



# UNITED STATES

## PUBLIC FUND PROXY VOTING GUIDELINES UPDATES 2024 Policy Recommendations

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## Director Elections

### Other Board-Related Proposals

#### Director and Officer Liability Protection and Exculpation; Director and Officer Indemnification

Current Public Fund Advisory Services Policy:	New Public Fund Advisory Services Policy:
<p><b>Director and Officer Liability Protection and Exculpation</b></p> <p>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.</p> <p>Public Fund 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.</p> <p><b>Public Fund Advisory Services Recommendation:</b> 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.</p>	<p><b>Director and Officer Liability Protection and Exculpation</b></p> <p>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.</p> <p>Public Fund 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.</p> <p><b>Public Fund Advisory Services Recommendation:</b> 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” 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.</p>

<p><b>Director and Officer Indemnification</b></p> <p>Indemnification is the payment by a company of the expenses of directors who become involved in litigation as a result of their service to a company. Proposals to indemnify a company’s directors differ from those to eliminate or reduce their liability because with indemnification directors may still be liable for an act or omission, but the company will bear the expense. Public Fund fiduciaries may support these proposals when the company persuasively argues that such action is necessary to attract and retain directors, but should generally oppose indemnification when it is being proposed to insulate directors from actions that have already occurred.</p> <p><b>Public Fund Advisory Services Recommendation:</b></p> <ul style="list-style-type: none"> <li>▪ 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 negligence that are more serious violations of fiduciary obligation than mere carelessness.</li> <li>▪ 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.</li> <li>▪ 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.</li> </ul>	<p><b>Director and Officer Indemnification</b></p> <p>Indemnification is the payment by a company of the expenses of directors who become involved in litigation as a result of their service to a company. Proposals to indemnify a company’s directors differ from those to eliminate or reduce their liability because with indemnification directors may still be liable for an act or omission, but the company will bear the expense. Public Fund fiduciaries may support these proposals when the company persuasively argues that such action is necessary to attract and retain directors, but should generally oppose indemnification when it is being proposed to insulate directors from actions that have already occurred.</p> <p><b>Public Fund Advisory Services Recommendation:</b></p> <ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ 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 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.</li> <li>▪ 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 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.</li> </ul>
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**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.

The exculpation of officers could constitute an expansion of exemption from liability that could adversely impact officers' accountability, especially in the event of a breach in fiduciary care. In order to protect shareholder interests, it is imperative to preserve incentives towards responsible governance behavior among officers at corporations. Maintaining a balance between shareholder concerns and companies' ability to attract and retain high quality agents to work on their behalf is paramount, and this change works to support that balance.

# Compensation

## Evaluation of Executive Pay

### Golden and Tin Parachutes

Current Public Fund Advisory Services Policy:	New Public Fund Advisory Services Policy:
<p>Golden parachutes are designed to protect the employees of a corporation in the event of a change-in-control. Under most golden parachute agreements, senior level management employees receive a lump sum payout triggered by a change-in-control at usually two to three times their current base salary. The SEC requires disclosure of all golden parachute arrangements in the proxy statement.</p> <p><b>Public Fund Advisory Services Recommendation</b></p> <ul style="list-style-type: none"> <li>▪ Vote case-by-case on management proposals to ratify or cancel golden parachutes taking into consideration the following factors:                             <ul style="list-style-type: none"> <li>▪ Whether the triggering mechanism is beyond the control of management;</li> <li>▪ Whether the payout amount is based on an excessive severance multiple; and</li> <li>▪ Whether the change-in-control payments are double-triggered, i.e., (1) after a change in control has taken place, and (2) termination of the executive as a result of the change in control. Change in control is defined as a change in the company ownership structure.</li> </ul> </li> <li>▪ Vote for shareholder proposals to all have golden parachute agreements submitted for shareholder ratification.</li> </ul>	<p>Golden parachutes are designed to protect the employees of a corporation in the event of a change-in-control. Under most golden parachute agreements, senior level management employees receive a lump sum payout triggered by a change-in-control at usually two to three times their current base salary. The SEC requires disclosure of all golden parachute arrangements in the proxy statement.</p> <p><b>Public Fund Advisory Services Recommendation</b></p> <ul style="list-style-type: none"> <li>▪ Vote case-by-case on management proposals to ratify or cancel golden parachutes taking into consideration the following factors:                             <ul style="list-style-type: none"> <li>▪ Whether the triggering mechanism is beyond the control of management;</li> <li>▪ Whether the payout amount is based on an excessive severance multiple; and</li> <li>▪ Whether the change-in-control payments are double-triggered, i.e., (1) after a change in control has taken place, and (2) termination of the executive as a result of the change in control. Change in control is defined as a change in the company ownership structure.</li> </ul> </li> <li>▪ Vote case-by-case on shareholder proposals requiring that executive severance (including change-in-control related) arrangements or payments be submitted for shareholder ratification. Factors that will be considered include, but are not limited to:                             <ul style="list-style-type: none"> <li>▪ The company’s severance or change-in-control agreements in place, and the presence of problematic features (such as excessive severance entitlements, single triggers, excise tax gross-ups, etc.);</li> <li>▪ Any existing limits on cash severance payouts or policies which require shareholder ratification of severance payments exceeding a certain level;</li> <li>▪ Any recent severance-related controversies; and</li> </ul> </li> </ul>

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|  | <ul style="list-style-type: none"><li>▪ Whether the proposal is overly prescriptive, such as requiring shareholder approval of severance that does not exceed market norms.</li></ul> |
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#### Rationale for Change:

The current policy is being updated to reflect Public Fund Advisory Services' case-by-case approach when analyzing shareholder proposals requiring that executive severance arrangements be submitted for shareholder ratification. The updated policy (i) harmonizes the factors used to analyze both regular termination severance as well as change-in-control related ("golden parachute") severance; and (ii) clarifies the key factors considered, including the company's existing severance provisions and whether the company has already implemented adequate safeguards against the potential for problematic or excessive severance.

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