in control entitlements, modified single-trigger change in control payments, excise tax gross-ups, and multi-year guaranteed awards; or
- xi. Failure to negatively adjust executive pay outcomes as a result of an adverse ESG-related event.

In addition to careful consideration of "say on pay" votes, the Fund will withhold support from directors the Fund deems responsible for failures in setting appropriate compensation levels. The compensation committee is responsible for formulating executive compensation policies and practices focused on ensuring long-term sustained performance. Where the Fund has voted against the advisory vote on compensation, it generally will also withhold support from compensation committee members and, where the failure is persistent, the Fund may consider withholding support from the entire board of directors.

#### **b. Clawback Provisions**

Policies addressing the recovery of unearned awards are in the best interest of shareholders. The Fund believes that compensation arrangements should enable performance adjustment or post-vesting clawback for executives' incentive compensation. Companies should develop and disclose policies to recoup compensation. Companies should develop and disclose policies to recoup compensation made to executives during periods of fraudulent activity, inadequate oversight, misconduct, including discrimination and harassment of any kind, or gross negligence, which impacted or is reasonably expected to impact financial results or cause reputational harm. The Fund will support proposals requesting policies that direct recoupment of unearned compensation in the event of fraud or restatements. The Fund will support proposals requesting policies that direct recoupment of unearned compensation in the event an executive violates a material law, material regulation, or company policy. The Fund will support the recovery of such unearned payments where possible, including having companies incorporated deferred incentive arrangements. The Fund is in favor of policies that allow for recapturing unearned bonus and incentive income awarded to all executives.

### **c. Disclosure of Executive Compensation**

Disclosure provides greater and more accurate information that is critical to informed decision-making by shareholders. The Fund will support proposals that request that a company disclose its compensation policies, including retirement benefits.

The Fund will vote against compensation committee members if there's a lack of comprehensive disclosure of the incentive plan structure and components.

### **d. ESG Metrics**

The Fund encourages the inclusion of ESG-related metrics in executive compensation programs (both short-term and long-term incentives) where ESG factors have a significant impact on the company's performance. ESG-related metrics can be an effective way to incentivize positive outcomes that may be important for a company. If ESG metrics are included, the Fund expects the metrics to be specific and measurable, and comprehensively disclosed, including discussion of the process undertaken by the company to identify such metrics, an explanation as to why it considers ESG factors to be relevant, and robust disclosure related to performance targets and outcomes.

The Fund will generally support proposals asking a company to report to shareholders on whether ESG metric(s) are integrated into the company's executive compensation program. The Fund will also generally support proposals asking a company to report to shareholders on the feasibility of integrating ESG metrics into the company's executive compensation program.

### **e. Adjustments Due to Adverse ESG-Related Event**

The Fund believes companies, their executives and board directors, are responsible for overseeing ESG risks. In the event a company encounters an adverse ESG-related event that poses in a material risk to a company's long-term sustainability, such event should be considered in any decision relating to executive compensation. The Fund will consider voting against advisory votes on executive compensation and compensation committee members for a failure to negatively adjust executive pay packages as a result of an adverse ESG-related event.

### **f. Expense Stock Options at Time of Grant**

Accounting for stock options provides shareholders with a more accurate picture of a company's earnings. The Fund will generally support proposals that ask companies to expense in their annual income statements the costs of all awarded and but not-yet-vested stock options issued to company executives.

### **g. Equity Compensation Plans**

Equity compensation plans allow executives and directors to hold an equity stake in the company and align their interests with shareholders' interests. Properly structured plans can provide significant incentives for executives and directors, and can help a company attract and retain talented employees. The Fund will generally not support proposals that seek to prohibit equity grants.

Properly structured stock retention requirements support the alignment of interests of executives and shareholders. Therefore, Fund will generally support proposals that ask a company to require executives to retain shares gained from equity compensation programs.

Companies should require executives to meet a minimum level of stock ownership and should not allow hedging transactions for shares, as that reduces alignment. The requirement should generally apply post-executive's departure from the company. Additional consideration should be given to whether companies' awards include significantly extended vesting periods.

The Fund will vote case-by-case on proposals requesting approval of equity compensation plans. The Fund will consider dilution, burn rate and percentage of equity grants awarded to executives relative to peers. Subject to this case-by-case analysis, one or more problematic pay features may result in a vote against the equity compensation plan. These problematic pay features may include, but are not limited to: pay-for-performance misalignment, evergreen provision, single trigger equity change-in-control provisions, repricing or buyout provisions, and equity grants made at less than full value.

#### **h. Incentive Plans for Non-Named Executive Officers**

The Fund believes well-designed compensation programs can be a powerful and effective tool to incentivize executives and appropriately align their interests with those of shareholder to enhance long-term shareowner value. A well-designed compensation plan will be structured around financial and qualitative metrics that drive sustainable long-term value in the business. Companies should describe and disclose the types of metrics that are used in the short-term and long-term, and articulate how those metrics link to the strategy of the company. Additionally, companies should ensure short and long-term incentives are linked but not duplicative. The Fund will generally support incentive compensation plans that are specifically related to corporate and individual performance. The Fund will generally not support plans that include more than five types of performance metrics or are otherwise in violation of these proxy voting guidelines.

#### **i. Internal Pay Disparity**

Compensation should aim to reward and motivate employee performance. High disparity of pay may make employees less productive. In addition, the Fund believes that proposals that require additional disclosure of compensation policies can enhance shareholder value by providing shareholders information critical to informed decision-making. The Fund will generally support proposals that ask a company to consider the compensation of all employees when setting compensation for top executives. The Fund will also support proposals requesting a report that compares compensation for executives and non-executives.

#### **j. Repricing of Stock Options**

Options are intended to be an incentive for good management and a reward for superior performance. Management should be willing to accept market risk in the same manner as the shareholder, and the value of stock option plans should not be guaranteed. The Fund will support proposals asking companies to prohibit the re-pricing of underwater stock options. The Fund will also support proposals asking companies to obtain shareholder approval before re-pricing stock options. In the event that an option exchange program is authorized under which employees and officers exchange some or all of their underwater stock options for replacement options without shareholder approval, the Fund will generally vote against or withhold support from the compensation committee members who oversaw the program.

#### **k. Restrict/Limit/Cap Director Compensation**

Compensation should aim to reward and motivate director performance. Proposals that impact compensation through fixed formulas or arbitrary limitations may make directors less responsible and accountable to

shareholders. The Fund will generally not support proposals asking companies to restrict, limit or cap the compensation of an individual director or the aggregate compensation of all directors.

#### **I. Restrict/Limit/Cap Executive Compensation**

The Fund will generally not support proposals asking companies to restrict, limit or cap the compensation of an individual executive or the aggregate compensation of any group of employees.

#### **m. Restricted Stock Grants**

Restricted stock awards are granted with a vesting period, during which time the employee's rights to the shares are limited. As such, they are a form of compensation that rewards and motivates employees. Proposals to eliminate such awards may make employees less productive and may not necessarily be in the best interests of shareholders. The Fund will not support proposals that ask a company to terminate its restricted stock plan unless the proponent makes a compelling case for its position.

#### **n. Severance Payments ("Say on Golden Parachutes")**

Shareholder value might be diminished by severance agreements for senior executives. Shareholders should therefore be able to approve or disapprove them. The Fund will support proposals that ask companies to obtain shareholder approval of future severance agreements ("golden parachutes").

#### **o. Survivor Benefit Plans (Golden Coffins)**

The Fund will support proposals that request shareholder approval of any future agreements pertaining to payments or awards made to executives following their death. These payments can be very expensive for the company and are not tied to performance. In these instances, the Fund encourages compensation that is linked to shareholder value.

### ***Poison Pills***

#### **a. Adoption of Poison Pill**

"Poison pills" or shareholders' rights plans involve the issuance of preferred stock purchase rights often unilaterally declared as a dividend without shareholder participation or approval. A poison pill provides the targeted Board the power to veto takeover bids and serves as a mechanism to insulate management from potential change in control. However, insulating management may also limit the possibility of competitive bids that are in the best interest of the company. The Fund generally will not support proposals submitted by management that would establish or extend a "poison pill."

### ***Preemptive Rights***

Preemptive rights permit shareholders to maintain their relative ownership of a corporation, while permitting the company to raise the new capital it needs and preventing the erosion of the rights of existing shareholders. The Fund will support proposals that would grant or restore preemptive rights to shareholders.

## ***Reimbursement of Proxy Expenses***

Reimbursement of reasonable proxy expenses where the alternative slate has a successful outcome can would be in the best interest of the company. The Fund will vote on a case-by-case basis proposals seeking to amend by-laws in order to permit the reimbursement of expenses incurred when shareholders nominate a candidate or a slate of candidates for board election.

## ***Reincorporation***

The Fund will vote on a case-by-case basis proposals requesting a company to reincorporate in a new state or country, evaluating the business rationale and balancing, the relative strength of shareholder rights and governance protections of the jurisdictions. All matters being equal, the Fund opposes reincorporation to jurisdictions that would weaken shareholder rights.

## ***Restructurings***

For voting matters involving restructuring, the CRF may consult with internal staff to determine voting positions that are in the best interests of the CRF.

### **a. Fair Price Provisions**

The Fund will support proposals that require a bidder for a company to pay every shareholder a fair price. The Fund will not support fair price provisions if they are coupled or “linked” with a supermajority amendment or other defensive device.

### **b. Mergers and Acquisitions**

The Fund will use internal and external resources to evaluate any proposed merger and acquisitions on a case-by-case basis in terms of what is in the best long-term economic interest of the Fund . The analysis takes into consideration the strategic rationale, valuations of the targeted company to include revenue and cost synergies, market reaction to the merger, governance issues, and the disclosure of an open and fair negotiation process. As part of the research process, the Fund’s analysis of the transaction will take into consideration input from heads of asset classes, and may also involve analysis from investment managers and advisors, and other sources of commentary and analysis.

### **c. Sell the Company**

Proposals to sell the company are often intended to encourage the company to revive a depressed stock price. The Fund will consider on a case-by-case basis proposals asking a company to explore a sale or other transaction in order to maximize shareholder value.

### **d. Spin Off a Division**

Proposals to spin off a portion of business are intended to encourage the company to revive a depressed stock price. The Fund will consider on a case-by-case basis proposals asking a company to spin-off or sell a portion of its business.

## *Voting Policies and Procedures*

### **a. Annual Meeting Date and Location**

Annual meetings are an important opportunity for shareholders to communicate directly with senior managers and board members. Shareholders should be encouraged to attend annual meetings. The Fund will support proposals that seek to change the date or location of the annual meeting to provide greater access to a greater number of shareholders. The Fund will not support proposals that seek to change the date or location of the annual meeting without providing a compelling reason in the proposal.

### **b. Response to Shareholder Proposals Receiving Majority Vote**

The proxy vote is an important mechanism for shareholders to hold their directors accountable for the performance of their duties and to raise issues about the company that are not being adequately addressed. It is fundamental to shareholder rights that a board responds to the expressed desires of a majority of shareholders. The Fund will support proposals that ask companies to establish a process and procedures for adopting shareholder proposals that are presented in the company's proxy statement and are supported by more than fifty percent of shares voted at an annual meeting of the company.

The Fund will withhold support for all incumbent directors on a board that failed to implement a shareholder proposal that received majority support at a company's most recent meeting. The Fund will generally withhold support for incumbent governance committee members who failed to implement a shareholder proposal that received majority support at any time over the last three years.

### **c. Tabulation of Shareholder Votes**

The Fund will support proposals that ask companies to reform the method by which management tallies and reports abstentions in the proxy vote. This type of proposal is intended to clarify the method by which shareholder votes are counted. Companies set different voting requirements for passage of shareholder proposals, and they also differ in the manner they treat abstentions. The SEC does not count abstentions when calculating whether a proposal has gained votes for resubmission, nor should management. Uninstructed broker votes and abstentions should be counted only for purposes of a quorum, or the minimum number of members necessary to make a decision.

The Fund will vote against governance committee members when a detailed record of proxy voting results from the last annual meeting has not been disclosed. This includes companies incorporated in foreign jurisdictions where such disclosure may not be a legal requirement.

# ENVIRONMENTAL ISSUES

## *Climate Change*

The Fund's climate voting policies are based on the Fund's believe that climate change poses significant risks and opportunities for the Fund, the markets, and the economy as a whole.<sup>6</sup> The Fund believes that mitigation actions towards complying with the Paris Agreement will increase, with additional nations and regions adopting carbon pricing and a ramping up of prices in existing carbon pricing programs over the next 10 years. It is likely that additional regulatory efforts to adapt to the impacts of climate change and technological advancement will affect a broad range of companies and industries. Also, the physical impacts of climate change will affect investments – not just in the long term, but also in the near and medium terms. The Fund recognizes the immense investment risks posed by climate change, but also recognize the significant investment opportunities in the transition to the emerging net-zero economy. As a result, the Fund has adopted a goal to align its portfolio with net zero greenhouse gas emissions by 2040.

The Fund thus believes it is critical for companies to be prepared for the transition to a net-zero economy by establishing transition strategies. The Fund will take a holistic approach to voting analyses, and companies' climate performance is evaluated based on the following factors:

- i. Governance structure including board oversight, board engagement, and directors' skills and expertise to manage climate risks.<sup>7</sup>
- ii. Public policy advocacy on climate change and energy.
- iii. Executive compensation linked to net-zero transition strategies and targets.
- iv. Net-zero transition goals, strategies and capital expenditures in line with the Paris Agreement goals.
- v. Transition and physical risk assessments including robust climate scenario analysis.
- vi. Metrics and targets to assess and manage climate risks and opportunities such as net-zero goals, greenhouse gas emissions reduction targets, and renewable energy and energy efficiency deployment aligned with the Paris Agreement goals.
- vii. Disclosure on material climate risk opportunities consistent with the Financial Stability Board Task Force on Climate-related Financial Disclosures' (TCFD) recommendations including robust climate scenario analysis.
- viii. Company's responsiveness to shareholder engagement.

The Fund believes that companies should report climate risks and opportunities in line with the Task Force on Climate related Financial Disclosures (TCFD) recommendations. The Fund supports the TCFD recommendations because they provide a useful framework including key disclosure criteria – governance, strategy, risk management,

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<sup>6</sup> <https://www.osc.state.ny.us/pension/climate-action-plan-2019.pdf>

<sup>7</sup> Refer to the Risk Expertise Section for further details



and metrics and targets – for investment analyses and decision-making and have been widely adopted. The Fund thus supports proposals asking companies to provide climate reporting in line with the TCFD recommendations.

The Fund will generally support proposals requesting companies to take action or report on these specific net-zero transition factors.

The Fund may withhold support from a company's audit, sustainability and environmental, health and safety committee members responsible for climate risk oversight, the board chair, or the entire board in the event that a company:

- i. Lacks board oversight on climate risks;
- ii. Lacks board climate competency;
- iii. Supports public policies that adversely affect the net-zero transitioned and enhanced corporate climate disclosure;
- iv. Fails to acknowledge climate change and the net-zero transition as a material risk to the company;
- v. Fails to adopt robust climate targets;
- vi. Fails to demonstrate transition strategies aligned with the Paris Agreement;
- vii. Fails to perform robust climate risk assessment;
- viii. Fails to report on material climate information recommended by the TCFD; or
- ix. Refuses to engage constructively with shareholders on climate risks and opportunities.

The Fund will consider additional context in voting analyses for individual companies, including, but not limited to, the specific industry's pace of decarbonization, geographies, technological advancement, and data availability.

The Fund will support proposals asking for reports explaining how a company will address risks associated with deforestation including reporting on policies to reduce deforestation in the supply chain. The Fund will also support proposals asking the companies to report on the feasibility of obtaining certifications of the Forest Stewardship Council. The Fund will support proposals requesting the company prepare a report summarizing environmental, community, and public health impacts of fossil fuel production as well as petrochemical operations.

The Fund believes that material climate risks and opportunities should be incorporated into financial accounting and third-party assurance. The Fund believes that the board's audit committee should evaluate impacts of climate change and the transition to the net-zero economy on financial results and disclose risks associated with the transition. Also, the Fund believes that an external auditor should assess a company's sensitivity analysis specifically to probe, test and challenge management's assertions and assumptions in climate and energy transition scenario analyses. The Fund will thus support proposals requesting that companies issue audited reports on the financial impacts of a significant reduction in fossil fuel demand scenario such as a net-zero emissions scenario and the underlying assumptions.

The Fund will evaluate shareholder or management "say on climate" proposals including those that call on a company to adopt of an annual vote on a climate transition strategy and those that ask for shareholder approval of a climate transition strategy, on a case-by-case basis.

## *Environmental Justice*

The Fund will support proposals that request a report, including an independent or third-party audit, analyzing how a company's policies, practices, and the conduct of its business, may adversely impact communities of color and indigenous peoples.

## *Product and Food Safety*

The Fund believes that ensuring companies' product safety, including food and consumer goods, promotes shareowner value by reducing the risks of expensive recalls, litigation, and detrimental reputational impacts of unsafe products. The Fund will support proposals requesting that manufacturers of genetically-modified organisms report on risks associated with their products, contingency plans for removing genetically-modified organisms, the potential for using alternative products, and evidence of independent long-term safety testing that demonstrates product safety.

The Fund will support proposals requesting that corporations report on the scope of the company's products that are derived from or contain genetically-modified organisms.

The Fund will also support proposals requesting that companies adopt a policy of labeling products that are derived from or may contain genetically-modified organisms.

## *Pollution Control*

### **a. Hazardous Substances**

The Fund will support proposals requesting that a companies report to shareholders on annual expenditures related to the health and environmental consequences and/or financial and regulatory risks from the use of hazardous substances in company operations, or from the presence of hazardous substances in products manufactured and/or sold by the company.

### **b. Nuclear Plant Safety**

Nuclear energy strategies pose heightened risks, and shareholders should have access to all pertinent information regarding those risks. The Fund will support proposals that request a report on the risks of storage of nuclear and chemical waste. The Fund will also support proposals asking a company to take steps to diminish the risk of nuclear accidents.

### **c. Pesticide Imports and Exports**

The Fund will support proposals that ask pesticide manufacturers to report on products that have been banned for sale in any jurisdiction or identified as probable carcinogens.

### **d. Pollutants**

The Fund will support proposals asking companies to report on risks associated with emissions and releases of pollutants including sulfur dioxide, nitrogen oxide, mercury, ozone, or coal ash. The Fund will also support proposals asking companies to report on the economic benefits of committing to pollutant mitigations and controls.

#### **e. PVC Phase-out**

The Fund will support proposals that ask medical product companies to phase out the manufacture of PVC-containing or phthalate-containing medical supplies where safe alternatives are available. The Fund will also support proposals asking companies to report on the feasibility of removing dibutyl phthalates from products.

#### ***Resource Management***

The Fund will support proposals asking companies to report on efforts and policies to adopt resource efficiency and recycling policies and strategies such as sustainable packaging, managing food waste, as well as to assess the environmental impact on non-recyclable packaging and plastic straws.

#### ***Water Risks***

The Fund believes water is an essential resource to many businesses, and impairments of the quality or decreases in the quantity of available water can pose material risks. In addition, community concern about corporate water use can have a negative impact on a corporation's public reputation and long-term financial performance. The Fund will support proposals that ask corporations to adopt a water stewardship policy, evaluate business risks associated with water use and water quality, and to establish targets to reduce water use and water pollution as well as to recycle water. The Fund will support proposals that ask companies to report on their water stewardship policies.

### **SOCIAL ISSUES**

#### ***Diversity, Equity & Inclusion***

The Fund believes equality, diversity and inclusiveness are fundamental values of companies with sound, sustainable and profitable long-term strategies. Research shows that the ability to draw on a wide range of viewpoints, backgrounds, skills and experience is increasingly critical to corporations; long-term success in the global marketplace. Violations of workplace anti-discrimination laws may lead to expensive litigation and damaged corporate reputations that are not in the best interests of shareholders.

#### **a. Diversity Disclosure & Equal Employment Opportunity (EEO) Reporting**

The Fund will support proposals that ask companies to report to shareholders on equal employment opportunity activities and antidiscrimination policies. Boards should annually disclose their demographic information including race, ethnicity and gender. U.S. companies are required to file Equal Employment Opportunity reports detailing the race, ethnicity and gender of their workforce, including senior management, with the U.S. Equal Employment Opportunity Commission. The Fund believes that disclosure of EEO-1 data would help investors assess their portfolio companies' commitments to greater inclusion not just in a given year, but over time. Successful companies are likely to be those that demonstrate a commitment to equity, inclusion, respect and tolerance; prohibit all forms of discrimination; and recruit, hire, and promote employees from the widest choice of candidates. The Fund will also support proposals that request:

- i. Disclosure of federally filed EEO-1 reports and/or data;
- ii. Reporting on steps a company is taking to enhance board diversity;

- iii. Reporting on a company's workforce diversity and/or affirmative action programs;
- iv. Reporting information regarding legal and regulatory compliance related to nondiscrimination, affirmative action, workplace health and safety, and labor policies; and practices that effect long-term corporate performance; or
- v. A policy related to nondiscrimination in salary, wages and all benefits.

## **b. Racial Equity and Justice**

The Fund believes companies must address racial inequity, just as they would address any other systematic risk. Companies face increased risks when their corporate policies, practices, products, or services are, or are perceived to be, discriminatory, racist, or adding to racial inequities. By contrast, companies that foster diversity are more likely to outperform their less diverse peers, and companies that develop a culture of inclusion, equity and belonging are better positioned to drive long-term value for shareholders. The Fund will support proposals that request:

- i. Reporting on a company's diversity and inclusion efforts;
- ii. Reporting on a company's plan to address the risks associated with racial justice issues; or
- iii. A third-party or independent racial equity audit.

The Fund also expects companies to address racial and/or ethnic diversity-related controversies; disclose detailed workforce diversity statistics, such as EEO-1 type data; provide adequate internal frameworks or processes for addressing implicit or systematic bias throughout the organization; undertake initiatives and make efforts to enhance workforce diversity and inclusion, including trainings, projects or pay disclosure; report, using metrics or key performance indicators to demonstrate achievement of the goals, on products or services and/or charitable donations made or provided to create opportunity for people and communities of color; and report on stakeholder engagement regarding the impact of its business practices on communities of color.

## **c. Glass Ceiling**

The Fund will support proposals requesting a report on steps taken to break the "glass ceiling" — barriers to women's and racial minorities' advancement to senior management positions. Reports may include information on company policies to address diversity and leadership development, links between executive compensation and efforts to break the glass ceiling, and top company wage earners broken down by gender and race.

The Fund will support proposals requesting that companies enforce federal anti-discrimination laws and their own antidiscrimination policies.

The Fund will consider on a case-by-case basis proposals that ask a company to appoint a committee of independent members to develop a plan to eliminate discrimination at the company.

## **d. Sexual Orientation and Gender Identity and Expression**

Employment discrimination on the basis of sexual orientation or gender identify is illegal in the United States. Investors world-wide are increasingly looking to companies to strengthen their policies against harassment and discrimination employees who identify as LBGTQ+, and commit to building a culture that welcomes, accepts and values every employee. Many companies today have established non-discrimination policies and practices. Investors globally have been calling on companies to oversee the implementation of these policies across all

aspects of its supply chain, particularly in countries and regions that do not offer protections for people who identify as LGBTQ+

The Fund believes, and research has shown, that companies that adopt equal employment opportunity policies aimed at protecting LGBTQ+ rights benefit from more positive business outcomes, lower staff turnover and increased job satisfaction and productivity. The Fund will support proposals that request:

- i. A company to adopt or amend equal employment opportunity policies to explicitly prohibit discrimination based on sexual orientation and/or gender identity and expression.
- ii. Reporting on a company's initiatives to create a workplace free of discrimination on the basis of sexual orientation, gender identity and gender expression.
- iii. A company to prepare a report that outlines its efforts to promote a safe workplace for employees who identify as LGBTQ+

The Fund will vote against proposals that seek to prevent or eliminate protection already afforded to employees who identify as LGBTQ+.

#### **e. Disability Inclusion**

The Fund believes companies should adopt and implement best practices associated with improving employment policies for people with disabilities. Disability inclusion is a significant opportunity for companies to improve performance, enhance labor-force diversity, and develop a sustainable corporate culture. The Fund will consider the steps a company is taking to strengthen its disability programs, policies, and inclusion practices as an important indicator of a company's overall approach to diversity and inclusion, and its human capital management practices.

### ***Human Capital Management, Labor & Human Rights***

As long-term investors, the Fund believes that a company's value is intrinsically linked to its relationships with various stakeholders, such as its employees, customers, suppliers, creditors, regulatory agencies and the communities in which the company operates and conducts business. Effective board oversight of these key relationships, along with the risks and opportunities associated with them, is an important board function and accountability concern. Failure to manage key relationships could give rise to material risks for which boards should be held accountable.

The CRF believes that human capital management best practices prioritize the protection of the health, safety, and rights of employees in a company's workforce and in its supply chain. Implementing human capital management best practices can create an engaged and stable workforce that in turn can provide a competitive advantage for companies. Such best practices should include a commitment to diversity and inclusion; gender equality; employee development; and providing a workplace free of harassment. These practices should strive to prevent discrimination, harassment and violence based on race, color, religion, national origin, age, sex, disability, sexual orientation, gender identity or expression, marital status, or any other class or status protected by laws or regulations in areas of a company's operation. Boards and management must play an active role in setting high standards for human capital management and establishing a company culture that values and protects its workforce.

## **a. Human Capital Management**

The Fund believes companies should develop effective employee engagement, fair compensation, adequate training and development, and strive for suitable rates of retention that are conducive to driving long-term value.

The Fund will support proposals that seek reporting on a company's human capital management policies and practices, a company's strategies to develop, motivate, and retain a productive workforce in line with a company's business strategy, as well as to mitigate the risks or assess the impact of labor strife that may undermine firm performance.

The Fund will oppose employment policies and job requirements at portfolio companies that may infringe upon civil liberties, such as drug testing unless justifiable by probable cause of job hazards, credit checks, and health or fitness standards that are unrelated to job performance.

The Fund will also support proposals that request reports on a company's pay data by gender, or a report on a company's policies and goals to reduce any gender pay gap.

## **b. Human Rights**

The Fund will support proposals that ask companies to adopt a comprehensive and verifiable human rights policy and report on such to shareholders.

The Fund will also support proposals asking companies to implement the United Nations Guiding Principles on Business and Human Rights including human rights due diligence process to identify, prevent, mitigate and account for how they address their impacts on human rights, and report progress. The Fund will support proposals asking companies to adopt or amend policies to protect employees who report human rights violations, to establish reporting procedures to ensure this protection, and to inform employees about such procedures. The Fund will support proposals that request companies review and report on their human rights due diligence processes, including domestic policies and codes for international operations. The Fund will also support proposals that request companies report on efforts to ensure that they and their suppliers do not use child or forced labor.

The Fund will support proposals asking a company to conduct operations and obtain resources in ways that do not have undue adverse environmental, socioeconomic and human rights impacts upon indigenous peoples.

The Fund will support proposals requesting that companies review and report on their codes for international operations, including policies regarding the fair treatment of indigenous peoples.

## **c. Labor Rights**

The Fund believes that the ability to establish and maintain constructive relationship with workers is a hallmark of a company with a sound, sustainable and profitable long-term strategy.

- i. The Fund supports proposals asking companies to protect, promote, and implement core labor standards including workers' rights to organize and choose representatives of their own.
- ii. The Fund will support proposals requesting that companies establish a policy indicating zero tolerance for violence in the workplace.

- iii. The Fund supports and encourages a position of neutrality in the event there is a legitimate attempt by a labor organization to organize workers employed by companies in which the Fund is invested. The Fund will not support proposals that infringe on neutrality in labor disputes.
- iv. The Fund will support proposals asking for corporate adherence to International Labor Organization (ILO) standards such as freedom of association and effective recognition of the right to collective bargaining, elimination of discrimination with respect to employment and occupation, abolition of forced labor and child labor, and employment of independent monitoring of compliance with those standards.
- v. The Fund will support proposals asking companies to encourage suppliers to comply with ILO standards. The Fund will also support proposals requesting that companies contract for an independent monitor of their suppliers.
- vi. The Fund supports proposals to eliminate policies that force employees into mandatory, binding arbitration.
- vii. The Fund supports proposals requesting workplace safety reports, including accident and disease-spread risk reduction efforts.
- viii. The Fund supports proposals seeking to establish paid sick-leave and paid time-off as standard health and safety protections.
- ix. The Fund supports proposals seeking a feasibility study of a policy change that impacts public health or workplace safety.

### ***Corporate Culture***

The Fund believes that boards and management should play an active role in setting a high-performance corporate culture, which includes: respectful treatment of employees; efforts to promote diversity, equity, inclusion and innovation; providing a workplace free of sexual harassment and other forms of harassment; and fostering trust between employees and management. Additionally, the Fund believes boards should develop and disclose their efforts towards establishing effective corporate culture, including their anti-harassment policies, and the mechanisms to learn about employee complaints, how the claims are addressed, and the actions taken. Boards should have oversight in reviewing:

- i. Company policies, practices and executive responsibilities related to corporate culture;
- ii. Reviewing the potential risks related to corporate culture, including all forms of harassment and discrimination; and
- iii. Implementation of effective corporate culture.

Companies should ensure all settlements are reported to the board. Financial reporting standard setters generally require disclosure of material settlements, including those involving sexual harassment and other forms of discrimination. The Fund supports disclosure of settlements, including those related to sexual harassment and discrimination if the victim consents to disclosure, or if disclosure in the aggregate does not make the victims readily identifiable. Disclosure should be made when material statements involve an executive or member of the board or at any level within the company, when a pattern of behavior is demonstrated.

The Fund will support proposals that request a report on a company's culture, including efforts on sexual harassment policies and training.

## ***Contributions***

### **a. Charitable Contributions**

The Fund believes that companies should be good corporate citizens and should participate in the charitable life of the communities in which they operate. Companies that make contributions do not necessarily endorse a particular organization's positions. The Fund will not support proposals that request that contributions be directed to or prohibited from particular charitable organizations.

### **b. Disclosure of Political and Lobbying Expenditures and Charitable Contributions**

The Fund will support proposals asking companies to disclose their political and lobbying expenditures and charitable contributions. The Fund will support proposals that ask for a report that analyzes alignment between a company's strategy, purpose, or values and its political or lobbying expenditures.

The Fund will support proposals asking companies to put their political expenditures to a shareholder vote. The Fund will vote on a case-by-case basis on proposals asking for approval of specific political expenditures.

## ***Corporate Purpose***

The Fund will support proposals that request a company to adopt or review the company's statement of purpose, value and/or beliefs.

## ***Cybersecurity, Data Security & Internet Privacy/Censorship***

The Fund believes that collection of electronic consumer data creates legal, reputational, and financial risks if companies' use of consumer data violates consumers' expectations of privacy, confidentiality, and freedom of expression. Also, security breaches and otherwise failing to secure private consumer data, financial or otherwise, may create significant reputational, legal, and operational risks for a company. Moreover, the transfer or sale of consumer data may violate consumers' expectations as to a company's use of such data. The Fund will support proposals that:

- a. Request board oversight and enhanced disclosure of policies and practices regarding cybersecurity, data security, information security training programs, information and security risk insurance risk coverage, and how consumer data is used and protected;
- b. Request a company to adopt policies to help protect freedom of expression and access to the internet including a pledge not to engage in proactive censorship or host user data in countries that restrict political speech;
- c. Request a company to disclose the company's operations' impacts on human rights and freedom of expression;  
or
- d. Request a company to assess the risks of their technologies as they relate to their impact on human rights.



## *Military and Security Issues*

### **a. Space Weaponry, Missile Defense**

The Fund will review proposals asking companies to report on their involvement in space-based weaponization on a case-by-case basis.

### **b. Foreign Military Sales**

The Fund will support proposals asking companies report on sales and intended sales of military equipment to foreign governments. The Fund will also support proposals asking for reports on the process and criteria for choosing countries with which to do business.

### **c. Corporate Activity in Sanctioned Countries**

The Fund will support proposals asking companies to review and report on their operations in countries subject to economic and trade sanctions by the U.S. Department of the Treasury Office of Foreign Assets Control.

## *Northern Ireland*

The Fund will support proposals asking companies to implement the MacBride Principles for fair employment in Northern Ireland. The Fund will also support proposals asking companies to urge franchisees in Northern Ireland to implement the MacBride Principles. The CRF will support disclosure about progress in increasing the representation of individuals from underrepresented religious groups in the work force including managerial, supervisory, administrative, clerical, and technical jobs.

## *Boycott, Divest, Sanction (BDS) Activities*

The CRF adopted a policy to address the investment risks posed by companies that engage in so-called "Boycott, Divest, Sanction" (BDS) activities, which include actions that are intended to penalize, inflict economic harm on, or limit commercial relations with the State of Israel. The CRF views BDS activities as a potential threat to Israel, its economy, and, as a result, the CRF's relevant investments. Further, a number of states have acted or are considering actions to penalize companies that engage in such behavior. As a result, companies that engage in BDS activities may face legal, reputational and financial risks. The CRF will support proposals that request a company to prepare a report for investors on the extent of potential legal, financial, and reputational risks associated with BDS activity. The CRF will vote against proposals that encourage a company to engage in BDS activities, prepare a report that would explore the feasibility of taking BDS actions.

## *Health & Safety Issues*

### **a. Amusement Park Safety**

The Fund will support proposals requesting a report on amusement park safety policies, including disclosure of injury episodes.

### **b. Animal Welfare**

The Fund will support proposals requesting a report on animal welfare standards. The Fund will also support proposals requesting a report on company policies regarding use of antibiotics in animal production facilities.

**c. Execution Drugs**

The Fund will support proposals requesting a report on controlled distribution systems to prevent the diversion of restricted medicines to prisons for use in executions and on processes for monitoring and auditing these systems

**d. HIV/AIDS, TB and Malaria in Developing Countries**

The Fund will support proposals requesting a report on the effect of deadly diseases on their operations, as well as on any measures taken in response.

The Fund will support proposals requesting pharmaceutical companies to establish standards of response to the health pandemic of HIV/AIDS, tuberculosis and malaria in developing countries.

The Fund will support proposals that ask a company to outline steps that can be taken to help address the HIV/AIDS pandemic.

**e. COVID-19**

The Fund will support proposals requesting information related to the equitable distribution of COVID-19 vaccinations to developing countries.

**f. International Drug Trials**

The Fund will support proposals that request that a company disclose the countries where it sponsors clinical trials and how it ensures compliance with ethical guidelines and protocols.

**g. Opioid Abuse**

The Fund will support proposals that request that a company report on the governance measures to monitor and manage financial and reputational risks relate to the Opioid crisis.

**h. Tobacco**

Tobacco companies manufacture products that are subject to examine criticism and increasing regulation. This regulatory and public policy risk, along with the business model and reputational risks, pose investment risk. The Fund will support proposals that request companies report on or disclose information related to their products and business operations, and efforts to mitigate their products' impact on customers, bystanders, and the environment.

***Sustainability Reporting***

The Fund incorporates sustainability issues including ESG factors into the Fund's risk-return evaluation, shareholder engagement, and voting analyses because the Fund believes that these factors have long-term impacts on its portfolio. The financial value of integrating these ESG factors into the investment process is supported by academic literature and recognized by an increasing number of investors. Enhanced disclosure concerning sustainability and ESG issues enables the Fund to make better informed investing and voting decisions. The Fund has advocated for companies to provide robust disclosure surrounding various sustainability issues such as climate change, board diversity, political spending, and human capital management.

The Fund is of the view that sustainability reporting must be comprehensive, material, comparable, and extend well beyond what is required within current financial reporting regulations.

The Fund will support proposals that:

- a. Request that companies disclose information on their corporate environmental, social and governance (ESG) risks, targets, and performance.
- b. Request companies prepare sustainability reports or request disclosure consistent with SASB, GRI, TFCF or other internationally recognized sets of guidelines.
- c. Request companies to conduct audits of sustainability policies, programs, and overall sustainability performance.

Failure of companies to appropriately manage and comprehensively report climate and other material ESG risk may lead the Fund to withhold support from audit committee members or other directors responsible for oversight.

The Fund will generally vote against shareholder proposals that do not advance the goals of the Fund's ESG Strategy, Guidelines, or aim to limit a company's reporting or disclosure on ESG-related issues.