UNITED STATES

TAFT-HARTLEY PROXY VOTING GUIDELINES UPDATES

2023 Policy Recommendations

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Board Competence – Gender Diversity

Current Taft-Hartley Advisory Services Policy:	New Taft-Hartley Advisory Services Policy:
For companies in the Russell 3000 or S&P 1500 indices, generally vote against or withhold from the chair of the nominating committee (or other directors on a case-by-case basis) at companies where there are no women on the company's board. An exception will be made if there was a woman on the board at the preceding annual meeting and the board makes a firm commitment to return to a gender-diverse status within a year. This policy will also apply for companies not in the Russell 3000 and S&P1500 indices, effective for meetings on or after **Feb. 1, 2023**.	Generally vote against or withhold from the chair of the nominating committee (or other directors on a case-by-case basis) at companies where there are no women on the company's board. An exception will be made if there was at least one woman on the board at the preceding annual meeting and the board makes a firm commitment to return to a gender-diverse status within a year.

Rationale for Change:

Taft-Hartley Advisory Services' voting guidelines on board diversity were updated at the start of 2022, expanding the universe of issuers covered by Taft-Hartley Advisory Services' gender diversity policy. Companies outside of the Russell 3000 and S&P 1500 received notification during the 2022 proxy season that this policy would be implemented beginning in February 2023. This policy update removes the transition provision included in last year's policy guidelines.

Board Accountability – Unilateral Bylaw/Charter Amendments and Problematic Capital Structures

Current Taft-Hartley Advisory Services Policy:	New Taft-Hartley Advisory Services Policy:
Generally vote against or withhold from directors individually, committee members, or the entire board (except new nominees[3], who should be considered case-by-case) if the board amends the company's bylaws or charter without shareholder approval in a manner that materially diminishes shareholders' rights or that could adversely impact shareholders, considering the following factors: ▪ The board's rationale for adopting the bylaw/charter amendment without shareholder ratification; ▪ Disclosure by the company of any significant engagement with shareholders regarding the amendment; ▪ The level of impairment of shareholders' rights caused by the board's unilateral amendment to the bylaws/charter; ▪ The board's track record with regard to unilateral board action on bylaw/charter amendments or other entrenchment provisions; ▪ The company's ownership structure; ▪ The company's existing governance provisions; ▪ The timing of the board's amendment to the bylaws/charter in connection with a significant business development; and ▪ Other factors, as deemed appropriate, that may be relevant to determine the impact of the amendment on shareholders. Unless the adverse amendment is reversed or submitted to a binding shareholder vote, in subsequent years vote case-by-case on director nominees. Generally vote against (except new nominees[3], who should be considered case-by-case) if the directors: ▪ Classified the board; ▪ Adopted supermajority vote requirements to amend the bylaws or charter; or ▪ Eliminated shareholders' ability to amend bylaws.	Generally vote against or withhold from directors individually, committee members, or the entire board (except new nominees[3], who should be considered case-by-case) if the board amends the company's bylaws or charter without shareholder approval in a manner that materially diminishes shareholders' rights or that could adversely impact shareholders, considering the following factors: ▪ The board's rationale for adopting the bylaw/charter amendment without shareholder ratification; ▪ Disclosure by the company of any significant engagement with shareholders regarding the amendment; ▪ The level of impairment of shareholders' rights caused by the board's unilateral amendment to the bylaws/charter; ▪ The board's track record with regard to unilateral board action on bylaw/charter amendments or other entrenchment provisions; ▪ The company's ownership structure; ▪ The company's existing governance provisions; ▪ The timing of the board's amendment to the bylaws/charter in connection with a significant business development; and ▪ Other factors, as deemed appropriate, that may be relevant to determine the impact of the amendment on shareholders. Unless the adverse amendment is reversed or submitted to a binding shareholder vote, in subsequent years vote case-by-case on director nominees. Generally vote against directors (except new nominees[3], who should be considered case-by-case) if the board: ▪ Classified the board; ▪ Adopted supermajority vote requirements to amend the bylaws or charter; ▪ Eliminated shareholders' ability to amend bylaws; ▪ Adopted a fee-shifting provision; or ▪ Adopted another provision deemed egregious.

Footnotes:	**Footnotes:**
[3] A "new nominee" is a director who is being presented for election by shareholders for the first time. Recommendations on new nominees who have served for less than one year are made on a case-by-case basis depending on the timing of their appointment and the problematic governance issue in question.	[3] A "new nominee" is a director who is being presented for election by shareholders for the first time. Recommendations on new nominees who have served for less than one year are made on a case-by-case basis depending on the timing of their appointment and the problematic governance issue in question.

Rationale for Change:

Fee-shifting is a provision in the governing documents that requires that a shareholder who sues a company unsuccessfully pay all litigation expenses of the defendant corporation and its directors and officers. In the Shareholder Rights & Defenses section of the U.S. Proxy Voting Guidelines, the Shareholder Litigation Rights policy states that the unilateral adoption of a fee-shifting provision will generally be considered an ongoing failure under the Unilateral Bylaw/Charter Amendment policy; therefore, the latter policy is being updated to explicitly include fee-shifting for completeness and clarity. If other egregious unilateral adoptions are identified, they too may result in ongoing recommendations against director nominees.

Board Accountability – Problematic Governance Structure

Current Taft-Hartley Advisory Services Policy:	New Taft-Hartley Advisory Services Policy:
Problematic Governance Structure - Newly Public Companies For newly public companies[4], generally vote against or withhold from directors individually, committee members, or the entire board (except new nominees[3], who should be considered case-by-case) if, prior to or in connection with the company's public offering, the company or its board adopted the following bylaw or charter provisions that are considered to be materially adverse to shareholder rights: - Supermajority vote requirements to amend the bylaws or charter; - A classified board structure; or - Other egregious provisions. A reasonable sunset provision will be considered a mitigating factor. Unless the adverse provision is reversed or removed, vote case-by-case on director nominees in subsequent years.	***Problematic Governance Structure*** For companies that hold or held their first annual meeting[4] of public shareholders after Feb. 1, 2015, generally vote against or withhold from directors individually, committee members, or the entire board (except new nominees[3], who should be considered case-by-case) if, prior to or in connection with the company's public offering, the company or its board adopted the following bylaw or charter provisions that are considered to be materially adverse to shareholder rights: - Supermajority vote requirements to amend the bylaws or charter; - A classified board structure; or - Other egregious provisions. A provision which specifies that the problematic structure(s) will be sunset within seven years of the date of going public will be considered a mitigating factor. Unless the adverse provision is reversed or removed, vote case-by-case on director nominees in subsequent years.
Footnotes: [3] A "new nominee" is a director who is being presented for election by shareholders for the first time. Recommendations on new nominees who have served for less than one year are made on a case-by-case basis depending on the timing of their appointment and the problematic governance issue in question. [4] Newly-public companies generally include companies that emerge from bankruptcy, SPAC transactions, spin-offs, direct listings, and those who complete a traditional initial public offering.	**Footnotes:** [3] A "new nominee" is a director who is being presented for election by shareholders for the first time. Recommendations on new nominees who have served for less than one year are made on a case-by-case basis depending on the timing of their appointment and the problematic governance issue in question. [4] Includes companies that emerge from bankruptcy, SPAC transactions, spin-offs, direct listings, and those who complete a traditional initial public offering.

Rationale for Change:

Since 2017, Taft-Hartley Advisory Services U.S. policy regarding problematic governance structures has stated that the inclusion of a reasonable sunset provision would be considered as a potential mitigating factor. This policy has not, however, distinctly defined the parameters of a sunset provision which would be viewed as reasonable. Although the volume of companies that utilize a sunset provision on governance structures from the time of their IPO has been low, establishing a time period for which a sunset provision will be seen as reasonable will eliminate ambiguity in the current policy.

The seven-year time period to complete the sunset of problematic governance structures aligns with current Taft-Hartley Advisory Services policy regarding problematic capital structures, which views a seven-year time-based sunset to a dual-class capital structure to be reasonable.

The policy language is also updated to explicitly reflect that a "newly public company" is meant to be those that hold or held their first annual shareholder meeting after Feb. 1, 2015. This information regarding timing is currently included in policy FAQs but is brought forward here in order to provide better definition and reduce confusion on applicability.

Board Accountability – Unequal Voting Rights

<table>
<tr><th>Current Taft-Hartley Advisory Services Policy:</th><th>New Taft-Hartley Advisory Services Policy:</th></tr>
<tr><td>
Problematic Capital Structure - Newly Public Companies
For 2022, for newly public companies[4], generally vote against or withhold from the entire board (except new nominees[3], who should be considered case-by-case) 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. In assessing the reasonableness of a time-based sunset provision, consideration will be given to the company's lifespan, its post-IPO ownership structure and the board's disclosed rationale for the sunset period selected. No sunset period of more than seven years from the date of the IPO will be considered to be reasonable.
Continue to vote against or withhold from incumbent directors in subsequent years, unless the problematic capital structure is is reversed, removed, or subject to a newly added reasonable sunset.
Common Stock Capital Structure with Unequal Voting Rights
Starting Feb 1, 2023, generally vote withhold or against directors individually, committee members, or the entire board (except new nominees[3], who should be considered case-by-case), if the company employs a common stock structure with unequal voting rights[5].
Exceptions to this policy will generally be limited to:

Newly-public companies[4] with a sunset provision of no more than seven years from the date of going public;
Limited Partnerships and the Operating Partnership (OP) unit structure of REITs;
Situations where the unequal voting rights are considered de minimis; or
The company provides sufficient protections for minority shareholders, such as allowing minority shareholders a regular binding vote on whether the capital structure should be maintained.

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Unequal Voting Rights
Generally vote withhold or against directors individually, committee members, or the entire board (except new nominees[3], who should be considered case-by-case), if the company employs a common stock structure with unequal voting rights[5].
Exceptions to this policy will generally be limited to:

Newly-public companies[4] with a sunset provision of no more than seven years from the date of going public;
Limited Partnerships and the Operating Partnership (OP) unit structure of REITs;
Situations where the super-voting shares represent less than 5% of total voting power and therefore considered to be de minimis; or
The company provides sufficient protections for minority shareholders, such as allowing minority shareholders a regular binding vote on whether the capital structure should be maintained.

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Footnotes: [3] A "new nominee" is a director who is being presented for election by shareholders for the first time. Recommendations on new nominees who have served for less than one year are made on a case-by-case basis depending on the timing of their appointment and the problematic governance issue in question. [4] Newly-public companies generally include companies that emerge from bankruptcy, SPAC transactions, spin-offs, direct listings, and those who complete a traditional initial public offering. [5] This generally includes classes of common stock that have additional votes per share than other shares; classes of shares that are not entitled to vote on all the same ballot items or nominees; or stock with time-phased voting rights (“loyalty shares”).	**Footnotes:** [3] A "new nominee" is a director who is being presented for election by shareholders for the first time. Recommendations on new nominees who have served for less than one year are made on a case-by-case basis depending on the timing of their appointment and the problematic governance issue in question. [4] Newly-public companies generally include companies that emerge from bankruptcy, SPAC transactions, spin-offs, direct listings, and those who complete a traditional initial public offering. [5] This generally includes classes of common stock that have additional votes per share than other shares; classes of shares that are not entitled to vote on all the same ballot items or nominees; or stock with time-phased voting rights (“loyalty shares”).

Rationale for Change:

The policy language reflects the expiration of the one-year grace period for companies that had been grandfathered under the prior policy on unequal voting rights. All companies identified as maintaining a capital structure with unequal voting rights will now be subject to adverse director vote recommendations under Taft-Hartley Advisory Services policy. The policy also defines the level of voting power for super-voting shares that would be considered *de minimis* and therefore an exception to the policy.

Board Accountability – Climate Accountability

Current Taft-Hartley Advisory Services Policy:	New Taft-Hartley Advisory Services Policy:

For companies that are significant greenhouse gas (GHG) emitters, through their operations or value chain[7], generally vote against or withhold from the incumbent chair of the responsible committee (or other directors on a case-by-case basis) in cases where Taft-Hartley Advisory Services determines that the company is not taking the minimum steps needed to understand, assess, and mitigate risks related to climate change to the company and the larger economy.
 	
For **2022**, minimum steps to understand and mitigate those risks are considered to be the following. Both minimum criteria will be required to be in compliance:
▪ Detailed disclosure of climate-related risks, such as according to the framework established by the Task Force on Climate-related Financial Disclosures (TCFD), including:
  ▪ Board governance measures;
  ▪ Corporate strategy;
  ▪ Risk management analyses; and
  ▪ Metrics and targets.
▪ Appropriate GHG emissions reduction targets.
 	
For **2022**, "appropriate GHG emissions reductions targets" will be any well-defined GHG reduction targets. Expectations about what constitutes "minimum steps to mitigate risks related to climate change" will increase over time.
	For companies that are significant greenhouse gas (GHG) emitters, through their operations or value chain[7], generally vote against or withhold from the incumbent chair of the responsible committee (or other directors on a case-by-case basis) in cases where Taft-Hartley Advisory Services determines that the company is not taking the minimum steps needed to understand, assess, and mitigate risks related to climate change to the company and the larger economy.
	
	Minimum steps to understand and mitigate those risks are considered to be the following. Both minimum criteria will be required to be in alignment with the policy:
	▪ Detailed disclosure of climate-related risks, such as according to the framework established by the Task Force on Climate-related Financial Disclosures (TCFD), including:
	  ▪ Board governance measures;
	  ▪ Corporate strategy;
	  ▪ Risk management analyses; and
	  ▪ Metrics and targets.
	▪ Appropriate GHG emissions reduction targets.
	
	At this time, "appropriate GHG emissions reductions targets" will be medium-term GHG reduction targets or Net Zero-by-2050 GHG reduction targets for a company's operations (Scope 1) and electricity use (Scope 2). Targets should cover the vast majority of the company's direct emissions.

Footnotes: [7] For 2022, companies defined as "significant GHG emitters" will be those on the current Climate Action 100+ Focus Group list.	**Footnotes:** [7] Companies defined as "significant GHG emitters" will be those on the current Climate Action 100+ Focus Group list.

Rationale for Change:

For 2023, the universe of high emitting companies will continue to be identified as those in the Climate Action 100+ Focus Group. Taft-Hartley Advisory Services is extending globally the policy on climate board accountability first announced last year and introduced in selected markets for 2022, and is updating the factors considered under the policy as follows: In cases where a company in the universe is not considered to be adequately disclosing climate risk disclosure information, such as according to the Task Force on Climate-related Financial Disclosures (TCFD), and does not have either medium-term GHG emission reductions targets or Net Zero-by-2050 GHG reduction targets for at least a company's operations (Scope 1) and electricity use (Scope 2), Taft-Hartley Advisory Services policy will generally be to recommend voting against what it considers to be the appropriate director(s) and/or other voting items available. Emission reduction targets should also cover the vast majority (95%) of the company's operational (Scope 1 & 2) emissions. For 2023, Taft-Hartley Advisory Services will apply the same analysis framework for all Climate Action 100+ Focus Group companies globally but with differentiated implementation of any negative vote recommendations depending on relevant market and company factors (for example, voting item availability). Additional data and information will be included in the company information section of the Taft-Hartley Advisory Services research reports for all Climate Action 100+ Focus Group companies in order to support this extended policy application.

Board Responsiveness – Shareholder Rights Plan (i.e. Poison Pills)

Current Taft-Hartley Advisory Services Policy:	New Taft-Hartley Advisory Services Policy:
Vote against or withhold from all nominees of the board of directors (except new nominees[3], who should be considered case-by-case) if: ▪ The company has a poison pill that was not approved by shareholders[9]. However, vote case-by-case on nominees if the board adopts an initial pill with a term of one year or less, depending on the disclosed rationale for the adoption, and other factors as relevant (such as a commitment to put any renewal to a shareholder vote). ▪ The board makes a material adverse change to an existing pill, including, but not limited to, extension, renewal, or lowering the trigger, without shareholder approval. ▪ The company has a poison pill with a deadhand or slowhand feature[10].	Generally vote against or withhold from all nominees (except new nominees[3], who should be considered case-by-case) if: ▪ The company has a long-term poison pill (with a term of over one year) that was not approved by the public shareholders[9]; ▪ The board makes a material adverse change to an existing pill, including, but not limited to, extension, renewal, or lowering the trigger, without shareholder approval; or ▪ The company has a poison pill with a deadhand or slowhand feature[10]. Vote case-by-case on nominees if the board adopts an initial short-term pill[9] (with a term of one year or less) without shareholder approval, taking into consideration: ▪ The disclosed rationale for the adoption; ▪ The trigger; ▪ The company's market capitalization (including absolute level and sudden changes); ▪ A commitment to put any renewal to a shareholder vote; and ▪ Other factors as relevant.
Footnotes: [3] A "new nominee" is a director who is being presented for election by shareholders for the first time. Recommendations on new nominees who have served for less than one year are made on a case-by-case basis depending on the timing of their appointment and the problematic governance issue in question. [9] Public shareholders only, approval prior to a company's becoming public is insufficient.	**Footnotes:** [3] A "new nominee" is a director who is being presented for election by shareholders for the first time. Recommendations on new nominees who have served for less than one year are made on a case-by-case basis depending on the timing of their appointment and the problematic governance issue in question. [9] Approval prior to, or in connection, with a company's becoming publicly-traded, or in connection with a de-SPAC transaction, is insufficient. [10] If a short-term pill with a deadhand or slowhand feature is enacted but expires before the next shareholder vote, Taft-Hartley Advisory Services will generally still recommend withhold/against nominees at the next shareholder meeting following its adoption.

Rationale for Change:

When Taft-Hartley Advisory Services considers poison pills put up for a shareholder vote, an important consideration is the ownership level at which the pill is triggered. This update clarifies that the trigger threshold is also a consideration in evaluating the appropriateness of the board's actions in adopting a short-term pill that is not put to a vote. During the initial phase of the COVID-19 pandemic in 2020, with the severe market turbulence, many companies adopted short-term poison pills. Many of these featured very low triggers -- 10 percent or even 5 percent – implying that the objective of a poison pill has morphed over time from defense against a hostile takeover, to defense against an activist campaign that may or may not contemplate a change in control. Shareholders have a clear interest in preventing an opportunistic takeover at a price that does not reflect the company's long-term fair value, due to factors such as short-term market disruptions. However, this must be balanced against the potential for an inordinately low trigger to entrench an underperforming board and management team by insulating them shareholders who may be seeking operational or strategic changes that could enhance value, or governance changes that could benefit all shareholders.

When looking at the trigger for the pill, Taft-Hartley Advisory Services does not differentiate between the level for a 13D vs a 13G filer but focuses on the lower trigger. This is based on client feedback.

Other Board-Related Proposals

Director and Officer Liability Protection and Exculpation, and Director and Officer Indemnification

Current Taft-Hartley Advisory Services Policy:	New Taft-Hartley Advisory Services Policy:
Director and Officer Liability Protection Management proposals typically seek shareholder approval to adopt an amendment to the company's charter to eliminate or limit the personal liability of directors to the company and its shareholders for monetary damages for any breach of fiduciary duty to the fullest extent permitted by state law. In contrast, shareholder proposals seek to provide for personal monetary liability for fiduciary breaches arising from gross negligence. Taft-Hartley Advisory Services may support these proposals when the company persuasively argues that such action is necessary to attract and retain directors, but will likely oppose management proposals and support shareholder proposals in order to promote greater accountability. **Taft-Hartley Advisory Services Recommendation:** Vote against proposals to limit or eliminate entirely director and officer liability in regard to: (i) breach of the director's fiduciary "duty of loyalty" to shareholders; (ii) acts or omissions not made in "good faith" or involving intentional misconduct or knowledge of violations under the law; (iii) acts involving the unlawful purchases or redemptions of stock; (iv) payment of unlawful dividends; or (v) use of the position as director for receipt of improper personal benefits. **Director and Officer Indemnification** … **Taft-Hartley Advisory Services Recommendation:** ▪ Vote against indemnification proposals that would expand individual coverage beyond ordinary legal expenses to also cover specific acts of negligence that are more serious violations of fiduciary obligation than mere carelessness. ▪ Vote against proposals that would expand the scope of indemnification to provide for mandatory indemnification of company officials in connection with acts that previously the company was permitted to	**Director and Officer Liability Protection and Exculpation** Management proposals typically seek shareholder approval to adopt an amendment to the company's charter to eliminate or limit the personal liability of directors to the company and its shareholders for monetary damages for any breach of fiduciary duty to the fullest extent permitted by state law. Charter amendments may also include limited liability wherein a person's financial liability is limited to a fixed sum, or personal financial assets are not at risk if the individual loses a lawsuit that results in financial award/damages to the plaintiff. In contrast, shareholder proposals seek to provide for personal monetary liability for fiduciary breaches arising from gross negligence. Taft-Hartley Advisory Services may support these proposals when the company persuasively argues that such action is necessary to attract and retain directors, but will likely oppose management proposals and support shareholder proposals in order to promote greater accountability. **Taft-Hartley Advisory Services Recommendation:** Vote case-by-case, considering the stated rationale for the proposed change, on proposals to limit or eliminate entirely director and officer liability in regard to: (i) breach of the director's fiduciary "duty of loyalty" and "duty of care" to shareholders; (ii) acts or omissions not made in "good faith" or involving intentional misconduct or knowledge of violations under the law; (iii) acts involving the unlawful purchases or redemptions of stock; (iv) payment of unlawful dividends; or (v) use of the position as director for receipt of improper personal benefits. **Director and Officer Indemnification** … **Taft-Hartley Advisory Services Recommendation:** ▪ Vote case-by-case, considering the stated rationale for the proposed change, on indemnification proposals that would expand individual coverage beyond ordinary legal expenses to also cover specific acts of

provide indemnification for at the discretion of the company's board (i.e., "permissive indemnification") but that previously the company was not required to indemnify. ▪ Vote for only those proposals which provide 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/she reasonably believed was in the best interests of the company; and (2) only if the director’s legal expenses would be covered.	negligence that are more serious violations of fiduciary obligation than mere carelessness. ▪ Vote case-by-case, considering the stated rationale for the proposed change, on proposals that would expand the scope of indemnification to provide for mandatory indemnification of company officials in connection with acts that previously the company was permitted to provide indemnification for at the discretion of the company's board (i.e., "permissive indemnification") but that previously the company was not required to indemnify. ▪ Vote for those proposals which provide expanded coverage in cases when a director’s or officer’s legal defense was unsuccessful if: (1) the individual was found to have acted in good faith and in a manner that the individual reasonably believed was in the best interests of the company; and (2) only if the individual’s legal expenses would be covered.

Rationale for Change:

The Delaware General Corporation Law (“DGCL”) was amended in August 2022 to permit corporations to limit or eliminate the personal liability of officers for claims of breach of the fiduciary duty of care (Section 102(b)(7)). While the DGCL previously allowed corporations to exculpate directors from breach of fiduciary duty of care claims, the recent amendments expand that exculpation authority to corporate officers, in both cases only if the corporation’s certificate of incorporation includes an exculpation provision. Advocates of this amendment believe that it will offer protection for officers, who are held to the same fiduciary duties as directors under the DGCL, as well as eliminate confusion in applying exculpation provisions to individuals serving as both a director and officer.

The exculpation of officers is limited to the following officers: president, chief executive officer, chief operating officer, chief financial officer, chief legal officer, controller, treasurer or chief accounting officer, “named executive officers” identified in the corporation’s SEC filings, and individuals who have agreed to be identified as officers of the corporation. As with director exculpation, officer exculpation would not include breach of the duty of loyalty, acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, or any transaction in which the officer derived an improper personal benefit. In addition, the protection does not include actions that occurred prior to the relevant DGCL provisions. However, unlike the directors’ exculpation, officers may not be exculpated from liability for claims brought by or in the right of the corporation, such as derivative claims.

The laws of certain other states, including Nevada, allow companies to limit the liability of directors and officers even for violations of the duty of loyalty. It is questionable how shareholders might benefit from exculpation in cases where directors or officers place their own interests above those of the company and its shareholders, and provisions to extend exculpation to violations of the duty of loyalty will generally not be supported even where permitted under state law.

Compensation

Evaluation of Executive Pay

Problematic Compensation Practices

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<tr><th>Current Taft-Hartley Advisory Services Policy:</th><th>New Taft-Hartley Advisory Services Policy:</th></tr>
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…
The focus is on executive compensation practices that contravene the global pay principles, including:

Problematic practices related to non-performance-based compensation elements;
Incentives that may motivate excessive risk-taking or present a windfall risk; and
Pay decisions that circumvent pay-for-performance, such as options backdating or waiving performance requirements.

Problematic compensation practices include, but are not limited to, the following:
Non-Performance based Compensation Elements
While not exhaustive, the following list represents certain adverse practices that are contrary to a performance-based pay philosophy and executive pay best practices, and may lead to negative vote recommendations:

Egregious employment contracts:
Contracts containing multi-year guarantees for salary increases, non-performance based bonuses, and equity compensation;
New CEO with overly generous new-hire package:

Excessive “make whole” provisions without sufficient rationale;
Any of the problematic pay practices listed in this policy;

Abnormally large bonus payouts without justifiable performance linkage or proper disclosure:

Includes performance metrics that are changed, canceled, or replaced during the performance period without adequate explanation of the action and the link to performance;

Egregious pension/SERP (supplemental executive retirement plan) payouts:

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…
Problematic pay elements are generally evaluated case-by-case considering the context of a company's overall pay program and demonstrated pay-for-performance philosophy. The focus is on executive compensation practices that contravene the global pay principles, including:

Problematic practices related to non-performance-based compensation elements;
Incentives that may motivate excessive risk-taking or present a windfall risk; and
Pay decisions that circumvent pay-for-performance, such as options backdating or waiving performance requirements.

While not exhaustive, the following list represents certain adverse practices that carry significant weight in this overall consideration, and may lead to negative vote recommendations:

Egregious employment contracts:
Contracts containing multi-year guarantees for salary increases, non-performance based bonuses, and equity compensation;
New CEO with overly generous new-hire package:

Excessive “make whole” provisions without sufficient rationale;
Any of the problematic pay practices listed in this policy;

Abnormally large bonus payouts without justifiable performance linkage or proper disclosure:

Includes performance metrics that are changed, canceled, or replaced during the performance period without adequate explanation of the action and the link to performance;

Egregious pension/SERP (supplemental executive retirement plan) payouts:

Inclusion of additional years of service not worked that result in significant benefits provided in new arrangements;

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▪ Inclusion of additional years of service not worked that result in significant benefits provided in new arrangements; ▪ Inclusion of performance-based equity or other long-term awards in the pension calculation; ▪ Excessive Perquisites: ▪ Perquisites for former and/or retired executives, such as lifetime benefits, car allowances, personal use of corporate aircraft, or other inappropriate arrangements; ▪ Extraordinary relocation benefits (including home buyouts); ▪ Excessive amounts of perquisites compensation; ▪ Excessive severance and/or change in control provisions: ▪ Change in control cash payments exceeding 3 times base salary plus target/average/last paid bonus; ▪ Arrangements that provide for change-in-control payments without loss of job or substantial diminution of job duties (single-triggered or modified single-triggered - where an executive may voluntarily leave for any reason and still receive the change-in-control severance package) or in connection with a problematic Good Reason definition; ▪ Employment or severance agreements that provide for excise tax gross-ups. Modified gross-ups would be treated in the same manner as full gross-ups; ▪ Excessive payments upon an executive's termination in connection with performance failure; ▪ Liberal change in control definition in individual contracts or equity plans which could result in payments to executives without an actual change in control occurring; ▪ Tax Reimbursements/Gross-ups: income tax reimbursements on executive perquisites or other payments (e.g., related to personal use of corporate aircraft, executive life insurance, bonus, restricted stock vesting, secular trusts, etc.; see also excise tax gross-ups above); ▪ Dividends or dividend equivalents paid on unvested performance shares or units; ▪ Executives using company stock in hedging activities, such as “cashless” collars, forward sales, equity swaps, or other similar arrangements; ▪ Internal pay disparity: Excessive differential between CEO total pay and that of next highest-paid named executive officer (NEO); ▪ Repricing or replacing of underwater stock options/stock appreciation rights (SARs) without prior shareholder approval (including cash buyouts, option	▪ Inclusion of performance-based equity or other long-term awards in the pension calculation; ▪ Excessive Perquisites: ▪ Perquisites for former and/or retired executives, such as lifetime benefits, car allowances, personal use of corporate aircraft, or other inappropriate arrangements; ▪ Extraordinary relocation benefits (including home buyouts); ▪ Excessive amounts of perquisites compensation; ▪ Excessive severance and/or change in control provisions: ▪ Change in control cash payments exceeding 3 times base salary plus target/average/last paid bonus; ▪ Arrangements that provide for change-in-control payments without loss of job or substantial diminution of job duties (single-triggered or modified single-triggered - where an executive may voluntarily leave for any reason and still receive the change-in-control severance package) or in connection with a problematic Good Reason definition; ▪ Employment or severance agreements that provide for excise tax gross-ups. Modified gross-ups would be treated in the same manner as full gross-ups; ▪ Excessive payments upon an executive's termination in connection with performance failure; ▪ Severance payments made when the termination is not clearly disclosed as involuntary (for example, a termination without cause or resignation for good reason); and ▪ Liberal change in control definition in individual contracts or equity plans which could result in payments to executives without an actual change in control occurring; ▪ Tax Reimbursements/Gross-ups: income tax reimbursements on executive perquisites or other payments (e.g., related to personal use of corporate aircraft, executive life insurance, bonus, restricted stock vesting, secular trusts, etc.; see also excise tax gross-ups above); ▪ Dividends or dividend equivalents paid on unvested performance shares or units; ▪ Executives using company stock in hedging activities, such as “cashless” collars, forward sales, equity swaps, or other similar arrangements; ▪ Internal pay disparity: Excessive differential between CEO total pay and that of next highest-paid named executive officer (NEO); ▪ Repricing or replacing of underwater stock options/stock appreciation rights (SARs) without prior shareholder approval (including cash buyouts, option

exchanges, and certain voluntary surrender of underwater options where shares surrendered may subsequently be re-granted); ▪ Options backdating; ▪ Insufficient executive compensation disclosure by externally- managed issuers (EMIs) such that a reasonable assessment of pay programs and practices applicable to the EMI's executives is not possible; and ▪ Other pay practices that may be deemed problematic in a given circumstance but are not covered in the above categories.	exchanges, and certain voluntary surrender of underwater options where shares surrendered may subsequently be re-granted); ▪ Options backdating; ▪ Insufficient executive compensation disclosure by externally- managed issuers (EMIs) such that a reasonable assessment of pay programs and practices applicable to the EMI's executives is not possible; and ▪ Other pay practices that may be deemed problematic in a given circumstance but are not covered in the above categories.

Rationale for Change:

This update is not a policy application change, but rather codifies Taft-Hartley Advisory Services' current approach to evaluating severance payments received by an executive when the termination is not clearly disclosed as involuntary. The language of the policy is also updated to (i) conform with the current approach to evaluating problematic pay practices, which is not confined to "non-performance-based pay elements."

Equity Pay Plans – Burn Rate

Current Taft-Hartley Advisory Services Policy:	New Taft-Hartley Advisory Services Policy:

Taft-Hartley Advisory Services Recommendation: In general, Taft-Hartley Advisory Services evaluates executive and director compensation plans on a case-by-case basis. When evaluating equity-based compensation items on ballot, the following elements will be considered:
 	
…
 	
▪ *Burn Rate:*
 	
    ▪ For meetings held prior to February 1, 2023, vote against plans where the company's three-year burn rate exceeds the greater of: (1) the mean (µ) plus one standard deviation (σ) of the company's GICS group segmented by S&P 500, Russell 3000 index (less the S&P500), and non-Russell 3000 index; and (2) two percent of weighted common shares outstanding.
 	
    ▪ For meetings held on or after February 1, 2023, a "Value-Adjusted Burn Rate" will instead be used for stock plan evaluations. Vote against plans where the company's value-adjusted burn rate exceeds the greater of: (1) an industry-specific threshold based on three-year burn rates within the company's GICS group segmented by S&P 500, Russell 3000 index (less the S&P 500) and non-Russell 3000 index; and (2) a de minimis threshold established separately for each of the S&P 500, the Russell 3000 index less the S&P 500, and the non-Russell 3000 index.
 	
…
 	
Burn Rate
 	
The annual burn rate is a measure of dilution that illustrates how rapidly a company is deploying shares reserved for equity compensation plans. For meetings held prior to February 1, 2023, Taft-Hartley Advisory Services benchmarks a company's burn rate against three-year industry and primary index burn rates, and generally opposes plans whose average three-year burn rates exceed the greater of: (1) the mean (µ) plus one standard deviation (σ) of the company's GICS group segmented by S&P 500, Russell 3000 index (less the S&P500), and non-Russell 3000 index; and (2) two percent of weighted common shares outstanding. Additionally, year-over-year burn-rate cap changes will be
	Taft-Hartley Advisory Services Recommendation: In general, Taft-Hartley Advisory Services evaluates executive and director compensation plans on a case-by-case basis. When evaluating equity-based compensation items on ballot, the following elements will be considered:
	
	…
	
	▪ *Burn Rate:* Vote against plans where the company's value-adjusted burn rate exceeds the greater of: (1) an industry-specific threshold based on three-year burn rates within the company's GICS group segmented by S&P 500, Russell 3000 index (less the S&P 500) and non-Russell 3000 index; and (2) a de minimis threshold established separately for each of the S&P 500, the Russell 3000 index less the S&P 500, and the non-Russell 3000 index.
	
	…
	
	Burn Rate
	
	The annual burn rate is a measure of dilution that illustrates how rapidly a company is deploying shares reserved for equity compensation plans. A "Value-Adjusted Burn Rate" is used for stock plan evaluations. Taft-Hartley Advisory Services will generally oppose plans whose Value-Adjusted Burn Rates exceed the greater of: (1) an industry-specific threshold based on three-year burn rates within the company's GICS group segmented by S&P 500, Russell 3000 index (less the S&P 500) and non-Russell 3000 index; and (2) a de minimis threshold established separately for each of the S&P 500, the Russell 3000 index less the S&P 500, and the non-Russell 3000 index. Year-over-year burn-rate benchmark changes will be limited to a predetermined range above or below the prior year's burn-rate benchmark.
	
	The Value-Adjusted Burn Rate is calculated as follows:
	
	Value-Adjusted Burn Rate = ((# of options * option's dollar value using a Black-Scholes model) + (# of full-value awards * stock price)) / (Weighted average common shares * stock price).

limited to a maximum of two percentage points (plus or minus) the prior year's burn-rate cap. If a company fails to fulfill a burn rate commitment to shareholders, vote against or withhold from the compensation committee. For meetings held prior to February 1, 2023, a company's adjusted burn rate is calculated as follows: Burn Rate = (# of appreciation awards granted + # of full value awards granted * Volatility Multiplier) / Weighted average common shares outstanding The Volatility Multiplier is used to provide more equivalent valuation between stock options and full value shares, based on the company's historical stock price volatility. Effective for meetings held on or after February 1, 2023, a "Value-Adjusted Burn Rate" will instead be used for stock plan evaluations. Taft-Hartley Advisory Services will generally oppose plans whose Value-Adjusted Burn Rates exceed the greater of: (1) an industry-specific threshold based on three-year burn rates within the company's GICS group segmented by S&P 500, Russell 3000 index (less the S&P 500) and non-Russell 3000 index; and (2) a de minimis threshold established separately for each of the S&P 500, the Russell 3000 index less the S&P 500, and the non-Russell 3000 index. Year-over-year burn-rate benchmark changes will be limited to a predetermined range above or below the prior year's burn-rate benchmark. The Value-Adjusted Burn Rate will be calculated as follows: Value-Adjusted Burn Rate = ((# of options * option's dollar value using a Black-Scholes model) + (# of full-value awards * stock price)) / (Weighted average common shares * stock price).	

Rationale for Change:

The transition to the new "Value-Adjusted Burn Rate" (VABR) methodology was previously included in the Taft-Hartley Advisory Services U.S. Policy Updates for 2022, at which time it was announced that following a one-year transition period the new VABR methodology would become effective in 2023. As the transition period has elapsed, the VABR methodology will become effective for meetings on and after Feb. 1, 2023.

The VABR methodology more accurately measures the value of recently granted equity awards using a methodology that more precisely measures the value of option grants. In addition, the VABR is based on calculations that are more readily understood and accepted by the market: the actual stock price for full-value awards, and the Black-Scholes value for stock options.

Shareholder Rights

Fee-Shifting Bylaws

Current Taft-Hartley Advisory Services Policy:	New Taft-Hartley Advisory Services Policy:
Generally vote against bylaws that mandate fee-shifting whenever plaintiffs are not completely successful on the merits (i.e., in cases where the plaintiffs are partially successful).	Generally vote against bylaws that mandate fee-shifting whenever plaintiffs are not completely successful on the merits (i.e., in cases where the plaintiffs are partially successful). Unilateral adoption of a fee-shifting provision will generally be considered an ongoing failure under the Unilateral Bylaw/Charter Amendments policy.

Rationale for Change:

Fee-shifting is a provision in the governing documents that requires that a shareholder who sues a company unsuccessfully pay all litigation expenses of the defendant corporation and its directors and officers. In the Shareholder Rights & Defenses section of the ISS U.S. Proxy Voting Guidelines, the Shareholder Litigation Rights policy states that the unilateral adoption of a fee shifting provision will generally be considered an ongoing failure under the Unilateral Bylaw/Charter Amendment policy; therefore, the latter policy is being updated to explicitly include fee shifting for completeness and clarity.

Capital Structure

Share Issuance Mandates at U.S. Domestic Issuers Incorporated Outside the U.S.

Current Taft-Hartley Advisory Services Policy:	New Taft-Hartley Advisory Services Policy:
[none]	For U.S. domestic issuers incorporated outside the U.S. and listed solely on a U.S. exchange, generally vote for resolutions to authorize the issuance of common shares up to 10 percent of currently issued common share capital, where not tied to a specific transaction or financing proposal. For pre-revenue or other early-stage companies that are heavily reliant on periodic equity financing, generally vote for resolutions to authorize the issuance of common shares up to 50 percent of currently issued common share capital. The burden of proof will be on the company to establish that it has a need for the higher limit. Renewal of such mandates should be sought at each year's annual meeting. Vote case-by-case on share issuances for a specific transaction or financing proposal.

Rationale for Change:

Companies incorporated in certain markets are required by the laws of the country of incorporation to seek shareholder approval for all share issuances. Commonly, this takes the form of an annual "mandate" to cover all share issuances over the period until the next annual meeting, though some countries allow such mandates to cover as long as a five-year period. Taft-Hartley Advisory Services U.S. policy does not currently include a policy for such issuance mandates, because U.S.-incorporated companies are generally permitted to issue shares up to the level of authorized share capital specified in the charter without a shareholder vote, except where such a vote is required by Nasdaq or NYSE listing rules. As a result, Taft-Hartley Advisory Services currently evaluates share issuance mandate proposals under the policy of the market of incorporation. However, such policies generally follow local listing rules and best practice recommendations, which presume a local market listing, but the U.S. domestic issuers covered by this policy update are listed solely in the U.S. For markets such as the UK, Continental Europe, and certain Asia-Pacific markets, where pre-emptive rights are commonly offered with respect to new share issuances, Taft-Hartley Advisory Services policies include limits on share issuances without pre-emptive rights. However, pre-emptive rights are nearly non-existent in the U.S., and companies with a primary or sole listing in the U.S. believe that being forced to offer pre-emptive rights, to an investor base largely unfamiliar with the concept, will delay the process of fundraising and put the company at a disadvantage relative to U.S.-incorporated peers that do not offer such rights.

NYSE and Nasdaq listing rules both require shareholder approval of issuances above 20 percent of currently-issued share capital in a private placement or in connection with an acquisition, but these rules do not cover public offerings for cash. This creates the potential for significant dilution through issuances of new shares. In congruence with the Taft Hartley International policy, issuance requests without preemptive rights are routinely approved for up to ten percent of a company's outstanding capital.

Shareholders suffer dilution when companies make issuance requests without preemptive rights and authorizations should therefore be limited to a fixed number of shares or a percentage of capital at the time of issuance.

The introduction of the specific policy for U.S. domestic issuers incorporated outside the U.S. and listed solely on a U.S. exchange is intended to better reflect the expectations and concerns of investors in the U.S. market. The policy will apply to companies with a sole listing in the U.S., but which are required by the laws of the country of incorporation to seek approval for all share issuances. Dual-listed companies will continue to be evaluated under the policy of their market of incorporation.

Corporate Responsibility & Accountability

Social, Environmental and Sustainability Issues

Current Taft-Hartley Advisory Services Policy:	New Taft-Hartley Advisory Services Policy:
… **Taft-Hartley Advisory Services Recommendation:** In analyzing social, workplace, environmental, and other related proposals, Taft-Hartley Advisory Services considers the following factors: ▪ Whether the proposal itself is well framed and reasonable; ▪ Whether adoption of the proposal would have either a positive or negative impact on the company's short-term or long-term share value; ▪ Whether the company's analysis and voting recommendation to shareholders is persuasive; ▪ The degree to which the company's stated position on the issues could affect its reputation or sales, or leave it vulnerable to boycott or selective purchasing; ▪ Whether the subject of the proposal is best left to the discretion of the board; ▪ Whether the issues presented in the proposal are best dealt with through legislation, government regulation, or company-specific action; ▪ The company's approach compared with its peers or any industry standard practices for addressing the issue(s) raised by the proposal; ▪ Whether the company has already responded in an appropriate or sufficient manner to the issue(s) raised in the proposal; ▪ Whether there are significant controversies, fines, penalties, or litigation associated with the company's environmental or social practices; ▪ If the proposal requests increased disclosure or greater transparency, whether sufficient information is publicly available to shareholders and whether it would be unduly burdensome for the company to compile and avail the requested information to shareholders in a more comprehensive or amalgamated fashion; and ▪ Whether implementation of the proposal would achieve the objectives sought in the proposal.	… **Taft-Hartley Advisory Services Recommendation:** In analyzing social, workplace, environmental, and other related proposals, Taft-Hartley Advisory Services considers the following factors: ▪ Whether the proposal itself is well framed and reasonable; ▪ Whether adoption of the proposal would have either a positive or negative impact on the company's short-term or long-term share value; ▪ Whether the company's analysis and voting recommendation to shareholders is persuasive; ▪ The degree to which the company's stated position on the issues could affect its reputation or sales, or leave it vulnerable to boycott or selective purchasing; ▪ Whether the subject of the proposal is best left to the discretion of the board; ▪ Whether the issues presented in the proposal are being appropriately or effectively dealt with through legislation, government regulation, or company-specific action; ▪ The company's approach compared with its peers or any industry standard practices for addressing the issue(s) raised by the proposal; ▪ Whether the company has already responded in an appropriate or sufficient manner to the issue(s) raised in the proposal; ▪ Whether there are significant controversies, fines, penalties, or litigation associated with the company's practices related to the issue(s) raised in the proposal; ▪ If the proposal requests increased disclosure or greater transparency, whether sufficient information is publicly available to shareholders and whether it would be unduly burdensome for the company to compile and avail the requested information to shareholders in a more comprehensive or amalgamated fashion; and ▪ Whether implementation of the proposal would achieve the objectives sought in the proposal.

Rationale for Change:

The changes codify our current approach. The change to the first criterion takes into account whether or not regulation or legislation is likely to occur. The change to the "controversies" criterion makes clear that we are interested particularly in controversies related to the issue raised by the proposal.

GENERAL CSR RELATED

Political Contributions, Lobbying Reporting & Disclosure

Current Taft-Hartley Advisory Services Policy:	New Taft-Hartley Advisory Services Policy:
Taft-Hartley Advisory Services Recommendation: ▪ Support reporting of political and political action committee (PAC) contributions. ▪ Support establishment of corporate political contributions guidelines and internal reporting provisions or controls. ▪ Generally support shareholder proposals requesting companies to review and report on their political lobbying activities including efforts to influence governmental legislation. ▪ Vote against shareholder proposals asking to publish in newspapers and public media the company's political contributions as such publications could present significant cost to the company without providing commensurate value to shareholders.	**Taft-Hartley Advisory Services Recommendation:** ▪ Support reporting of political and political action committee (PAC) contributions. ▪ Support establishment of corporate political contributions guidelines and internal reporting provisions or controls. ▪ Generally support shareholder proposals requesting companies to review and report on their political lobbying activities including efforts to influence governmental legislation. ▪ Vote against shareholder proposals asking to publish in newspapers and public media the company's political contributions as such publications could present significant cost to the company without providing commensurate value to shareholders. ▪ Generally vote case-by-case on proposals requesting comparison of a company's political spending to objectives that can mitigate material risks for the company, such as limiting global warming.

Rationale for Change:

The numbers of shareholder proposals requesting company transparency on the congruency of its political contributions to its public commitments and/or of its climate lobbying to its climate goals have been growing in recent years. The new policy will provide more transparency to the market about how assessments of these shareholder proposals are made.

We empower investors and companies to build for long-term and sustainable growth by providing high-quality data, analytics, and insight.

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