



# UNITED STATES

## SUSTAINABILITY PROXY VOTING GUIDELINES UPDATES 2024 Policy Recommendations

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## Compensation

### Shareholder Proposals on Compensation

#### Severance Agreements for Executives/Golden Parachutes

Current Sustainability Policy:	New Sustainability Policy:
<p><b>General Recommendation:</b> Vote for shareholder proposals requiring that golden parachutes or executive severance agreements be submitted for shareholder ratification, unless the proposal requires shareholder approval <i>prior</i> to entering into employment contracts.</p> <p>Vote case-by-case on proposals to ratify or cancel golden parachutes. An acceptable parachute should include, but is not limited to, the following:</p> <ul style="list-style-type: none"> <li>▪ The triggering mechanism should be beyond the control of management;</li> <li>▪ The amount should not exceed three times base amount (defined as the average annual taxable W-2 compensation during the five years prior to the year in which the change of control occurs);</li> <li>▪ Change-in-control payments should be 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>	<p><b>General Recommendation:</b> Vote case-by-case on shareholder proposals requiring that executive severance (including change-in-control related) arrangements or payments be submitted for shareholder ratification.</p> <p>Factors that will be considered include, but are not limited to:</p> <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> <li>▪ Whether the proposal is overly prescriptive, such as requiring shareholder approval of severance that does not exceed market norms.</li> </ul>

#### Rationale for Change:

The current policy is being updated to reflect Sustainability's case-by-case approach when analyzing shareholder proposals requiring that executive severance arrangements or payments 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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