



**OFFICE OF THE ILLINOIS STATE TREASURER  
MICHAEL W. FRERICHS**

**2026 Proxy Voting  
Policy Statement**

*Effective 4/29/2026*

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## **PROXY VOTING GUIDELINES**

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The Office of the Illinois State Treasurer (“Office”) administers the investment of funds for state and local entities as well as individuals through various programs. For equity holdings, the Office maintains the right to vote by proxy on ballots and proposals presented at corporate annual meetings.

These Proxy Voting Guidelines (“Guidelines”) have been approved and adopted by the Office for proxy voting on issues pertaining to corporate governance and financial performance. These Guidelines provide the framework for the proxy votes wherein the Office is eligible to cast a ballot.

The Guidelines are based on what the Office, through thorough evaluation and in consultation with Segal Marco Advisors (“SMA”), its corporate governance consultant, view as best practices in corporate governance and investment stewardship.

Ultimately, the Office seeks to invest all funds under its control in a manner that provides the highest risk-adjusted return and promotes preservation of capital for beneficiaries using authorized instruments. To achieve this objective, the Office has a responsibility to vote by proxy on ballots and proposals that may have a prospective material and relevant financial impact on safety or performance of its investments.

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## **CORPORATE GOVERNANCE PHILOSOPHY**

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An essential component of responsible investment stewardship and risk management is supporting good governance practices. Good governance mitigates investment risks and may provide collateral benefits to the beneficiaries of the assets under the Office’s stewardship. Numerous studies and surveys of leading institutional investors demonstrate the value of good corporate governance.

Each proxy will be reviewed on a case-by-case basis with final decisions based on the merits of each case. In reviewing the proxy issues, we will use the following Issue Guidelines for each of the categories of issues listed below.

In the event that a proxy proposal, shareholder resolution, or other voting matter is presented that is not specifically addressed in the Proxy Voting Guidelines, voting decisions shall be made in a manner consistent with the Treasurer’s fiduciary duties. Fiduciary duty requires that risk and return considerations remain paramount. Each issue will be reviewed on a case-by-case basis to determine the vote that is in the best financial interest of our investment program participants. We generally do not support shareholder proposals that

are overly prescriptive.

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## ISSUE GUIDELINES

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### **ELECTION OF DIRECTORS**

Members of the boards of directors (“directors”) are elected by shareholders to represent shareholders, protect shareholder interests, and maximize shareholder value at a given company. The election of directors is a fundamental shareholder right and serves as the standard method by which shareholders signal their satisfaction or dissatisfaction with a board’s composition, performance, and oversight capabilities. The Office votes with the intent of electing director candidates that can provide effective oversight, protect shareholder interests, and deliver value to shareholders. On a case-by-case basis, however, the Office may also vote against individual directors, committees, or entire nominee slates if the board or its committees have:

- Demonstrated poor oversight of financially material risks or responsiveness to shareholder concerns;
- Financially underperformed its peer group over multiple years;
- Demonstrated weak oversight of a Company’s Chief Executive Officer or other members of senior management; or
- Demonstrated poor composition with directors who lack independence or diversity, maintain poor attendance records, or simultaneously serve on too many other boards.

These criteria are explained in further detail below.

#### ***Votes Against Individual Directors***

The Office believes that boards are best poised to represent shareholder interests when a majority of directors are independent. Non-independent directors are defined as individuals who:

- Were past employees of the company;
- Are relatives of management;
- Have contracts with the company;
- Have served on the board for more than 10 years; or
- Have an equity ownership in the company in excess of 20 percent.

If two-thirds of the board is not represented by independent directors, a vote will generally be cast to withhold support for the non-independent directors.

Recently, more emphasis has also been placed on the independence of key board committees—audit, compensation and nominating committees. It is in the best interests of

shareholders for only independent directors to serve on these committees. Votes will generally be withheld from any non-independent nominee who serves on these committees.

If the chair of a board also serves as the chief executive officer of the company, the ability of the board to provide independent oversight of management is hindered. An independent chair helps avoid any conflicts of interest in the board's role of overseeing management. Votes will be cast against board chairs concurrently serving as CEOs who are otherwise non-independent.

The Office also considers the attendance records and additional commitments of individual nominees to ensure adequate time commitment to their role on the board. We will vote against a nominee up for re-election who has failed to attend 75% or more board meetings over the past year without a valid excuse. Additionally, we will withhold votes for directors who sit on too many other boards ("over-boarded") according to the following criteria:

- CEOs should serve on no more than one other corporate board;
- Non-CEO directors with full-time jobs should serve on no more than three other boards; and
- All other individuals should serve on no more than five other boards.

Finally, the Office may vote against a nominee up for re-election who failed to receive support from a majority of shareholders in the prior year's election. The practice of reappointing such directors, colloquially termed "zombie directors", effectively ignores the will of shareholders.

### ***Votes Against Committees***

Other factors that may be considered when reviewing members and candidates include the diversity of the board's composition in terms of race, gender, experience, and expertise. We may vote against members of the nominating committee if the board exhibits certain deficiencies, such as, but not limited to the following:

- Does not have 30% gender diversity;
- Discloses racial diversity but does not have at least one racially diverse director; or
- Does not disclose their board composition.

Additionally, if a board committee is believed to have failed in its oversight and risk management duties, votes may be withheld for committee leaders or entire committees, depending on severity of the oversight failure as determined on a case-by-case basis.

### ***Votes Against Board Leadership or Entire Boards***

Pertinent board directors (or entire incumbent slates) will not be supported in cases of severe or repeated misconduct, such as when there is significant corporate misbehavior, repeated financial restatements or inadequate responses to systemic risks, including climate change, that may have a material impact on performance. We may also vote against directors at companies that have failed to set science-based emissions targets aligned to recognized

standards (e.g., the Paris Agreement) or failed to disclose material climate risk exposures and how the company governs, manages, and mitigates those risks.

### ***Contested Elections***

In contested elections of directors, the competing slates will be evaluated upon the personal qualifications of the candidates, the quality of the strategic plan they advance to enhance long-term corporate value, management's historical track record, the background to the proxy contest, and the equity ownership positions of individual directors.

### ***Poor Corporate Governance Practices***

Given that representing and protecting shareholders' financial interests is a core mission of a corporate board, the Office seeks to promote corporate governance practices that further that objective. The Office also discourages practices and actions by boards that weaken shareholder rights or shareholder ability to keep boards accountable. The following are practices that the Office considers problematic:

- **Excessive share pledging:** When either the aggregate value of the shares pledged among board members is greater than \$100 million *or* the pledged shares constitute 20% or more of the overall outstanding shares (whichever is smaller);
- **Multi-class stock structure:** When the company maintains a stock structure with unequal voting rights and lacks a plan to sunset that structure;
- **Classified board structure:** When the company staggers the election of directors such that shareholders are only able to elect a portion of the board at each annual meeting;
- **Financial underperformance:** When the company has underperformed its peer group by 20% or more over the last five years, as measured by Total Shareholder Return, or TSR;
- **Poor responsiveness to shareholder concerns:** When a company has failed to adequately respond to a shareholder proposal that garnered majority support among shareholders in the last 12 months;
- **Anti-takeover provisions:** When a company has adopted anti-takeover measures without prior approval from shareholders; or
- **Provisions that weaken shareholder rights:** When a company has adopted policies that weaken the ability to exercise shareholder rights, including shareholding requirements above market standards.

In conjunction with other factors, and on a case-by-case basis, the Office may factor these practices into its decision-making process for director elections.

### **RATIFICATION OF AUDITORS**

The ratification of auditors used to be universally considered a routine proposal, but a disturbing series of audit scandals at publicly traded companies and SEC-mandated disclosures revealed auditors were being paid much more for "other" work at companies in

addition to their “audit” work which has demonstrated that the ratification of auditors needs to be scrutinized as much as the election of directors.

Although the Sarbanes-Oxley Act of 2002 attempted to address the issue of auditor conflicts of interest, it still allows auditors to do substantial “other” work (primarily in the area of taxes) for companies that they audit. Therefore, the Office will weigh the amount of the non-audit work and if it is so substantial as to give rise to a conflict of interest, it will vote against the ratification of auditors. Concern will be raised if the non-audit work is more than 20% of the total fees paid to the auditors. Other factors to weigh include if the auditors provide tax avoidance strategies, the reasons for any change in prior auditors by the company, and if the same firm has audited the company for more than seven years.

### **OTHER ROUTINE MANAGEMENT PROPOSALS**

Routine proposals are most commonly defined as those that do not change the structure, bylaws, or operation of the company to the detriment of the shareholders. Traditionally, these issues include:

- Indemnification provisions for directors;
- Liability limitations of directors;
- Stock splits/reverse stock splits; and
- Name changes.

Given the routine nature of these proposals, proxies will usually be voted with management. However, each will be examined carefully. For example, limitations on directors’ liability will be analyzed to ensure that the provisions conform with the law and do not affect their liability for such actions as the receipts of improper personal benefits or the breach of their duty of loyalty. The analysis of a proposal to limit directors’ liability would also take into consideration whether any litigation is pending against current board members.

### **NON-ROUTINE MANAGEMENT PROPOSALS**

Issues in this category are more likely to affect the structure and operation of the company and, therefore will have a greater impact on the value of a shareholder’s investment. We will review each issue in this category on case-by case basis.

As previously stated, voting decisions will be made based on the financial interest of our investment program participants. Non-routine matters include:

#### ***Climate Action Plan***

Companies seeking shareholder approval for their Climate Action Plan should provide detailed disclosure that shows consistency with the Paris Agreement's goal of limiting global warming compared to pre-industrial levels and with achieving net zero by 2050. Careful consideration of the proposed plan will involve the review of several key factors, including: (i) whether the plan includes clear and measurable goals of short, medium and long-term emissions reduction targets; (ii) the effectiveness of the company’s corporate governance

framework to manage climate-related risks; (iii) the alignment of executive compensation and climate change metrics, if any; (iv) how a company addresses its transition plan for employees, including training and support for new employment and disclosure of any job losses; and (v) the company's commitment to regularly report progress on its climate transition plan. A vote will be cast in favor where the Climate Action Plan provides the detailed specificity on key factors and against where the Plan lacks detail or ambition.

### ***SPAC Merger Transactions***

A Special Purpose Acquisition Corporation (SPAC) is a shell company created for the sole purpose of merging with a private company to take it public within a two-year timeframe as an alternative to the traditional IPO process. SPAC sponsors may hold founder shares and receive a premium regardless of the return to public investors. SPAC shareholders are entitled to vote on the transition to bring a specific private company public. A vote will be cast in favor where the stock of the merged entity will trade at a premium to the redemption value for public shareholders and against where it trades at a discount.

### ***Mergers/Acquisitions and Restructuring***

Our analysis will focus on the strategic justifications for the transaction and the fairness of any costs incurred.

### ***Advisory Votes on Compensation Policies and Practices***

To evaluate compensation policies and practices, the threshold query is “does a company’s compensation reflect its performance”? This will be determined by how a company has performed for shareholders compared to its peer group, as well as by how a company has compensated its executives compared to its peer group. Whether restricted stock awards are time vesting or performance vesting will also be taken into consideration. Additional queries will be made to determine the level of dilution in stock compensation plans, and to ascertain if golden parachutes have been awarded to executives and, if they have, whether they pay tax gross-ups. The ratio of pay to the CEO as compared to the average worker may also be taken into consideration as well as whether companies adjust GAAP metrics and the robustness of the explanatory disclosure. The threshold query will carry the most weight, but the additional queries can be persuasive in the event the answer to the threshold query is not clear cut. Related to advisory votes on compensation, we always prefer an annual cadence for such advisory votes on compensation, rather than every two or three years.

### ***Advisory Votes on Severance Packages in Connection with Mergers/Acquisitions***

The factors to weigh are whether the total payment is in excess of 2.99 times salary and bonus, whether excise taxes are grossed-up, if there is a double trigger for cash payments, and whether the accelerated vesting of stock awards is excessive.

### ***Fair-Price Provisions***

These are attempts to guard against two-tiered tender offers in which some shareholders receive less value for their stock than other shareholders from a bidder who seeks to take a controlling interest in the company. In such cases, there can be an impact on the long-term value of holdings in the event shareholders do not tender. Such provisions must be analyzed on a case-by-case basis.

### ***Reincorporating/Inversions***

A company usually changes the state or country of its incorporation to take advantage of tax and corporate laws in the new state or country. These advantages should be clear and convincing and be supported by specific, legitimate business justifications that will enhance the company's long-term value to shareholders and will be weighed along with any loss in shareholder rights and protections (e.g., dilution of management accountability and liability, anti-takeover devices), reputational risk, damage to governmental relationships, adverse impact on the company's employees and erosion of the local/state/Federal tax base.

### ***Changes in Capitalization***

Our inquiry will study whether the change is necessary and beneficial in the long-run to shareholders. Creation of blank check preferred stock, which gives the board broad powers to establish voting, dividend and other rights without shareholder review, will be opposed.

### ***Increase in Preferred and Common Stock***

Such increases can cause significant dilution to current shareholder equity and can be used to deter acquisitions that would be beneficial to shareholders. We will determine if any such increases have a specific, justified purpose (e.g., pressing business concern, compliance with regulatory requirements), if the amounts of the increase are excessive, and if shareholders have sufficient information about the justification or terms of the proposed issuance.

### ***Stock/Executive Compensation Plans***

The purpose of such plans should be to reward employees or directors for superior performance in carrying out their responsibilities and to encourage the same performance in the future. Consequently, the plan should specify that awards are based on the executive's/director's performance and the company's performance. In the case of directors, their attendance at meetings should also be a requirement. In evaluating such plans, we will also consider whether the amount of the shares cause significant dilution (5% or more) to current shareholder equity, how broad-based and concentrated the grant rates are, if there are holding periods, if the shares are sold at less than fair market value, if the plan contains change-in-control provisions that deter acquisitions, if the plan has a reload feature, and if the plan allows the repricing of "underwater" options.

### ***Employee Stock Purchase Plans***

These are broad-based, federally regulated plans which allow almost all full-time and some part-time workers to purchase limited amounts of company stock at a slight discount. Usually the amount of dilution is extremely small. They will generally be supported because they give workers an equity interest in the company and better align workers' interests with shareholders.

### ***Creation of Tracking Stock***

Tracking stock is designed to reflect the performance of a particular business segment. The problem with tracking stock is it can create substantial conflicts of interest among shareholders, board members and management. Such proposals must be carefully

scrutinized and they should be supported only if a company makes a compelling justification for them.

### ***Approving Other Business***

Some companies seek shareholder approval of management being given broad authority to take action at a meeting without shareholder consent. Such proposals are not in the best interests of shareholders and will be opposed.

## **CORPORATE GOVERNANCE PROPOSALS**

We will generally vote against any management proposal that is designed to weaken shareholder rights and has the effect of restricting the ability of shareholders to realize the value of their investment. Proposals in this category may include:

### ***Golden Parachutes***

These are special severance agreements that take effect after an executive is terminated following a merger or takeover. In evaluating such proposals, we will consider the salaries, bonuses, stock option plans and other forms of compensation already available to these executives to determine if the additional compensation in the golden parachutes is excessive. Shareholder proposals requesting that such severance agreements require approval by shareholders will be supported.

### ***Greenmail Payments***

Greenmail is when a company agrees to buy back a corporate raider's shares at a premium in exchange for an agreement by the raider to cease takeover activity. Such payments can have a negative impact on shareholder value. Given that impact, we will want there to be a shareholder vote to approve such payments and we will insist that there be solid economic justification before granting such approval.

### ***Super Majority Voting***

Some companies want a super majority (e.g., 66%) vote for certain issues. We believe a simple majority is generally in the best interest of shareholders and we will normally vote that way unless there is strong evidence to the contrary.

### ***Multi-Class Voting***

Some companies create multiple classes of stock with different voting rights and dividend preferences. We will examine the purpose that is being used to justify the multiple classes as well as to whom the preferred class of stock is being offered, although we generally do not support multi-class share structures as they tend to dilute the power of non-affiliated shareholders over corporate matters. As such, proposals that are designed to entrench company management or a small group of shareholders at the expense of the majority of shareholders will generally not be supported. Furthermore, we generally support proposals requesting a one-share, one-vote structure.

### ***Fair Price Proposals***

These require a bidder in a takeover situation to pay a defined “fair price” for stock. Our analysis will focus on how fairly “fair price” is defined and what other anti-takeover measures are already in place at the company that might discourage potential bids that would be beneficial in the long term to shareholders.

### ***Classified Boards***

These are boards where the members are elected for staggered terms. The most common method is to elect one-third of the board each year for three-year terms. We believe the accountability afforded by the annual election of the entire board is very beneficial to stockholders and it would take an extraordinary set of circumstances to develop for us to support classified boards.

### ***Shareholders’ Right to Call Special Meetings and Act by Written Consent***

These are important rights for shareholders and any attempts to limit or eliminate them should be resisted. Proposals to restore them will generally be supported.

## **SHAREHOLDER PROPOSALS**

Proposals submitted by shareholders for vote usually include issues of corporate governance and other non-routine matters. We will review each issue on a case-by-case basis to determine the vote that is in the financial interest of our investment program participants. We generally do not support shareholder proposals that are overly prescriptive.

Shareholder proposal topics include, but are not limited to the following:

### ***Public Benefit Corporation***

A Public Benefit Corporation (PBC) is a legal status for a for-profit corporation that has a dual purpose of providing a public benefit, such as fulfilling a social or environmental mission. A vote may be cast in favor of a proposal seeking the conversion to a PBC where the entity ensures no shareholder rights are weakened and where the entity does not subordinate financial return for the public benefit. Additional criteria to evaluate the firm’s readiness to sustain success as a PBC include: (i) company performance over the past five years; (ii) approach and history with the stated public benefit it seeks to achieve; (iii) designated board committee to oversee the transition; (iv) absence of a multi-class stock structure with different voting rights; and (v) shareholder rights in the form of ability to call a special meeting, act by written consent and proxy access.

### ***Diversity***

Research demonstrates that a board comprised of qualified diverse directors is better equipped to ensure multiple perspectives are considered and better positioned to enhance long-term company performance within a marketplace defined by extensive diversity and multiculturalism. Diversity is inclusive of, but not limited to, gender, race/ethnicity, skill sets, professional backgrounds, and LGBTQ+ status. We generally support proposals that encourage diverse representation on the board and that aim to expand the search for qualified diverse candidates, including proposals asking companies to make greater efforts to diversify their boards and proposals to report to shareholders on those efforts and on the

process of selecting nominees.

Workforce diversity is another important value driver and can provide insight into a company's management of its human capital. We generally support proposals that encourage disclosure of EEO-1 information.

Proposals calling for Racial Equity Audits, which generally consist of an objective investigation into a company's practices, policies and histories to determine such company's impact on social issues and areas for improvement, will be evaluated on a case-by-case basis.

Because pay disparities may contribute to discrimination risk, legal exposure, and employee engagement challenges, we generally support proposals that request that a company measure and report on pay equity based on race, gender, or other appropriate categories, as well as proposals that a company report on its policies and goals to reduce pay gaps.

### ***Poison Pill Plans***

These plans are designed to discourage takeovers of a company, which can deny shareholders the opportunity to benefit from a change in ownership of the company. Shareholders have responded with proposals to vote on the plans or to redeem them. In reviewing such plans, we check whether the poison pill plans were initially approved by shareholders and what anti-takeover devices are already in place at the company.

### ***Independence of Boards and Auditors***

The wave of corporate/audit scandals at the start of the 21<sup>st</sup> Century provided compelling evidence that it is in the best interests of shareholders to support proposals seeking increased independence of boards (e.g., requiring supermajority of independents on boards, completely independent nominating, compensation and audit committees, stricter definitions of "independence", disclosures of conflicts of interest) and auditors (e.g., eliminate or limit "other" services auditors perform, rotation of audit firms). A related issue is the independence of analysts at investment banking firms. Proposals seeking to separate the investment banking business from the sell-side analyst research and IPO allocation process will generally be supported.

### ***Multi-Class Voting Results***

We generally support proposals that ask for the disclosure of voting results broken down by share class when multi-class structures exist. Disclosure of these results allows shareholders to better understand how independent shareholder views are considered and acted upon by boards.

### ***Cumulative Voting***

This allows each shareholder to vote equal to the number of shares held multiplied by the number of directors to be elected to the board. Shareholders can then target all their votes for one of a few candidates or allocate them equally among all candidates. It is one of the few ways shareholders can attempt to elect board members. In studying cumulative voting proposals, we will review the company's election procedures and what access shareholders have to the nominating and voting process.

### ***Shareholder Access to the Proxy for Director Nominations***

Proposals to provide shareholders access to the company proxy statement to advance non-management board candidates will generally be supported if they are reasonably designed to enhance the ability of substantial shareholders to nominate directors and are not being used to promote hostile takeovers.

### ***Separate Chairperson and Chief Executive Officer***

The primary purpose of the board of directors is to protect shareholder interests by providing independent oversight of management. If the Chair of the Board is also the Chief Executive Officer of the company, the quality of oversight is hindered. Therefore, proposals seeking to require that an independent director serve as Chair of the Board will generally be supported, including at companies that have appointed a Lead Independent Director (LID). Some companies that wish to maintain a combined CEO/Chair role may appoint a LID, who generally has the authority to preside at meetings of the board's independent directors and coordinate the activities of those independent directors. While the presence of a LID can enhance board oversight and responsiveness to shareholder interests, the Office considers a separate CEO and Board Chair as the better governance practice.

### ***Term Limit for Directors***

Proposals seeking to limit the term for directors will generally not be supported because they can deny shareholders the service of well-qualified directors who have effectively represented shareholder interests.

### ***Greater Transparency and Oversight***

Shareholders benefit from full disclosure of board practices and procedures, company operating practices and policies, business strategy, and the way companies calculate executive compensation. Proposals seeking greater disclosure on these matters will generally be supported, as long as the additional disclosure is reasonably believed to enhance board accountability or provide financially material information.

### ***Executive/Director Compensation***

Proposals seeking to tie executive compensation to specific performance standards or to require greater disclosure of executive and director compensation amounts and structure are generally in the best interests of shareholders. Executive stock option expenses should be disclosed in financial statements (as required in Canada). Financial performance is the traditional measurement for executive compensation – the more specific the better. Where executive pay is based on metrics that are improved through share repurchases, the impact of repurchases should be neutralized to avoid artificially inflating executive pay. Other performance measures can be a useful supplement to the traditional financial performance measurement and are worthy of consideration. Examples are regulatory compliance, international labor standards, high performance workplace standards and measures of employee satisfaction.

### ***Codes of Conduct***

Proposals seeking reports on and/or the implementation of such commonly accepted principles of conducts as the Ceres Principles (environment), MacBride Principles (Northern Ireland), Code of Conduct for South Africa, United Nations' International Labor Organization's Fundamental Conventions, and fair lending practices are in the best interests of shareholders because they provide useful information and promote compliance with the principles.

Proposals seeking reports on the implementation of a company's own codes of conduct and policies, such as a Supplier Code of Conduct or a Human Rights Policy, can provide useful information to shareholders and allow for an assessment of the company's adherence to their own policies and codes of conduct. Such proposals will be evaluated on a case-by-case basis.

### ***Say on Pay***

Say on Pay proposals generally will be supported because they give shareholders meaningful input on a company's approach to executive compensation without entangling them with the micromanagement of specific plans.

### ***Majority Vote Standard for Director Elections***

For years, most boards of directors were elected by a plurality vote standard—nominees who get the most votes win. In a non-contested election (which most are) the only vote options are “for” and “withhold authority.” That means a nominee could have only one share cast “for” him/her and still be elected, regardless of how many shareholders withheld their votes for that nominee. Such vote standards greatly reduce a board's accountability to its shareholders. Therefore, proposals requesting that nominees in non-contested elections receive a majority of the votes cast will generally be supported.

### ***Climate-related Disclosures and Risk Management***

Proposals will generally be supported that request companies disclose how they may be impacted by climate-related risks and opportunities, how they oversee climate-related risks and opportunities, and how they plan to deliver long-term financial performance while prioritizing a just transition for workers and communities and operating under a scenario consistent with the Paris Agreement's goal of limiting global warming compared to pre-industrial levels.

We generally support requests for companies to disclose quantifiable targets to reduce greenhouse gas emissions and to disclose their performance against such goals. We generally support proposals that encourage disclosure of just transition considerations and corporate strategies to manage human capital and community relations risks and opportunities related to energy transition activities.

### ***Biodiversity Disclosures and Risk Management***

Proposals that ask companies to provide disclosure on how their business relies on and uses natural capital, including disclosure of a company's oversight processes for nature-related risks and opportunities, will generally be supported when a company's business strategy is heavily reliant on the availability of natural resources or when a company's supply chains are exposed to locations with material nature-related risks.

### ***Human Capital Management***

We generally support proposals that help investors better understand how a company manages risks and opportunities related to human capital management. We generally vote in favor of proposals that ask companies to assess the effectiveness of workforce policies and practices, disclose workforce demographics, provide reporting on workplace safety, pay equity, transparency around inequalities and workplace standards for suppliers and contractors.

We generally support proposals that ask companies to provide disclosure on how it manages its human capital, including disclosure of four foundational metrics: (1) Workforce headcount – including the total number of employees, broken down by part-time, full-time, and contingent employees; (2) Total cost of the workforce – including wages, benefits and other employee expenses and investment in the workforce; (3) Workforce stability metrics – including turnover data, and actions to attract and retain workers; and (4) Workforce demographic data – including gender, racial, ethnic, and LGBTQ+ attributes broken down by seniority and employee bands/levels. We generally support proposals asking companies to improve transparency around fairness and workplace standards for suppliers and contractors; and to provide reporting on workplace health and safety, employee incentives and benefits, and compliance with relevant labor laws and standards (e.g., workers’ right to organize and bargain collectively, equal pay protections, and the use of child labor or forced labor).

### ***Political Spending and Lobbying***

We generally support proposals advocating for board oversight of political spending, lobbying activities and trade association memberships, and for proposals requesting a reasonable level of company reporting on the amounts and recipients of such expenditures. Beyond board oversight and company reporting, we generally support proposals that require companies to report on the extent to which the company’s political spending and lobbying activities (either directly or through trade association memberships) are in alignment with the stated goals or strategies of the company.

### ***Artificial Intelligence***

We generally support proposals that ask for disclosure on the use, risks and opportunities associated with artificial intelligence (AI). We generally support proposals asking companies to engage with and inform the workforce on the deployment of AI technology.

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## MUTUAL FUND PROXIES

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### **MANAGEMENT PROPOSALS FOR MUTUAL FUNDS**

#### ***Election of Directors***

The board of directors of a mutual fund is charged with overseeing the management and operations of the fund on behalf of the fund's shareholders. Effective representation of shareholder interests is most likely to occur if two-thirds of the directors are independent outsiders as opposed to insider directors (such as an employee of the investment adviser, a relative of an employee at the adviser, or former officers or directors of a fund's investment adviser or principal underwriter). If two-thirds of the board is not represented by independent outsiders, a vote will generally be cast to withhold authority on the inside directors.

A vote also may be cast against members of the board of directors if the board has been unresponsive to investor concerns, lacks diversity (where information is available), and/or if investors have lost investor confidence in the board's stewardship of the fund, given that these factors may be relevant to board effectiveness and advancing the financial interests of shareholders.

#### ***Ratification of Auditors***

A vote generally will be cast in favor of the auditors unless the amount paid for non-audit work is substantial enough (more than 20 percent) to raise concerns about a potential conflict of interest to audit work. Other factors that may be considered include accounting irregularity or negligence by the auditor.

#### ***Amend Declaration of Trust***

A vote generally will be cast in favor of amendments that are procedural in nature and against amendments that include changes adverse to investor interests.

#### ***Approve Merger or Reorganization of Funds***

A vote generally will be cast in favor of a reorganization of funds to decrease operating expenses or fees to shareholders. A vote generally will be cast against if a reorganization significantly changes the structure, mandate, or investment strategy or philosophy of a fund to the detriment of investor interests. Other factors to be considered include fund distribution yields, discounts to Net Asset Value, portfolio or management team changes, resulting economies of scale and diversification of holdings.

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

When considering the conversion of a closed-end fund to an open-end fund, several factors should be evaluated. These include any changes to the expense ratio or management fees that would affect underlying shareholders, as well as actions taken by the board to address the

discount to Net Asset Value. It is important to review the fund's past performance as a closed-end fund and the market in which the fund invests. Additionally, past instances of shareholder activism, board activity, and related voting outcomes should be taken into account. Consideration should also be given to any changes in investment strategy or increased flexibility provided to the manager, along with the potential impact of conversion on the fund's assets under management.

***Approve Hiring of a New Manager***

In the absence of any specific concerns, a vote generally will be cast in favor of proposals seeking to hire a new manager as consistent with best interests of the fund shareholders.

***Approve a New Advisory or Sub-Advisory Agreement***

These proposals are evaluated on a case-by-case basis, considering factors such as the need for efficiency in selecting managers, the firm's qualifications and reputation, the reasons for establishing a new agreement, and any changes to fees or expenses.

***Vote Upon Such Other Matters as May Properly Come Before the Meeting***

A vote generally will be cast against this proposal because it provides an opportunity for approval of undisclosed items.

***Approve Change to Fundamental Investment Objective or Investment Policy***

A vote generally will be cast against changes to fundamental investment objectives or fundamental investment policy if the changes are not adequately explained, significantly alter the terms of the investment, and/or do not provide a clear potential benefit to shareholders (e.g., create increased flexibility for the fund to respond to future investment opportunities or mitigate downside risks).

A vote generally will be cast in favor of amendments that are procedural or administrative in nature and against amendments that include changes adverse to investor interests upon evaluation of the specific changes.

***Approve a Fund's Service Agreement***

A vote generally will be cast in favor of service agreements that are procedural in nature and against service agreements that include changes adverse to investor interests.

***Fee Structure***

Funds may seek changes to the fee structure through revenue sharing agreements or alternative arrangements, which will only be supported if the changes are unlikely to result in overall increased fees to the investor.

***Authorizing the Board to Hire and Terminate Sub-Advisors Without Shareholder Approval***

A vote will be cast against proposals authorizing the board to hire or terminate sub-advisors without shareholder approval.

**SHAREHOLDER PROPOSALS FOR MUTUAL FUNDS**

Generally, a vote will be cast in favor of reporting and transparency on issues that may impact a fund's performance or risk profile. Requests for further action by the fund, such as divestment, will be assessed on a case-by-case basis.

In addition, the following principles and practices may be considered and factored into the evaluation of applicable shareholder proposals:

- **Board Independence** – Independent directors should represent a “super-majority” on the board (or at least two-thirds of total seats on the board).
- **Lead Independent Director** – It is best practice that independent directors on fund boards designate and disclose one or more “lead” independent directors, which may be responsible for setting or formulating board meeting agendas, serving as a liaison between the independent directors and management, and serving as the chief point of contact for the board's counsel or auditors.
- **Type of Boards** – Boards of directors should generally be organized either as a unitary or pooled board for all the funds in a complex or as cluster boards for groups of funds within a complex, rather than as separate boards for each individual fund, given that the use of separate boards for each individual fund can create duplicative activities and inefficiencies.
- **Audit Committee** – It is best practice for audit committees to be composed entirely of independent directors; to meet with the fund's independent auditors at least once a year separate from the presence of management; to obtain from the auditor an annual representation of its independence from management; and to have a written charter outlining its duties and authorities.
- **Nomination of Independent Directors** – It serves shareholder interests when independent directors are selected and nominated by the incumbent independent directors.
- **Self-Assessments** – It is best practice for fund boards to annually evaluate the board's overall performance, composition, and effectiveness.
- **Independent Legal Counsel** – It is advisable for the fund board to have independent legal counsel that does not have a material relationship with the investment adviser.