



**2017**

# **Egan-Jones Proxy Services**

## **Socially Responsible Investing**

### **Proxy Voting**

## **Principles and Guidelines**

### **Egan-Jones Socially Responsible Investing Proxy Voting Principles**

Our principles and guidelines have been developed to be consistent with the values and objectives of the Socially Responsible Investing community.

Egan-Jones Proxy Services Socially Responsible Investing Voting Guidelines promote long-term shareholder value, operating in a fiscally sound, responsible and accountable manner, while emphasizing progressive, socially responsible stewardship. Thus, our guidelines address issues that affect long-term shareholder value, while emphasizing responsibility to society for such matters as the environment, the workplace, the community, and safety and health.

#### **Introduction**

Our Proxy Voting Principles serve as the background for our Proxy Voting Guidelines, which, in turn, act as general guidelines for the specific recommendations that we make with respect to proxy voting. It is important to recognize that such principles are not intended to dictate but guide. Certain of the principles may be inappropriate for a given company, or in a given situation. Additionally, the principles are evolving and should be viewed in that light. Our principles are and will be influenced by current and forthcoming legislation, rules and regulations, and stock exchange rules. Examples include:

- the Sarbanes-Oxley Act of 2002 and implementing rules promulgated by the U.S. Securities & Exchange Commission
- revised corporate governance listing standards of the New York Stock Exchange and resulting SEC rules
- corporate governance reforms and subsequent proposed rule filings made with the SEC by The NASDAQ Stock Market, Inc. and resulting SEC rules

In general:

- Directors should be accountable to shareholders, and management should be accountable to directors.
- Information on the Company supplied to shareholders should be transparent.

- Shareholders should be treated fairly and equitably according to the principle of one share, one vote.

## Principles

### A. Director independence

It is our view that:

- A two-thirds majority of the board should be comprised of independent directors.
- Independent directors should meet alone at regularly scheduled meetings, no less frequently than semi-annually, without the Chief Executive Officer or other non-independent directors present.
- The Chairman of the Board should be an independent director (i.e., he or she should not also be the Chief Executive Officer).
- When the Chairman of the Board also serves as the Company's Chief Executive Officer, the board should designate one independent director to act as a leader to coordinate the activities of the other independent directors.
- Committees of the board dealing with the following responsibilities should consist only of independent directors: audit, compensation, nomination of directors, corporate governance, and compliance.
- No director should serve as a consultant or service provider to the Company.
- Director compensation should be a combination of cash and stock in the Company, with stock constituting a significant component.

In our opinion, an independent director, by definition, has no material relationship with the Company other than his or her directorship. This avoids the potential for conflict of interest. Specifically such director:

- should not have been employed by the Company or an affiliate within the previous five years.
- should not be the founder of the Company.
- should not be a director of the Company serving in an ex officio capacity.
- should not be a member of the Company's Board of Directors for 10 years or more, however, a director who is a diverse nominee may be exempted from this rule on the case-by-case basis.
- should have no services contract regarding such matters as aircraft rental contract, real property lease or similar contract with the Company or affiliate, or with a member of the Company's senior management or provide legal or consulting services to the Company within the previous three years.
- should not be employed by a public company at which an executive officer of the Company serves as a director, and thereby be part of an interlocking relationship.
- should not be a member of the *immediate family* (spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone other than domestic employees who share such person's home) of any person described above.
- a director who receives, or whose immediate family member receives more than \$120,000 per year in *direct compensation* (base salary plus cash bonus) from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent until three years after he or she ceases to receive more than \$120,000 per year in such compensation.

- a director who is an executive officer or an employee, or whose immediate family member is an executive officer, of another company (other than a utility) or non-profit organization that makes payments to, or receives payments from, the Company for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1 million, or 2% of the recipient company's consolidated gross revenues, is not "independent" until three years after falling below such threshold. However, the existence of a credit agreement between a bank and the Company shall not affect the independence of a director who is an executive of that bank within the previous three years.

#### B. Board operating procedures

- The board should adopt a written statement of its governance principles, and regularly re-evaluate them.
- Independent directors should establish performance criteria and compensation incentives for the Chief Executive Officer, and regularly review his or her performance against such criteria. Such criteria should align the interests of the CEO with those of shareholders, and evaluate the CEO against peer groups.
- The independent directors should be provided access to professional advisers of their own choice, independent of management.
- The board should have a CEO succession plan, and receive periodic reports from management on the development of other members of senior management.
- Directors should have access to senior management through a designated liaison person.
- The board should periodically review its own size, and determine the appropriate size.

#### C. Requirements for individual directors

We recommend that:

- The Board should provide guidelines for directors serving on several Boards addressing competing commitments.
- The board should establish performance criteria for itself and for individual directors regarding director attendance, preparedness, and participation at meetings of the board and of committees of the board, and directors should perform satisfactorily in accordance with such criteria in order to be re-nominated.

#### D. Shareholder rights

- A simple majority of shareholders should be able to amend the Company's bylaws, call special meetings, or act by written consent.
- In the election of directors, there should be multiple nominees for each seat on the board
- "Greenmail" should be prohibited.
- Shareholder approval should be required to enact or amend a "poison pill" (i.e., "shareholder rights") plan.
- Directors should be elected annually.
- The board should ordinarily implement a shareholder proposal that is approved by a majority of proxy votes.
- Shareholders should have effective access to the director nomination process.

## **Egan-Jones SRI Proxy Voting Guidelines**

Consistent with the above-listed principles, the proxy voting guidelines outlined below are written to guide the specific recommendations that we make to our clients. Ordinarily, we do not recommend that clients ABSTAIN on votes; rather, we recommend that they vote FOR or AGAINST proposals (or, in the case of election of directors, that they vote FOR ALL nominees, AGAINST the nominees, or that they WITHHOLD votes for certain nominees). In the latter instance, the recommendation on our report takes the form ALL, EXCEPT FOR and lists the nominees from whom votes should be withheld.

Whether or not the guideline below indicates “case-by-case basis,” every case is examined to ensure that the recommendation is appropriate.

### **Board of Directors**

#### **Election of Directors in Uncontested Elections**

Case-by-case basis, examining composition of board and key board committees, attendance history, corporate governance provisions and takeover activity, long-term company financial performance relative to a market index, directors' investment in the company, etc..

WITHHOLD votes from nominees who:

- are affiliated outside directors and sit on the Audit, Compensation, or Nominating committees.
- are inside directors and sit on the Audit, Compensation, or Nominating committees.
- are inside directors and the Company does not have Audit, Compensation, or Nominating committees.
- attend less than 75 percent of the board and committee meetings. Participation by phone is acceptable.
- ignore a shareholder proposal that is approved by a majority of the shares outstanding.
- ignore a shareholder proposal that is approved by a majority of the votes cast for two consecutive years.
- fail to act on takeover offers where the majority of the shareholders have tendered their shares.
- implement or renew a “dead-hand” or modified “dead-hand” poison pill.
- sit on more than five other public boards.
- serve as both Chairmen and CEOs, or serve as Chairmen and were formerly CEOs.
- serve as Chairmen but are not independent.
- serve as CEOs and hold more than one outside public directorship.
- serve as Chairmen of the Board and hold more than one outside public directorship.
- sit on the existing board, which has failed to respond adequately to a say-on-pay vote in which the majority of votes cast voted AGAINST.

- sit on the existing board, which has implemented a less frequent say-on-pay vote than the frequency option which received a majority of votes cast in the previous frequency vote.

### **Underperforming Board Policy**

WITHHOLD votes from Compensation Committee members in cases when the Company obtains a questionable score on the Egan-Jones compensation rating model.

WITHHOLD votes from Compensation Committee members in cases when the Company's Compensation Plans (Cash Bonus Plan or Stock Option Plan) receive an "AGAINST" recommendation from Egan-Jones.

### **Board Accountability**

Case-by-case basis for the following:

- Evidence or belief of failure of the board to properly account and prepare for risk (i.e. carbon or cyber issues)
- A low board score, coupled with poor performance
- Legal or ethical problems in the Company or its management

In cases in which the Company has engaged in the practice commonly referred to as "options backdating," Egan-Jones may recommend that votes be withheld from nominees serving on the Company's compensation committee, the issuer's entire board of directors, and/or its chief executive officer. Such recommendations will be made on a case-by-case basis, taking into consideration such matters as intent of the individuals involved, scope and timing of the practice, significance of financial restatement required, and corrective action taken.

Furthermore, we may recommend withholding votes from either members of the Company's compensation committee, its entire board of directors and/or its chief executive officer where the Company has engaged in what we judge to be other unsatisfactory compensation practices. Considerations may include such factors as "pay-for-failure" executive severance provisions, change-in-control payments which are either excessive or which are not tied to loss of job or significant reduction in duties, excessive executive perquisites, unjustified changes in the performance standards applied to performance-based compensation, and executive compensation out of proportion to performance of the Company.

FOR responsible shareholder proposals calling for the Company to name as directors only those who receive a majority of shareholder votes.

FOR proposals requesting that the Company seek more women, minority group members, and employee shareholders for service as directors.

### **Separating Chairman and CEO**

FOR shareholder proposals requiring that positions of chairman and CEO be held separately.

## **Independent Directors**

FOR shareholder proposals asking that a two-thirds majority of directors be independent.

FOR shareholder proposals asking that board's Audit, Compensation, and/or Nominating committees be composed exclusively of independent directors.

FOR shareholder proposals asking that the chairman be independent.

## **Stock Ownership Requirements**

AGAINST shareholder proposals requiring directors to own a minimum amount of company stock in order to qualify as a director or to remain on the board.

## **Term Limits**

AGAINST shareholder proposals to limit tenure of outside directors.

## **Age Limits**

AGAINST shareholder proposals to impose a mandatory retirement age for outside directors.

## **Director and Officer Indemnification and Liability**

Case-by-case basis on management proposals regarding director and officer indemnification and liability, using Delaware law as the standard.

AGAINST management proposals to eliminate entirely directors and officers liability for monetary damages for violating the duty of care.

AGAINST management indemnification proposals that would expand coverage beyond legal expenses to acts, such as negligence, that are more serious violations of fiduciary obligation than mere carelessness.

FOR only those management proposals providing such expanded coverage in cases when a director's or officer's legal defense was unsuccessful if (1) the director was found to have acted in good faith and in a manner that he or she reasonably believed was in the best interests of the Company, and (2) only if the director's legal expenses would be covered.

## **Charitable Contributions**

AGAINST shareholder proposals regarding charitable contributions, except FOR proposals requesting information on such contributions.

## **Political Contributions**

FOR shareholder proposals regarding greater disclosure of political contributions.

FOR shareholder proposals seeking political contribution guidelines and reporting procedures.

## **Lobbying Expenditures**

FOR shareholder proposals for disclosure of lobbying expenditures.

## **Proxy Contests and Other Contested Elections**

### **Election of Directors in Contested Elections**

Case-by-case basis for voting for directors in contested elections, considering long-term financial performance of the target company relative to its industry, management's track record, background to the proxy contest, qualifications of director nominees on both slates, evaluation of what each side is offering shareholders as well as likelihood that proposed objectives and goals will be met, and stock ownership positions.

FOR plurality voting standard in contested elections.

### **Reimbursement of Shareholders for Expenses Incurred**

FOR responsible shareholder proposals advocating establishment of procedures for reimbursement of solicitation expenses incurred by a dissident stockholder or group of stockholders in a contested elections of directors.

## **Auditors**

### **Ratifying Auditors**

FOR management proposals to ratify appointment of independent auditor unless:

- Auditor obtains a questionable score on the Egan-Jones Auditor Rating Model which takes into account a number of factors including but not limited to:
  - Auditor rotation every seven years
  - Non-audit fees exceeding 50% of total fees
  - Significant and material disciplinary actions taken against the Company's Auditor
- Auditor has a financial interest in or association with the Company, and is therefore not independent; or there is reason to believe that the independent auditor has rendered an opinion which is neither accurate nor indicative of the Company's financial position.

## **Proxy Contest Defenses**

### **Classified Board vs. Annual Election**

AGAINST management proposals to classify the board.

FOR shareholder proposals to repeal ("de-stagger") classified boards and to elect all directors annually.



## **Removal of Directors**

AGAINST management proposals that provide that directors may be removed only for cause.

FOR shareholder proposals to restore shareholder ability to remove directors with or without cause.

CASE-BY-CASE basis for shareholder proposal to remove a director, usually AGAINST unless there are compelling reasons to remove a director or a director does not fulfill Egan-Jones criteria examining independence, meetings attendance, other board memberships, then in such cases FOR.

AGAINST management proposals that provide that only continuing directors may elect replacements to fill board vacancies.

FOR shareholder proposals that permit shareholders to elect directors to fill board vacancies.

## **Cumulative Voting**

AGAINST management proposals to eliminate cumulative voting.

FOR shareholder proposals to provide for cumulative voting.

## **Calling Special Meetings**

AGAINST management proposals to restrict or prohibit shareholder ability to call special meetings.

FOR shareholder proposals that remove restrictions on the right of shareholders to act independently of management.

FOR shareholder proposals to allow a shareholder holding a 25% or greater interest to call a special shareholder meeting.

## **Acting by Written Consent**

AGAINST management proposals to restrict or prohibit shareholder ability to take action by written consent.

FOR shareholder proposals to allow or make easier shareholder action by written consent.

## **Altering Size of the Board**

FOR management proposals to fix the size of the board.

AGAINST management proposals that give management the ability to alter size of the board without shareholder approval.

## **Tender Offer Defenses**

### **“Poison Pills”**

FOR shareholder proposals that ask the Company to submit its “poison pill” for shareholder ratification.

Case-by-case basis for shareholder proposals to redeem a company's existing "poison pill."  
Case-by-case basis for management proposals to ratify a "poison pill."

### **Fair Price Provisions**

Case-by-case basis for management proposals favoring adopting fair price provisions, considering vote required to approve the proposed acquisition, vote required to repeal the fair price provision, and mechanism for determining the fair price.

AGAINST management proposals for adopting fair price provisions with shareholder vote requirements greater than a majority of disinterested shares.

### **"Greenmail"**

FOR shareholder proposals to adopt anti-"greenmail" charter or bylaw amendments or otherwise restrict the Company's ability to make "greenmail" payments.

Case-by-case basis for shareholder anti-"greenmail" proposals which are bundled with other charter or bylaw amendments.

### **"Pale Greenmail"**

Case-by-case basis for restructuring plans that involve the payment of pale greenmail.

### **Unequal Voting Rights**

AGAINST dual-class exchange offers and dual-class recapitalizations.

### **Supermajority Requirement to Amend Charter or Bylaws**

AGAINST management proposals to require a supermajority shareholder vote to approve charter and bylaw amendments.

FOR shareholder proposals to lower supermajority shareholder vote requirements for charter and bylaw amendments.

### **Supermajority Requirement to Approve Mergers**

AGAINST management proposals to require a supermajority shareholder vote to approve mergers and other significant business combinations.

FOR shareholder proposals to lower supermajority shareholder vote requirements for mergers and other significant business combinations.

### **Placement of Equity with "White Squire"**

FOR shareholder proposals to require approval of "blank check preferred stock" issues for other than general corporate purposes.

## Other Governance Proposals

### Exclusive Forum

AGAINST management proposals to restrict the venue for shareholder claims by adopting charter or bylaw provisions that seek to establish an exclusive judicial forum.

### Confidential Voting

FOR shareholder proposals that request that the company adopt confidential voting, use independent tabulators, and use independent inspectors of election as long as the proposals include clauses for proxy contests as follows: In the case of a contested election, management should be permitted to request that the dissident group honor its confidential voting policy. If the dissidents agree, the policy remains in place. If the dissidents do not agree, the confidential voting policy is waived.

FOR management proposals to adopt confidential voting.

### Equal Access

FOR shareholder proposals that would allow significant company shareholders equal access to management's proxy material in order to evaluate and propose voting recommendations on proxy proposals and director nominees, and in order to nominate their own candidates to the board.

### Proxy Access

FOR binding shareholder proxy access proposals considering the following criteria:

- 0.5% ownership threshold
- Number of board members that may be elected - cap of 1/3 of board or minimum 2 nominees, if the board size is being lowered the calculation is based upon the original board size, if it is being increased the calculation would be based upon the original board size, with each new slot added to the total, so two plus six if six new board positions are being created
- We prefer no limit or caps on the number of shareowners in the nominations group
- Loaned securities will count towards total
- We prefer that all participants affirm that they intend to be "long term shareholders" of the company with at least 6 month ownership duration requirement
- Proposals with no re-nominations restrictions are preferred

### Bundled Proposals

Case-by-case basis for bundled or "conditioned" proxy proposals. Where items are conditioned upon each other, examine benefits and costs. AGAINST in instances when the joint effect of the conditioned items is not in shareholders' best interests. FOR if the combined effect is positive.

## **Shareholder Advisory Committees**

Case-by-case basis for shareholder proposals for establishing a shareholder advisory committee.

## **Capital Structure**

### **Common Stock Authorization**

AGAINST management proposals for increasing the number of authorized shares of the class of stock that has superior voting rights in companies that have dual-class capitalization structures.

AGAINST management proposals to increase the number of authorized shares of common stock, or equivalents, that exceeds the maximum amount indicated by Egan-Jones model without any specified legitimate purpose.

FOR management proposals to increase the number of authorized shares of common stock, or equivalents, that does not exceed the maximum amount indicated by Egan-Jones model or are targeted for a specified legitimate purpose.

Case-by-case basis on other such management proposals considering the specified purposes of the proposed increase, any explanation of risks to shareholders of failing to approve the request, potential dilution, and recent track record for using authorized shares, in which case judgment is applied to weigh such factors. Factors which are normally weighed in making such judgments include prior performance of the issuer, changes within the industry, relative performance within the industry, client preferences and overall good corporate governance. In general, we view the authorization of additional common shares to be ordinary and necessary and in the best long-term interests of the issuer and its shareholders.

### **Stock Distributions: Splits and Dividends**

FOR management proposals to increase common share authorization for a stock split, provided that the increase in authorized shares would not result in an excessive number of shares available for issuance, considering the industry and company's returns to shareholders.

### **Reverse Stock Splits**

FOR management proposals to implement a reverse stock split when the number of shares will be proportionately reduced to avoid delisting.

Case-by-case basis on management proposals to implement a reverse stock split that do not proportionately reduce the number of shares authorized for issuance.

## **Preferred Stock**

AGAINST management proposals authorizing creation of new classes of "blank check preferred stock" (i.e., classes with unspecified voting, conversion, dividend distribution, and other rights)

FOR management proposals to authorize preferred stock in cases where the company specifies the voting, dividend, conversion, and other rights of such stock and the terms are reasonable.

Case-by-case basis on management proposals to increase the number of "blank check preferred shares" after analyzing the number of preferred shares available for issuance considering the industry and Company's returns to shareholders.

### **"Blank Check Preferred Stock"**

FOR shareholder proposals to have placements of "blank check preferred stock" submitted for shareholder approval, except when those shares are issued for the purpose of raising capital or making acquisitions in the normal course.

FOR management proposals to create "blank check preferred stock" in cases when the Company specifically states that the stock will not be used as a takeover defense.

## **Adjustments to Par Value of Common Stock**

FOR management proposals to reduce the par value of common stock.

## **Preemptive Rights**

Case-by-case basis on shareholder proposals that seek preemptive rights, considering size of the company and shareholder characteristics.

## **Debt Restructurings**

Case-by-case basis on management proposals to increase number of common and/or preferred shares and to issue shares as part of a debt restructuring plan, considering dilution, any resulting change in control

FOR management proposals that facilitate debt restructurings except where signs of self-dealing exist.

## **Share Repurchase Programs**

FOR management proposals to institute open-market share repurchase plans in which all shareholders may participate on equal terms.

## **Tracking Stock**

Case-by-case basis for management proposals for creation of tracking stock, considering the strategic value of the transaction vs. adverse governance changes, excessive increases in authorized stock, inequitable distribution method, diminution of voting rights, adverse conversion features, negative impact on stock option plans, and other alternatives, such as spin-offs.

## **Stock buybacks**

Case-by-case on management proposals requesting stock buybacks. AGAINST in cases when the Company receives a poor Board or Compensation score. FOR otherwise.

## **Compensation of Officers and Directors**

FOR compensation plans that result in an amount of dilution (or the equivalent value in cash) that is less than the total amount suggested by Egan-Jones compensation rating model's maximum dilution function as determined by the Company's compensation rating.

AGAINST compensation plans that result in an excess amount of dilution (or the equivalent value in cash) that is more than the total amount suggested by Egan-Jones compensation rating model's maximum dilution function as determined by the Company's compensation rating.

AGAINST compensation plans involving "pay for failure," such as excessively long contracts, guaranteed compensation, excessive severance packages, or other problematic practice not accounted for in the Egan-Jones compensation rating.

Case-by-case (but generally FOR) plans that are completely "decoupled" from the CEOs compensation and thus have no impact on the CEO's current or future total compensation.

## **Advisory Votes on Executive Compensation ("Say-on-Pay")**

Case-by-case basis on advisory votes on executive compensation ("Say-on-Pay"), based on the score obtained by the Company in Egan-Jones Compensation Rating. AGAINST a non-binding compensation advisory vote when the Company obtains a questionable score on the Egan-Jones Compensation Rating model, FOR otherwise.

Relative Compensation is based upon a number of quantitative and qualitative metrics which produce a final score that is both forward looking and based upon the prior performance metrics of the company's wealth creation and market capitalization as compared to the CEO's total compensation package. Higher wealth creation, market capitalization and lower CEO compensation all contribute to a higher score in this rating. Additional qualitative measures such as 162m compliance, executive pension plan status and other relevant factors are then used to calculate the final score.

## **Advisory Votes Regarding Frequency of Advisory Votes on Executive Compensation**

FOR management proposals that recommend that advisory votes on compensation take place annually.

FOR ANNUAL FREQUENCY regardless of whether management recommends annual, biennial or triennial frequency.

AGAINST management proposals that recommend that advisory votes on executive compensation take place every two years or triennially.

## **Advisory Votes on Executive Compensation Tied to a Merger, Acquisition or Other Change in Control**

AGAINST “golden parachutes” which are abusive,

- such as those that exceed 3x of the cash severance or
- if the cash severance multiple is greater than 2.99x or
- contain tax gross-ups or
- provide for accelerated vesting of equity awards, (however, pro-rata vesting of awards based on past service is acceptable) or
- are triggered prior to completion of the transaction or
- if the payouts are not contingent on the executive’s termination.

## **Management Proposals Seeking Approval to Re-price Options**

Case-by-case basis on management proposals seeking approval to re-price options.

## **Director Compensation**

Case-by-case basis on stock-based plans for directors.

AGAINST shareholder proposals regarding advisory vote on directors’ compensation.

## **Employee Stock Purchase Plans**

Case-by-case basis on employee stock purchase plans.

## **Amendments that Place a Maximum limit on Annual Grants or Amend**

### **Administrative Features**

FOR plans that amend shareholder-approved plans to include administrative features or place maximum limit on annual grants that any participant may receive to comply with the provisions of Section 162(m) of the Omnibus Budget Reconciliation Act (OBRA).

### **Amendments to Added Performance-Based Goals**

FOR amendments to add performance goals to existing compensation plans to comply with the provisions of Section 162(m) of OBRA.

### **Amendments to Increase Shares and Retain Tax Deductions Under OBRA**

Case-by-case basis on amendments to existing plans to increase shares reserved and to qualify the plan for favorable tax treatment under the provisions of Section 162(m).

### **Approval of Cash or Cash & Stock Bonus Plans**

Case-by-case basis on cash or cash & stock bonus plans to exempt compensation from taxes under the provisions of Section 162(m) of OBRA.

## **Limits on Director and Officer Compensation**

FOR shareholder proposals requiring additional disclosure of officer and director compensation.

Case-by-case basis for all other shareholder proposals seeking limits on officer and director compensation.

## **Retirement Benefits**

FOR shareholder proposals seeking shareholder approval of any future extraordinary retirement benefits for senior executives, so long as subjecting them to such approval does not violate an existing employment agreement or vested pension benefit.

## **“Golden Parachutes” and “Tin Parachutes”**

FOR shareholder proposals to have “golden and tin parachutes” submitted for shareholder ratification.

Case-by-case basis on proposals to ratify or cancel “golden or tin parachutes.”

FOR shareholder proposals to limit severance pay in future employment agreements to no more than two times annual base salary plus bonus.

## **Employee Stock Ownership Plans (ESOPs)**

FOR proposals that request shareholder approval in order to implement an ESOP or to increase authorized number of shares for existing ESOPs, except in cases when the number of shares allocated to the ESOP is "excessive" (i.e., greater than five percent of outstanding shares).

## **401(k) Employee Benefit Plans**

FOR proposals to implement a 401(k) savings plan for employees.

## **State of Incorporation**

### **State Takeover Statutes**

Case-by-case basis on proposals to opt in or out of state takeover statutes (including control share acquisition statutes, control share cash-out statutes, freeze-out provisions, fair price provisions, stakeholder laws, poison pill endorsements, severance pay and labor contract provisions, anti-“greenmail” provisions, and disgorgement provisions).

### **Reincorporation Proposals**

Case-by-case basis on proposals to change the company's state of incorporation.



# **Business Combinations and Corporate Restructurings**

## **Mergers and Acquisitions**

Case-by-case basis on mergers and acquisitions, considering projected financial and operating benefits, offer price, prospects of the combined companies, negotiation process, and changes in corporate governance.

## **Corporate Restructuring**

Case-by-case basis on corporate restructurings, including minority squeeze-outs, leveraged buyouts, spin-offs, liquidations, and asset sales.

## **Spin-offs**

Case-by-case basis on spin-offs, considering tax and regulatory advantages, planned use of proceeds, market focus, and managerial incentives.

## **Asset Sales**

Case-by-case basis on asset sales, considering impact on the balance sheet and working capital, and value received.

## **Liquidations**

Case-by-case basis on liquidations considering management's efforts to pursue alternatives, appraisal value, and compensation for executives managing the liquidation.

## **Appraisal Rights**

FOR providing shareholders with appraisal rights.

## **Mutual Fund Proxies**

### **Election of Directors**

Case-by-case basis for election of directors, considering board structure, director independence, director qualifications, compensation of directors within the fund and the family of funds, and attendance at board and committee meetings.

WITHHOLD votes for directors who:

- are interested directors and sit on key board committees (Audit or Nominating committees)
- are interested directors and the company does not have one or more of the following committees: Audit or Nominating.
- attend less than 75 percent of the board and committee meetings. Participation by phone is acceptable.
- ignore a shareholder proposal that is approved by a majority of shares outstanding

- ignore a shareholder proposal that is approved by a majority of the votes cast for two consecutive years
- serve as chairman but are not independent (e.g. serve as an officer of the fund's advisor)

### **Converting Closed-end Fund to Open-end Fund**

Case-by-case basis for conversion of closed-end fund to open-end fund, considering past performance as a closed-end fund, market in which the fund invests, measures taken by the board to address the market discount, and past shareholder activism, board activity, and votes on related proposals.

### **Proxy Contests**

Case-by-case basis on proxy contests, considering past performance, market in which fund invests, and measures taken by the board to address issues raised, past shareholder activism, board activity, and votes on related proposals.

### **Investment Advisory Agreements**

Case-by-case basis on investment advisory agreements, considering proposed and current fee schedules, fund category and investment objective, performance benchmarks, share price performance relative to that of peers; and magnitude of any fee increase.

### **New Classes or Series of Shares**

FOR creating new classes or series of shares.

### **Preferred Stock Authorization**

Case-by-case basis for authorization for or increase in preferred shares, considering financing purpose and potential dilution for common shares.

### **1940 Act Policies**

Case-by-case basis for 1940 Act policies, considering potential competitiveness, regulatory developments, current and potential returns, and current and potential risk.

### **Changing a Fundamental Restriction to a Non-fundamental Restriction**

Case-by-case basis on changing fundamental restriction to non-fundamental restriction, considering fund's target investments, reasons for change, and projected impact on portfolio.

### **Changing Fundamental Investment Objective to Non-fundamental**

AGAINST proposals to change the fund's fundamental investment objective to non-fundamental.

## **Name Rule Proposals**

Case-by-case basis for name rule proposals, considering the following factors: political/economic changes in target market; bundling with quorum requirements or with changes in asset allocation, and consolidation in the fund's target market.

## **Disposition of Assets, Termination, Liquidation**

Case-by-case basis for disposition of assets, termination or liquidation, considering strategies employed, company's past performance, and terms of liquidation.

## **Charter Modification**

Case-by-case basis for changes to the charter, considering degree of change, efficiencies that could result, state of incorporation, and regulatory standards and implications.

## **Change of Domicile**

Case-by-case basis for changes in state of domicile, considering state regulations of each state, required fundamental policies of each state; and the increased flexibility available.

## **Change in Sub-classification**

Case-by-case basis for change in sub-classification, considering potential competitiveness, current and potential returns, risk of concentration, and industry consolidation in the target industry.

## **Authorizing Board to Hire and Terminate Sub-advisors without Shareholder Approval**

AGAINST authorizing the board to hire and terminate sub-advisors without shareholder approval

## **Distribution Agreements**

Case-by-case basis for approving distribution agreements, considering fees charged to comparably sized funds with similar objectives, proposed distributor's reputation and past performance, and competitiveness of fund in industry.

## **Master-Feeder Structure**

FOR establishment of a master-feeder structure.

## **Changes to Charter**

Case-by-case basis for changes to the charter, considering degree of change implied by the proposal, resulting efficiencies, state of incorporation, and regulatory standards and implications.

## **Mergers**

Case-by-case basis for proposed merger, considering resulting fee structure, performance of each fund, and continuity of management.

## **Advisory Vote on Merger Related Compensation**

AGAINST “golden parachutes” which are abusive,

- such as those that exceed 3x of the cash severance or
- if the cash severance multiple is greater than 2.99x or
- contain tax gross-ups or
- provide for accelerated vesting of equity awards, (however, pro-rata vesting of awards based on past service is acceptable) or
- are triggered prior to completion of the transaction or
- if the payouts are not contingent on the executive’s termination.

## **Miscellaneous Shareholder Proposals**

### **Independent Directors**

FOR shareholder proposals asking that a three-quarters majority of directors be independent.

FOR shareholder proposals asking that board’s Audit, Compensation, and/or Nominating committees be composed exclusively of independent directors.

FOR shareholder proposals asking that the Chairman be independent.

### **Establish Director Ownership Requirement**

AGAINST establishing a director ownership requirement.

### **Reimbursement of Shareholder for Expenses Incurred**

FOR responsible shareholder proposals advocating establishment of procedures for reimbursement of solicitation expenses incurred by a dissident stockholder or group of stockholders in a contested elections of directors.

### **Terminate the Investment Advisor**

Case-by-case basis for terminating the investment advisor, considering fund’s performance and history of shareholder relations.

### **Tax Payments on Restricted Awards**

AGAINST shareholder proposals to adopt a policy that the Company will pay the personal taxes owed on restricted stock awards on behalf of named executive officers.

### **Recovery of Unearned Management Bonuses**

FOR shareholder proposals to adopt an executive compensation recoupment policy.

## **Clawback Provision Amendment**

Change from AGAINST to FOR shareholder proposals that request the board of directors amend the Company's clawback policy for executive compensation.

## **Quantifiable Performance Metrics**

CASE-BY-CASE on shareholder proposals that request the board adopt the policy regarding quantifiable performance metrics. FOR this proposal in cases when Egan-Jones compensation rating model results in an 'Against' recommendation on 'Say-on-Pay' proposal. AGAINST this proposal in cases of when Egan-Jones compensation rating model results in a 'For' recommendation on 'Say-on-Pay' proposal.

## **Vote Tabulation**

FOR shareholder proposals that request all matters presented to shareholders, other than the election of directors, shall be decided by a simple majority of the shares voted 'For' and 'Against' an item and abstentions from the vote count be excluded.

## **Maryland's Unsolicited Takeover Act**

FOR shareholder proposals requesting that the Board opt out of MUTA, which allows the board of directors to make changes by board resolution only, without shareholder approval, to a company's capital structure and charter/bylaws. These include, but are not limited to:

- › the ability to re-classify a board;
- › the exclusive right to set the number of directors;
- › limiting shareholders' ability to call special meetings to a threshold of at least a majority of shares.

## **Accelerated Vesting**

FOR shareholder proposals to implement double triggered with pro-rata vesting of awards.

## **Dividends**

CASE-BY-CASE basis for shareholder proposals to increase dividends, but generally AGAINST in the absence of a compelling reason FOR.

## **Shareholder Proposals on Social Issues**

FOR shareholder proposals to encourage companies to report on social and environmental, as well as financial, performance.

FOR shareholder proposals directed towards adoption of corporate social responsibility guidelines within companies.

FOR shareholder proposals that issuers that produce infant formula endorse and adhere to the marketing standards of the World Health Organization.

## Energy and Environment

FOR shareholder proposals that request that the Company follow the CERES Principles to encourage protection of the environment and the safety and health of employees.

FOR shareholder proposals to encourage energy conservation and the development of alternate renewable and clean energy resources and to reduce or eliminate toxic wastes and greenhouse gas emissions.

FOR shareholder proposals requesting that a company adopt GHG emissions reductions goals and issue a report by at reasonable cost and omitting proprietary information, on its plans to achieve these goals.

FOR shareholder proposals for improving wetlands protection efforts.

FOR shareholder proposals for reporting on environmental hazards to the community.

FOR shareholder proposals requesting disclosure of environmental liabilities.

FOR shareholder proposals requesting that a company voluntarily label genetically engineered (GE) ingredients in its products.

FOR shareholder proposals that requests the Company prepare a report, at reasonable expense and omitting proprietary information, assessing actual and potential material financial risks or operational impacts on the Company related to these genetically modified organisms (GMO issues).

FOR shareholder proposals that requests the Company prepare a report, on the social, health, and environmental effects of genetically modified organisms (GMOs)

FOR shareholder proposals to eliminate GE ingredients from the company's products, or proposals asking for reports outlining the steps necessary to eliminate GE ingredients from the company's products.

FOR shareholder proposals regarding genetically engineered food products which request disclosure of programs for research and testing, policies for withholding or removing such products that still need further testing for safety, and feasibility of phasing out such products.

FOR reasonable shareholder proposals seeking more energy-efficient manufacturing processes and development of products and processes that rely on alternative energy sources.

FOR shareholder proposals requesting reporting on nuclear energy production. CASE-BY-CASE basis on proposals calling for cessation of nuclear power production.

FOR shareholder proposals at energy companies seeking increased investment in alternative, environmentally-friendly energy sources.

FOR shareholder proposals promoting recycling.

FOR shareholder proposals requesting a report on recyclable packaging.

FOR reports that seek additional information, particularly when it appears the Company has not adequately addressed shareholders' environmental concerns.

FOR proposals that request that the Board prepare, at reasonable expense and omitting proprietary information, a sustainability report.

FOR shareholder proposal that requests that Company develop and implement a comprehensive sustainable palm oil sourcing policy.

FOR shareholder proposals on proper disposal of pharmaceuticals.

FOR shareholder proposals requesting a report on electronic waste.

FOR shareholder proposals requesting a report on renewable energy adoption.

FOR shareholder proposals requesting a report on distributed - scale clean electricity.

FOR shareholder proposals requesting a report on climate change and business model.

FOR shareholder proposals requesting a report on nanomaterials.

FOR shareholder proposals requesting a report on antibiotics in livestock.

## **Northern Ireland**

FOR proposals related to the MacBride Principles.

FOR reports that seek additional information about progress being made toward eliminating employment discrimination, particularly when it appears the Company has not adequately addressed shareholder concerns.

## **Military Business**

FOR reports that seek additional information on military related operations, particularly when the Company has been unresponsive to shareholder requests.

FOR shareholder proposals seeking reports on foreign military sales. CASE-BY-CASE basis on proposals placing restrictions on such sales.

## **Maquiladora Standards and International Operations Policies**

FOR proposals relating to the Maquiladora Standards and international operating policies.

FOR shareholder proposals directed towards protecting and promoting human rights.

FOR shareholder proposals seeking workplace codes of conduct and human rights standards, for foreign operations of the issuer or for foreign suppliers.

FOR shareholder proposals directed towards making life-sustaining drugs more available and affordable to low-income communities and nations.

FOR shareholder proposals seeking reports on company activities affecting indigenous peoples.

FOR shareholder proposals seeking disclosure of company activities in countries with repressive regimes. CASE-BY-CASE basis on shareholder proposals requiring termination of operations in such countries.

FOR reports on international operating policy issues, particularly when it appears the Company has not adequately addressed shareholder concerns.

### **World Debt Crisis**

FOR reports on Third World debt issues, particularly when it appears the Company has not adequately addressed shareholder concerns.

CASE-BY-CASE basis on proposals to restructure non-performing loans to developing countries

AGAINST shareholder proposals to forgive loans to developing countries.

### **Equal Employment Opportunity and Discrimination**

FOR proposals regarding equal employment opportunities and discrimination.

FOR shareholder proposals against discrimination in compensation and employment opportunities for women and minorities.

FOR shareholder proposals for increasing the purchasing of goods and services from minority-owned and women-owned businesses.

FOR shareholder proposals to increase the number of members of the Board of Directors who are women and members of minorities.

FOR shareholder proposals requesting a policy prohibiting discrimination based on sexual orientation.

FOR shareholder proposals seeking elimination of racial stereotypes in advertising.

FOR shareholder proposals to encourage the financial institutions where it deposits its resources to undertake programs and implement policies to secure an "outstanding" rating under the Community Reinvestment Act so as to insure fair and equal access to available credit.

FOR shareholder proposals to prevent predatory lending practices.

FOR reports that seek additional information about affirmative action efforts, particularly when it appears company has been unresponsive to shareholder requests.



## **Holy Land Principles**

FOR shareholder proposals to approve the implementation of the Holy Land Principles.

## **Animal Rights**

FOR on most shareholder proposals that deal with animal rights, recognizing that most medical products are required to undergo animal testing in compliance with the Food and Drug Administration regulations. FOR shareholder proposals seeking to limit unnecessary animal testing.

## **Product Integrity and Marketing**

FOR shareholder proposals seeking review of involvement with, or seeking ceasing production of, socially questionable products. Examples of such products may include genetically engineered products, tobacco products, “adult entertainment” products, handguns, and landmines.

FOR reports that seek additional information regarding product integrity and marketing issues, particularly when it appears companies have been unresponsive to shareholder requests.

## **Human Resources Issues**

CASE-by-case basis on proposals regarding human resources issues.

FOR reports that seek additional information regarding human resources issues, particularly when it appears companies have been unresponsive to shareholder requests.

FOR proposals supporting adoption or enforcement of principles or codes related to global labor and human rights standards.

FOR shareholder proposals directed towards avoiding the use of sweatshops in the manufacture of goods.

FOR proposals that address workplace issues that may have an impact on corporate performance, such as:

- Corporate policies that affect job security and wage levels of plan participants
- Corporate policies that affect local economic development and stability
- Corporate responsibility to employees and communities
- Workplace safety and health issues