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INTRODUCTION

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 $210.5 billion (as of March 31, 2019) 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.

As Trustee of the Common Retirement Fund, Comptroller DiNapoli has a responsibility to protect the Fund's investments on behalf of the System's members. An essential component of safeguarding the Fund's investments includes working with its portfolio companies to encourage best corporate governance practices and sustainable business strategies to reduce risks and realize strong returns. That work includes voicing concerns with, proposing changes to, and voting the proxies of the public companies in which the Fund invests.

Proxy Voting and the Bureau of Corporate Governance

The Bureau of Corporate Governance (Bureau) is responsible for developing and implementing the Comptroller's environmental, social and governance (ESG) policies in furtherance of his fiduciary responsibility. The Bureau prepares these proxy voting guidelines and directs and monitors the voting process. Sound ESG practices benefit long-term company value and the Bureau also researches and examines ESG issues at portfolio companies on a case-by-case basis. When the Bureau identifies an issue, the Fund can use its voice as a major investor to improve corporate policies and behavior, consistent with fiduciary duty. The Fund has several ways to raise its concerns with companies including:

- Direct communication with corporations through letters, phone calls, and meetings;
- Shareholder proposals asking corporate boards to address specific issues; and
- Votes on board directors, management proposals and shareholder proposals at companies' annual investors meetings.

Environmental, Social, and Governance Principles

The Fund's Investment Philosophy requires the consideration of environmental, social, and governance (ESG) factors in the Fund's investment process because they can influence both risk and return. The Fund, as a long-term owner that invests in all sectors of the economy (i.e., a "universal owner"), works to promote sound ESG practices at its portfolio companies through active ownership and public policy advocacy. The Corporate Governance Program is designed to enhance long-term value through a commitment to ESG and a strategic focus on sustainability, diversity, and accountability.

Sustainability is of vital interest to the Fund because the System's long-dated pension obligations require us to assess the long-range vision and prospects of our portfolio companies. Sustainable corporate practices may be of critical importance in a variety of areas, including anticipating and responding effectively to environmental challenges, managing changes in the political and regulatory landscape, and protecting the health, safety and rights of employees in the company's own workforce and in its supply chain to ensure productivity while diminishing the risks of liability and reputational damage. A commitment to sustainability provides a framework for companies to flourish for decades to come — and the Fund's investments along with them.

Diversity and Inclusion — in its many forms — is another key component of the Fund's long-term strategy for success. Diverse investing strategies include prudent allocation among a variety of assets, geographic diversity and a commitment to providing business opportunities for emerging managers. Diversity also includes encouraging diversity of the boards, executive management and workforce of the companies and projects that we invest in. 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. Therefore, encouraging diversity of the boards, executive management and workforce of the companies and projects that we invest in is an integral component of the responsible stewardship of our capital.

Accountability is essential for the Fund because of the vast scale and scope of its investments and the immense responsibility of its long-term commitments. With such an enormous array of investments in so many different businesses and projects, the Fund relies on independent boards to represent investors, looks for compensation structures that properly incentivize strong long-term returns, and expects the full disclosure of risks, opportunities and strategies necessary to allow for informed decision-making. Accountability and transparency are critical to an effective, long-term investment strategy.

This strategic focus of enhancing long-term value through sustainability, accountability, and diversity is, in part, implemented through active ownership of portfolio companies to address ESG issues in a manner consistent with enhancing shareholder value. The Fund's active ownership program takes many forms, including voting on nearly 30,000 proxy measures annually, filing shareholder proposals, writing letters as specific issues arise, discussing important ESG issues directly with corporate directors and management, and advocating for policies that will help protect the long-term value of our investments.

The ESG Principles and Proxy Voting Guidelines (Guidelines) have been adopted, not only to provide guidance on voting practices to the Fund, its managers and portfolio companies, but also to guide other corporate engagements and policy initiatives that enhance long term value, and to articulate to the capital markets the Fund's view on what constitutes best practices in corporate governance and ESG issues. The Fund encourages its external managers to consider these principles in investment decision making, proxy voting, and corporate engagements consistent with fiduciary duty.

The Guidelines are not intended to anticipate every proposal that will appear on portfolio companies' proxy statements. These Guidelines are not binding and the Comptroller will vote proxies consistent with his fiduciary duty. These Guidelines are subject to change at any time by approval of the Chief Investment Officer and the Comptroller.

Review of Proxy Voting Guidelines

Prior to adoption of this policy, the Bureau of Corporate Governance conducted a review of the adequacy of the prior version of the Guidelines. This included reviewing a sample of the Fund's 2018 and 2019 proxy votes; reviewing voting guidelines of its public fund peers; conducting a gap analysis comparing prior adopted Guidelines and ballot items topics from 2018-2019; reviewing the Fund's voting trends on various ballot item topics; and reviewing relevant trends related to corporate governance, proxy statement disclosures, and shareholder proposals.

Based on this review, and the changes proposed in this update, these Guidelines are hereby determined to be in the best interest of the members and beneficiaries of the System, for the reasons listed throughout the policy.

Proxy Voting Procedure

The Fund independently votes the proxies of domestic companies in which it holds public equity securities. Voting provides a direct means of influencing a company's governance, risk management, and is an integral part of the Comptroller's fiduciary duty to invest prudently and for the exclusive benefit of the System's members, retirees, and beneficiaries. 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 publicly available 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, and analyses from several corporate governance and ESG service providers. The Fund utilizes a vote management platform to vote its proxies. 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 Fund 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. The Fund's annual votes and Corporate Governance Stewardship Reports can be found on the Corporate Governance segment of its website (https://www.osc.state.ny.us/pension/corporategovernance.htm).

PROXY VOTING GUIDELINES

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 opposes 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 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.

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 and/or when an auditor is continuously employed by a 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 here 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.

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 legitimate 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.

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 cast 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 through auditor engagement 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. 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.

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 insulate or entrench 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 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 to shareholders. 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, skills 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 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 will withhold support from all incumbent board nominees if there are no women on the board. Additionally, the Fund will withhold support from incumbent nominating committee nominees when a board does not have more than one woman director.

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[1]:

(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 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 affiliates' 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.

1 The Fund generally adopts recommendations made by the Council of Institutional Investors and its current definition of "independent director" updated as of October 24, 20180, cii.org at: https://www.cii.org/corp_gov_policies. "Council Policies."

(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) 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. Moreover, classified boards make it extremely difficult for a bidder to acquire control or for a challenger to engage successfully in a proxy contest. 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 these issues. 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 such 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

Limitations on directors' liability can benefit the company and its shareholders by facilitating the attraction and retention of qualified directors. At the same time, shareholders should be protected in situations of egregious misconduct by directors.

The Fund will generally support proposals that ask a company to limit director liability and provide indemnification. The Fund will not support proposals that provide indemnity for the following actions:

i. Breach of the duty of loyalty.

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. 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.

g. Independent Board Chairman

The Fund will support proposals that request that a company take the steps necessary to adopt a policy that the board chairman be an "independent" director. The Fund will also support proposals that request that a company take the steps necessary to separate the roles of chairman and chief executive officer. Alternatively, where there is one director acting as both the chairman 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 chairman of the board would help to ensure that the board consistently acts in the best interests of shareholders.

h. Independent Director/Shareholder Dialogue

Communication between shareholders and independent directors helps ensure that the interests and concerns of shareholders are represented in board deliberations. The Fund will support proposals that request that a company establish a policy and procedure by which shareholders can communicate with independent directors.

i. 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 who 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.

j. 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.

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. 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.[2]

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 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. Failure of a board to appropriately manage and comprehensively report material ESG risk may lead the Fund to withhold support from directors who serve on relevant oversight committees.

2 https://www.fsb-tcfd.org/

k. 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.

l. 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.

m. Post-IPO Governance

For 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 implemented 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 incumbent directors unless the multi-class capital structure is sufficiently modified or removed.

n. 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 shareowner meeting should use it as a tool for broadening, not limiting, shareowner 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.

o. 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.

p. Forum Selection & Forced Arbitration

Companies should not attempt to restrict the venue for shareowner claims by adopting charter or bylaw provisions that seek to establish an exclusive forum. Nor should companies attempt to bar shareowners from the courts through the introduction of forced arbitration clauses. The Fund will withhold support from governance committee members when a company pursues either action.

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

Capital Structure

a. Dividend Policy

i. **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. Declaring or increasing a dividend may not necessarily promote long-term shareholder value if there is opportunity to reinvest into the corporation to promote growth. However, if a corporation is unlikely to benefit from reinvestment, declaring/increasing a dividend may be appropriate. The Fund will consider supporting proposals asking companies to declare/increase dividends on a case-by-case basis.

ii. **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. 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 conditions that could serve as an anti-takeover defense without shareholder approval. The Fund will not support proposals that authorize the creation or increase of 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 thwart hostile takeovers that may be desirable. 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.** 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." When a parent company issues tracking stock, all revenues and expenses of the division are separated from the parent company's financial statements and 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. 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.

c. 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 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 directors 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.

d. 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 corporate profits, 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.

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 bloc 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 support resolutions seeking the opportunity for shareholders to hold a non-binding advisory vote on compensation practices.

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, and will typically vote against executive compensation plans in instances:

i. where there is not an appropriate combination of well-structured and well-disclosed performance-based short- and long-term incentives;

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; or

v. in instances where excessive post-employment pay (perquisites and/or severance packages, including golden handshakes and golden parachutes, has been established.

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 will support proposals requesting policies that direct recoupment of unearned compensation in the event of fraud or restatements. The Fund will support the recovery of such unearned payments where possible. The Fund is in favor of provisions 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.

d. ESG Metrics

Disclosure relating to ESG practices allows shareholders to be well informed and can assist decision making by shareholders. 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. 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 not-yet-vested stock options issued to company executives.

f. Equity Ownership Guidelines

Companies should generally require both long-term and significant holding requirements for equity based compensation. A long-term holding requirement would encourage executives to focus on a company's long-term performance. The Fund will generally support proposals that ask a company to require executives to retain shares gained from equity compensation programs.

g. Incentive Plans for Executives

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.

h. 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 nonexecutives.

i. 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 repricing 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.

j. 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.

k. 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.

l. 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.

m. 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").

n. Stock Option Plan

Stock option 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 not support proposals that seek to prohibit stock option grants.

Several factors, such as the category of the company (whether emerging, growth or mature) and its long-term financial performance, require detailed analysis. Accordingly, the Fund reviews stock option plans on a case-by-case basis.

The Fund will generally support proposals that ask a company to establish or to amend stock option plans with the following terms:

i. Dilution levels should be reasonable.

ii. Options should not be awarded at below-market discounts.

iii. Plans should reward performance. The criteria for performance rewards should be clear and definitive.

iv. Plans should not include stock appreciation rights or stock depreciation rights.

v, Plans should not allow "pyramiding" — the practice of paying for stock options with previously owned shares in successive short term transactions.

vi. Plans should not include reload provisions that allow the company to replace stock already given in the exercise of an option.o.

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. 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. The Fund generally will not support proposals submitted by management that would establish or extend a "poison pill." Poison pills can have a significant economic impact on shareholder value. Shareholders should be allowed to review and vote on the rights plan. The Fund will support proposals that ask a company to submit its poison pill to shareholders for a vote.

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 proxy expenses in some cases can help ensure that shareholders can consider and vote on qualified board candidates nominated by shareholders. In instances where the dissident has a successful outcome, it would be in the best interest of shareholders to have the option to vote on whether to reimburse dissident proxy expenses. 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

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 may take into consideration input from heads of asset classes, 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. However, the proposed restructuring activities can be distracting to the board and senior management if other strategic plans are in place. 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. However, the proposed restructuring activities can be distracting to the board and senior management if other strategic plans are in place. 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 reason.

b. Response to Shareholder Proposals Receiving Majority Vote

The proxy vote is an important mechanism for shareholders to express their views on how a company should be run. 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.

d. Universal Proxy

The Fund will support proposals requesting companies to facilitate shareholder voting process to vote shares with a proxy card showing all director nominees. The use of a universal proxy card could address the possibility of disenfranchisement shareholders face when voting by proxy instead of in person and presented with more than one proxy card.

Environmental Issues

Climate Change

The Fund's climate voting policies are based on the Fund's belief that climate change poses significant risks and opportunities for the Fund, the markets, and the economy as a whole.[3] 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 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 low carbon economy.

3 https://www.osc.state.ny.us/pension/climate-action-plan-2019.pdf

The Fund thus believes it is critical for companies to be prepared for the transition to a low carbon 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.[4]

ii. Public policy advocacy on climate change and energy.

iii. Executive compensation linked to low-carbon transition strategies and targets.

iv. Low-carbon transition strategies 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 greenhouse gas emissions reduction targets, and renewable energy and energy efficiency deployment aligned with the Paris goals.

vii. Disclosure on material climate risks and 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 will generally support proposals requesting companies to take action or report on these specific low carbon transition factors.

The Fund may withhold support from directors responsible for climate risk oversight 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 low carbon transition and enhanced corporate climate disclosure;

iv. fails to acknowledge climate change and the low carbon transition as a material risk to the company;

v. fails to demonstrate transition strategies;

vi. fails to perform robust climate risk assessment;

vii. fails to report on material climate information recommended by the TCFD; or

viii. 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.

4 Refer to the Risk Expertise Section for further details

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.

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 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 of 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.

Social Issues

Diversity, Equality & 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. Ideally, companies should annually disclose their Employer Information Report filed with the U.S. Equal Employment Opportunity Commission. Successful companies are likely to be those that: demonstrate a commitment to respect and tolerance; prohibit all forms of discrimination; and recruit, hire, and promote employees from the widest choice of candidates. Workforce demographic data allows shareholders to assess the board's diversity relative to its workforce and compare companies in similar industries. Proposals that require additional disclosure about such activities can enhance shareholder value by providing shareholders with information critical to informed decision-making. The Fund will also support proposals that request:

i. Reporting on steps a company is taking to enhance board diversity;

ii. Reporting on a company's workforce diversity and/or affirmative action programs;

iii. 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

iv. A policy related to nondiscrimination in salary, wages and all benefits.

b. 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.

c. Sexual Orientation and Gender Identity and Expression

Federal law does not explicitly ban workplace discrimination against LGBTQ employees, but many states have enacted workplace protections for these employees. Although many US companies have explicitly banned discrimination on the basis of sexual orientation or gender identity and expression in their equal employment opportunity (EEO) statements, some still do not.

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 or gender identity and expression.

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

d. Disability Inclusion

The Fund believes companies should 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 disability 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

The Fund believes that sustainable corporate practices — including protecting the health, safety, and rights of employees in a company's workforce and in its supply chain — are critically important to help ensure productivity while avoiding risks of liability and reputational damage. Boards and management should have an active role in setting high standards for human capital management, the most important asset of any organization.

Practices established to create an engaged and stable workforce can provide a competitive advantage for companies. As part of human capital management, boards should have an active role in setting the company culture and oversight of the company's approach to human capital management, which should include: commitment to diversity and inclusion; gender equality; employee development; providing a workplace free of harassment; and promoting ownership and accountability. These practices should emphasize and focus on preventing 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.

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 or 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. 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 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 relationships 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.

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, 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

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. The Fund supports disclosure of settlements, including those related to sexual harassment if the victim consents to disclosure, involving 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 community. 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 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.

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 request board oversight and enhanced disclosure of policies and practices regarding cybersecurity, data security, and how consumer data is used and protected.

The Fund will support proposals asking 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. The Fund will support proposals asking a company to disclose the company's operations' impacts on human rights and freedom of expression.

The Fund will support proposals that ask companies 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 to 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.

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. 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.

f. 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 related to the Opioid crisis.

g. Tobacco

Tobacco companies manufacture products that are subject to extensive 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 request that companies disclose information on their corporate environmental, social and governance (ESG) risks, targets, and performance.

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

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