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Amended June, 2022
Form ADV Part 2A – Brochure

Item 1 – Cover Page

This brochure provides information about the qualifications and business practices of Chartwell Investment Partners, LLC. ("Chartwell"). If you have any questions about the contents of this brochure, please contact us at 610-296-1400 or info@chartwellip.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Chartwell Investment Partners, LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

Chartwell Investment Partners, LLC is an SEC-Registered Investment Adviser. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

Item 2 – Material Changes

This summary discusses only material changes since the last annual update of our brochure filed in March 2022.

Effective June 1, 2022, Chartwell's parent company, TriState Capital Holdings (NASDAQ: TSC), was acquired by Raymond James Financial, Inc. (NYSE: RJF), a leading diversified financial services company, headquartered in St. Petersburg, Florida. Chartwell has operated as the asset management subsidiary of TriState since March of 2014. Under the ownership of Raymond James, Chartwell will continue to operate independently, as an affiliate of Carillon Tower Advisers, the asset management subsidiary of Raymond James. Under Carillon Tower's affiliate model, all Chartwell employees will remain in-place and we will continue to focus on achieving the objectives of our clients operating under the Chartwell Investment Partners brand.

In conjunction with this change in control, Chartwell's proprietary mutual funds, as illustrated below, have reorganized into newly created shell series of the Carillon Series Trust, a Delaware statutory trust, after receipt of the requisite Chartwell Funds Board approval of the proposal and quorum and shareholder vote of approval. There will be no changes to each Fund's investment strategy, investment team and total annual operating expenses. Carillon Tower Advisers will serve as Adviser to the Funds and Chartwell will serve as sub-adviser. The Chartwell Funds Trust has subsequently closed.

Reorganizations of the Acquired Funds into the Acquiring Funds			
	Acquired Fund		**Acquiring Fund**
1.	Chartwell Income Fund	→	Carillon Chartwell Income Fund
2.	Chartwell Mid Cap Value Fund	→	Carillon Chartwell Mid Cap Value Fund
3.	Chartwell Short Duration Bond Fund	→	Carillon Chartwell Short Duration Bond Fund
4.	Chartwell Short Duration High Yield Fund	→	Carillon Chartwell Short Duration High Yield Fund
5.	Chartwell Small Cap Growth Fund	→	Carillon Chartwell Small Cap Growth Fund
6.	Chartwell Small Cap Value Fund	→	Carillon Chartwell Small Cap Value Fund

Lastly, due to this change in control, other financial industry affiliations have materially changed to include: Chartwell's new direct parent – Carillon Tower Advisers, Inc. ("CTA"); other affiliate: Raymond James & Associates, Inc.; as well as CTA affiliate – Carillon Fund Distributors, Inc. TriState Capital Bank will continue to operate as a separately branded, stand-alone division and independently chartered bank subsidiary of Raymond James. Further details of each affiliate can be found in Item 10 – Other Financial Industry Activities and Affiliations beginning on page 12 of this brochure.

Pursuant to SEC Rules, we will ensure that all clients receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year.

Additional information about Chartwell is available via the SEC's web site www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with Chartwell who are registered, or are required to be registered, as investment adviser representatives.

Item 3 – Table of Contents

Item 4 – Advisory Business

Chartwell Investment Partners LLC ("Chartwell"), is an SEC registered investment adviser and wholly-owned subsidiary of Carillon Tower Advisers, Inc. ("CTA"), the asset management subsidiary of Raymond James Financial, Inc. (NYSE: RJF), a publicly held and leading diversified financial services company. As of December 31, 2021, Chartwell managed a total of $11.8 billion in assets on both a discretionary and non-discretionary basis. Chartwell's structural history includes: a limited partnership founded in April 1997; reformation into a Pennsylvania corporation upon acquisition by TriState Capital Holdings, Inc. in March 2014 and modification into a limited liability company made strictly for tax purposes only effective July 2015.

Chartwell's advisory services consist of selecting investments for institutional, sub-advisory and private clients while considering the client's needs, including total return objectives, risk tolerance, other assets and obligations of the client, legal investment laws and other investment restrictions applicable to the client. Chartwell offers investment advice concerning a wide range of investment styles but predominantly advises clients regarding investments in U.S. securities. Chartwell will ordinarily apply one of several varied investment strategies to manage a portfolio of equity securities and/or fixed income securities. For individual investors, Chartwell may allocate assets among several varied investment strategies and investment vehicles, including equity and fixed income securities, exchange traded funds and mutual funds, including affiliated funds sub-advised by Chartwell, collective investment trusts or collective fund trusts.

Chartwell also participates in wrap fee programs by providing discretionary and non-discretionary investment management services to the clients of these programs. This is an advisory program under which a specified fee or fees not based directly upon transactions in a client's account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions. Such clients may select Chartwell from a number of investment managers based on analysis, performed by the relevant program sponsor, of client's goals and objectives and the compatibility with Chartwell's investment philosophy. Generally, we manage wrap fee client accounts in the same manner as other client accounts investing pursuant to the same or similar investment strategy.

Clients may impose reasonable restrictions on Chartwell's management of account assets. To the extent there are differences in client accounts, such differences would relate to the broker- dealer through which Chartwell places orders for execution. See Item 12 below, for a description of Chartwell's practices in placing orders for execution for firm clients.

While Chartwell primarily offers investment management services, we generally do not enter into securities lending arrangements for our clients. Under typical securities lending arrangements, a manager loans a security held in a client's portfolio to a broker-dealer in exchange for collateral. The client may earn potentially enhanced returns from these arrangements by collecting finance charges on the loan or by investing the collateral. Such returns are generally shared between the client and the securities lending agent, and the risk associated with the investment of collateral is generally borne by the client. On occasion, if instructed by a client, we may enter into securities lending transactions although Chartwell does not manage the investment of collateral in connection with such arrangements. In these instances, we will have entered into a Master Securities Loan Agreement with a counterparty and the transaction must meet all the requirements under the agreement.

Some clients have established separate securities lending arrangements with their custodian. If a client has entered into these arrangements, the client and its custodian are responsible for adhering to the requirements of such arrangements, including ensuring that the securities or other assets in the Account are available for any securities lending transactions. For Accounts that we actively manage, we execute transactions based on a number of factors, including market conditions and best execution, and generally do not consider factors relating to a client's securities lending arrangements, such as whether the Client's custodian may need to recall securities on loan to settle the sales transactions.

As part of its fiduciary duty to its clients and as a matter of best business practices, Chartwell has adopted policies and procedures for disaster recovery and for continuing business in the event of an emergency, a disaster or pandemic. These policies are designed for Chartwell to continue providing services to clients in as short a period of time as possible. Chartwell's policies, under separate cover, are, to the extent practicable, designed to address those specific types of disasters that the firm might reasonably face given its business and location.

Chartwell management realizes that the rapidly changing nature of technology demands that a comprehensive security policy be developed and implemented to secure the confidentiality, security, integrity and accessibility of Chartwell's client information systems.

Further, management recognizes that in order to determine the appropriate type and scope of controls to deploy as part of the information security program, Chartwell must assess risks to its client information and systems, identifying reasonably foreseeable internal and external threats that could result in unauthorized disclosure, misuse, alteration, or destruction of client information or client information systems and evaluate the adequacy of policies, procedures, information security systems, and other practices intended to control the risks identified.

To ensure that information security risks are understood, and appropriate security systems are maintained, Chartwell management has adopted an Information Security Policy, under separate cover.

The primary purposes of Chartwell's Information Security Policy are to ensure that Chartwell management:

- Understands the risks and threats to which information systems are exposed,
- Evaluates the potential exposures to such risks/threats
- Implements appropriate information security systems and administrative, technical and physical security controls to mitigate such risks, threats and exposures, tests the effectiveness of information security systems and controls, and responds timely to various type of cyber incidents.

Item 5 – Fees and Compensation

For investment supervisory services, Chartwell's fees (see fee schedules described below) are typically based on either the value of assets under management or a fixed fee, depending on factors such as the size and type of account. Chartwell's fees are negotiable. In certain circumstances, Chartwell may charge a performance fee in accordance with the requirements of Section 205 and Rule 205-3 under the Investment Advisers Act of 1940 as further explained in Item 6 below. Chartwell will aggregate assets from related accounts (e.g., multiple accounts of a single institutional client) for the purposes of calculating the breakpoints used for those accounts and the fees we charge.

Investment Strategy:	Fee Schedule:	
Dividend Value Equity:	Up to $25 million	0.40%
	$25 - $50 million	0.30%
	Additional Assets	0.20%
Small Cap Value:	Up to $20 million	0.90%
	Additional Assets	0.80%
Mid Cap Value:	Up to $50 million	0.60%
	Additional Assets	0.50%
Small/Mid Cap Value	Up to $20 million	0.80%
	Additional Assets	0.70%
Small Cap Growth/	Up to $20 million	1.00%
	Over $20 million	0.80%
Mid Cap Growth:	Upt to $20 million	0.80%
	Over $20 million	0.70%
Large Cap Growth	Up to $10 million	0.70%
	$10 - $40 million	0.60%
	$40 - $70 million	0.50%
	$70 - $100 million	0.40%
	Over $100 million	0.25%
Core Plus Fixed:	Up to $20 million	0.40%
	$20 - $50 million	0.30%
	Additional Assets	0.25%
High Yield Fixed:	First $20 million	0.60%
	Additional Assets	0.50%
High Yield Short BB Fixed:	First $20 million	0.50%
	$20-$50 Million	0.40%
	Additional Assets	0.30%

Investment Strategy:	Fee Schedule:	
Investment Grade Fixed and Core Fixed:	Up to $20 million	0.30%
	$20 - $40 million	0.25%
	$40 - $100 million	0.20%
	Over $100 million	0.15%
Short Duration Investment Grade Fixed:	All Assets	0.20%
Covered Call	All Assets	0.50%

Collective Investment Trust:**

Small Cap Value:	0.89%
Small Mid Cap Value:	0.78%
Mid Cap Value:	0.74%
Short Duration High Yield	0.49%

**Collective Investment Trust ("CITs") vehicle sponsored by Comerica Bank & Trust, N.A. and sub-advised by Chartwell Investment Partners. Fees shown represent marketed or highest fees which are negotiable based on client portfolio size.

The fee for certain retail and high net worth clients with individually managed accounts with an initial investment of no less than $250,000 is generally 0.90% of the value of the assets under management. Any assets over $1 million will be billed at the fee of 0.75%. For individual bond holdings the fee is 5/8 or 0.625% of the total fee and for bond mutual funds, including exchange traded funds, the fee is 3/8 or 0.375% of the total fee. The fee for these accounts is negotiable and is billed quarterly in arrears. Chartwell employees' separately managed accounts that are managed in the same strategy alongside these high-net-worth clients will pay a lower fee.

Fees for WRAP portfolios are different than those shown in the fee table above and will vary per platform. The relevant program sponsors will pay fees to Chartwell based on the asset value of each client account.

The specific manner in which fees are charged by Chartwell is established in a client's written agreement with Chartwell. We will generally bill fees on a quarterly basis in arrears (i.e., following the applicable quarter period). Accounts initiated or terminated during a calendar quarter will be charged a pro-rated fee. Clients will receive quarterly invoices from Chartwell for such fees.

Chartwell may have a potential conflict of interest by investing client account assets into open-end mutual funds that we sub-advise for our affiliate, The Carillon Family of Funds ("Affiliated Funds"). Chartwell and its employees receive an economic benefit for any investment of client assets in an Affiliated Fund since Chartwell receives sub-advisory fees based on the growth of Affiliated Fund assets. However, no separate management fee is charged for any portion of the client's account invested in one or more of the Affiliated Funds.

Chartwell's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Chartwell's fee, and we do not receive any portion of these commissions, fees, and costs, except with respect to the management fee associated with investments in Affiliated Funds, as noted above.

Item 12 further describes the factors that Chartwell considers in selecting or recommending broker- dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

Item 6 – Performance-Based Fees and Side-By-Side Management

Chartwell has Supervised Persons who may manage accounts that are charged a performance-based fee and accounts that are charged another type of fee such as an asset-based fee. Chartwell recognizes that such fee arrangements create an incentive to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities and that such fee arrangements may create an incentive to favor accounts for which the related persons may have personal capital investments. In order to address these potential conflicts, Chartwell has developed policies and procedures for allocating investments to clients in a fair and equitable manner. Chartwell has designed and implemented procedures to help ensure that all clients are treated fairly and equally overtime, and to prevent this conflict from influencing the allocation of investment opportunities among clients. When consistent with the best interests of Chartwell's clients, orders being placed at the same time for the accounts of two or more clients may be "batched" or placed as an aggregated order for execution. This practice may enable Chartwell to seek more favorable executions and net prices for the combined order. Any orders placed for all accounts managed by Chartwell, including accounts of Chartwell or Affiliated Funds, may be aggregated or "batched" for execution subject to Chartwell's order aggregation and allocation policy and procedures. All portfolios included in an aggregated trade are allocated the same average price per share thereby eliminating the possibility of one portfolio being favored over another. See Item 12, page 13 below for further details of these procedures.

On a monthly basis, Chartwell's Vice President of Finance and Operations, who is also a member of the Compliance team, oversees the institutional portfolio performance calculation process handled in Chartwell's Operations Department, and completes a spreadsheet of monthly portfolio returns for each institutional client in all investment styles. This spreadsheet is provided to the CEO, CFO, COO, CCO, Director of Client

Services and various investment personnel for their review. If anyone on the distribution list identifies performance dispersion between client accounts, Chartwell investigates the cause for the dispersion by reviewing the underlying transactional detail, holdings & security weightings by portfolio. This monthly process helps ensure that all institutional portfolios that are managed under the same investment product are treated fairly and equitably over time and traded in accordance with firm policy.

Certain retail accounts are reviewed by a member of the Trading Department and the COO according to their investment objective to ensure that the accounts' holdings correspond with the guidelines of that objective. Once any outliers are identified, the Trader, COO and a Portfolio Manager meet to review these portfolios and determine specific security transactions to bring these accounts back to the guidelines. The Trader has the responsibility to execute these transactions.

Accounts can, over a period of time, deviate from the guidelines for a number of reasons: cash flows into, or out of the account; a change in investment objectives, which may take time to achieve; restrictions placed on the account by the client or a new account transitioning to our investment universe.

Item 7–Types of Clients

Chartwell provides investment supervisory services on a continuous basis to a variety of individual, institutional, investment company, private fund and corporate clients. Chartwell is a sub-adviser to investment companies registered under the Investment Company Act of 1940. Each of the existing investment products have pre-determined capacity levels at which we feel the products can be effectively managed to reach maximum performance potential. A minimum account size of $250,000 for high-net-worth individuals and $5 million for institutional, investment company, private fund and corporate clients can be waived at Chartwell's sole discretion.

Chartwell may also participate in model-based Managed Accounts Programs. In such programs, Chartwell shall provide the Program Sponsor non-discretionary investment advice through model portfolios. The model-based Program Sponsor is generally responsible for investment decisions and performing many other services and functions typically handled by Chartwell in a traditional discretionary Managed Account Program. Depending on the particular facts and circumstances, Chartwell may or may not have an advisory relationship with model-based program clients. To the extent that this Form ADV Part 2 is delivered to Program clients with whom Chartwell has no advisory relationship or under circumstances where it is not legally required to be delivered, it is provided for informational purposes only.

Furthermore, because a model-based Program Sponsor generally exercises investment and brokerage discretion, performance and other information relating to Chartwell's services for which it exercises investment and/or brokerage discretion is generally provided for informational purposes only and may not be representative of model-based program client results or experience. Chartwell is not responsible for overseeing the provision of services by a model-based Program Sponsor and cannot assure the quality of its services.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Chartwell's methods of security analysis are both fundamental and technical in nature. The main sources of information used may include: financial newspapers and magazines, research materials prepared by others, corporate rating services, inspections of corporate activities, company press releases and annual reports, prospectuses and filings with the SEC, interviews with company executives and broker analysts. The investment strategies we use to implement any investment advice given to clients include: long term purchases (securities held at least a year), short term purchases (securities sold within a year), trading (securities sold within 30 days), short sales, margin transactions, option writing including covered options, uncovered options or spreading strategies. We offer investment advice concerning a wide range of investment styles but predominantly advise clients regarding investments in U.S. securities. These investment strategies involve varying degrees of risk. We select investments for clients while considering the client's needs, including total return objectives, risk tolerance, other assets and obligations of the client, legal investment laws, and other investment restrictions applicable to the client. Investment teams carefully consider many factors in selecting securities for purchase and sale within a strategy that may include but are not limited to: a company's financial and operational strength, valuation history, earnings and future growth potential as well as sustainability.

Investing in securities involves risk of loss that clients should be prepared to bear. The significant risks are:

Securities Market Risk. This is the chance that securities prices overall will decline resulting in loss of portfolio value.

Illiquidity. This is the risk that we will be unable to sell a security within a reasonable timeframe due to low trade volume and lack of interest. Certain securities selected for investment in a portfolio may be deemed to be illiquid under applicable law. During periods of market turbulence or unusually low trading activity, in order to meet redemptions, it may be necessary for the portfolio to sell such securities at prices that could impact portfolio value.

Investment Style Risk. Some of our investment strategies involve investments in securities and other assets believed to be undervalued. The identification of such investment opportunities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While these investments offer the opportunities for above-average capital appreciation, they also involve a high degree of financial risk and can result in substantial losses. Returns generated from these investments may not adequately compensate for the business and financial risks assumed. Poor economic conditions and any future major economic recession can severely disrupt the markets for such investments and significantly impact their value. In addition, any such economic downturn can adversely affect the ability of the issuers of such obligations to repay principal and pay interest thereon and increase the incidence of default for such securities. Additionally, there can be no assurance that holders of these securities will ever come to realize the value of some of these investments or that they will ever increase in price. Furthermore, client accounts we manage using these investment strategies may be forced to hold such investments for a substantial period of time before realizing their anticipated value. During this period, a portion of the account's funds would be committed to the investments made, which may prevent the account from investing in other opportunities we identify.

Short Sales. This type of investment program contemplates that a portion of the portfolio may be invested in selling securities short. Although the portfolio manager may sell short a variety of assets, he expects most short trades to be in equity securities and stock index futures. Short selling involves the sale of a security that the portfolio does not own and must borrow in order to make delivery in the hope of purchasing the same security at a later date at a lower price. In order to make delivery to its purchaser, the portfolio must borrow securities from a third-party lender. The portfolio subsequently returns the borrowed securities to the lender by delivering to the lender the securities it receives in the transaction or by purchasing securities in the open market. The portfolio must generally pledge cash with the lender equal to the market price of the borrowed securities. This deposit may be increased or decreased in accordance with changes in the market price of the borrowed securities. During the period in which the securities are borrowed, the lender typically retains his right to receive interest and dividends accruing to the securities. In exchange, in addition to lending the securities, the lender generally pays the portfolio a fee for the use of the portfolio's cash. This fee is based on prevailing interest rates, the availability of the particular security for borrowing and other market factors.

Theoretically, securities sold short are subject to unlimited risk of loss because there is no limit on the price that a security may appreciate before the short position is closed. In addition, the supply of securities that can be borrowed fluctuates from time to time. A portfolio may be subject to substantial losses if a security lender demands return of the lent securities and an alternative lending source cannot be found.

Options. Some of our investment strategies involve investments, from time to time, in options, including buying and writing puts and calls on some of the securities held by the funds in an attempt to supplement income derived from those securities. The prices of many options are highly volatile. The value of options depends primarily upon the price of the securities, indexes, currencies or other instruments underlying them. Price movements of options contracts are also influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. These investment portfolios are also subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouses or counterparties. The cost of options is related, in part, to the degree of volatility of the underlying securities, currencies or other assets. Accordingly, options on highly volatile securities, currencies or other assets may be more expensive than options on other investments.

Foreign Securities Risks. Although Chartwell typically does not make significant investments in foreign securities, we reserve the right to invest a small percentage of assets in foreign securities which may include depositary receipts. In the event that client-imposed guidelines do not allow such investments, we will restrict these types of securities from the client's portfolio in our portfolio trading system. Investment in foreign securities, particularly those traded on U.S. markets, can subject a portfolio to country and currency risk:

Country Risk. This is the chance that world events such as political upheaval, financial troubles or natural disasters will adversely affect the value of securities issued by companies in foreign countries.

Currency Risk. This is the chance that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates. Risk is measured at both a security and portfolio level. Our portfolio management teams monitor the risk of individual securities by stock volatility, quality of earnings and sector volatility. Then at a portfolio level risk is monitored through several attributes including industry weight limits, price to earnings, market capitalization and estimated growth levels relative to indices. Chartwell looks at risk in many ways, but we do not manage our portfolios to specific risk targets.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Chartwell or the integrity of Chartwell's management. Chartwell has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Chartwell is a wholly owned subsidiary of Carillon Tower Advisers, Inc. ("CTA") which is a subsidiary of Raymond James Financial, Inc. CTA, headquartered in St. Petersburg, FL, is an investment advisor registered with the Securities Exchange Commission ("SEC"), and provides advisory services to mutual funds by employing affiliated investment advisers, including Chartwell, to manage the funds pursuant to a sub-advisory agreement. CTA does not contract directly with retail or institutional clients in providing portfolio management services. CTA's strategy is to act as a service provider to its affiliated investment advisers allowing them to utilize its global product distribution, operations, and technology to enhance growth and capabilities. Certain directors and officers of CTA are also directors of Chartwell. Chartwell has entered into a sub-advisory agreement with CTA to provide portfolio investment management services to certain of the Carillon funds in exchange for a management fee.

Raymond James Financial, Inc. (NYSE-RJF), a publicly owned company, is a diversified financial services holding company whose subsidiaries engage primarily in securities brokerage, investment banking, asset management and banking services. Chartwell has the following relationships with certain, but not all, of the affiliates which we describe below.

Raymond James & Associates, Inc. ("RJA"), one of three wholly owned broker-dealers of RJF. Is registered with the SEC as broker-dealer and investment adviser and a FINRA member. RJA is a member of the New York, American, Chicago, Philadelphia, and Boston stock exchanges and the Chicago Board Options Exchange. RJA engages in investment banking activities and may work with companies that issue securities in which Chartwell may be trading. Since Chartwell and RJA are affiliates, this may appear to be a conflict of interest. Chartwell mitigates any conflict of interest by prohibiting trading with Raymond James broker-dealers across the firm. Chartwell has also entered into an agreement with Raymond James & Associates (RJA) whereby Chartwell serves as model manager providing investment advisory services to Raymond James Consulting Services' separately managed account wrap fee program which may be offered to current and prospective clients, including but not limited to, clients of its affiliates, or independent advisors for which Raymond James or its affiliates provide correspondent broker-dealer or administrative services. Please see Item 12 – Brokerage Practices, Managed Account Best Execution for more details. The potential conflict of interest is also mitigated by RJA's "Chinese Wall" policies and procedures which prevent information from being disseminated to parties outside the Investment Banking division. In addition to RJA's Chinese Wall procedures, Chartwell has insider trading policies and procedures which are designed to prevent and detect any misuse of non-public information.

Carillon Fund Distributors, Inc. ("CFD") is the principal underwriter and distributor of the Carillon family of mutual funds. In addition to selling the Carillon family of mutual funds' shares to its client, CFD enters into selling agreements with affiliated and unaffiliated broker dealers and other financial intermediaries to distribute and provide other services relative to the purchase of these shares. Certain Chartwell supervised persons are registered, or have an application pending to register, as a registered representative of CFD.

Lastly, Chartwell manages pooled investment vehicles ("Incubators") that are run by various Chartwell portfolio managers and are limited partnerships set up by Chartwell management for the purpose of incubating a new investment product, i.e. creating a track record of investing in a particular style that will ultimately be sold to clients. The Incubators are generally funded by officers of the firm, no management fee is collected by Chartwell for its investment services nor are they marketed to public investors. See Trade Allocation and Aggregation Process in Item 12, page 15 below for information on how trading of these portfolios is handled alongside other institutional accounts.

Item 11– Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Personal securities transactions by employees may raise potential conflicts of interest when such person's trade in a security that is owned by, or considered for purchase or sale for, a client. Chartwell has adopted policies and procedures, a Code of Ethics, reasonably designed to detect and prevent such conflicts of interest and to ensure that it effects transactions for clients in a manner that is consistent with its fiduciary duty to its clients and in accordance with applicable law. The Code of Ethics which covers all supervised persons of the firm includes: provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts, political contributions and business entertainment items, outside business activities and personal securities trading procedures including pre-clearance for all personal trading of covered securities and open-end mutual fund shares of funds for which Chartwell acts as adviser/sub- adviser. There are also blackout periods and specific consequences for different types of violations. All supervised persons at Chartwell must acknowledge the terms of the Code of Ethics upon initial hire and annually, or as amended and report their holdings to Compliance.

Chartwell's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the firm at the address and/or phone number on the cover page of this Brochure.

Officers and employees of Chartwell have invested (and may in the future invest) in companies that offer their equity securities on a nonpublic basis, such as venture capital companies. These companies, in turn, make investments in other companies that issue nonpublic securities ("Portfolio Companies"). From time to time, the Portfolio Companies make public offerings of their securities and allocate a portion of these public offerings to the companies that originally invested in them. Ultimately, the public offerings flow through the investing companies to their shareholders. As investors in the investing companies, Chartwell's officers and employees are presented with opportunities to buy the public offerings issued by the Portfolio Companies and take advantage of these investment opportunities.

Similarly, officers and employees of Chartwell may invest in private companies that may offer their securities publicly and allot portions of their securities offered to the public to existing private-security holders. These opportunities to invest in public offerings (so-called initial public offerings or IPOs) may occur in any of the foregoing circumstances or others, such as the case when Chartwell makes a proprietary investment in one or more private entities (such as limited partnerships) that make investments in IPOs, directly or as a result of being an investor at the private stage of the IPO issuer.

In cases where these investments in IPOs are presented to the officers and employees of Chartwell, they are permitted to purchase the offerings with the pre-approval of Chartwell's CCO. Chartwell does not consider these investment opportunities to be investment opportunities available to its clients because declining the proportionate number of public offerings by the officers and employees does not affect the number of public offerings that can be made available to Chartwell's clients.

Chartwell does not generally recommend investments in the Affiliated Funds for clients' accounts. In the event that Chartwell would recommend such an investment, a conflict of interest would exist as Chartwell is entitled to receive advisory fees from its clients as well as the fees earned through the management of the Affiliated Funds.

In some cases, individually managed accounts may hold shares of Affiliated Funds. This is an option for clients who may not want to own individual securities or in the case of smaller accounts where the client wants to benefit from owning the securities in an Affiliated Fund. In these cases, as stated in Item 5 above, the client does not pay a separate management fee to the advisor over and above the fee earned through the management of the Affiliated Funds.

Item 12– Brokerage Practices

Broker Selection

Clients' investment advisory agreements authorize Chartwell to determine, consistent with the clients' investment objectives, which securities and the total amount of securities which are to be bought or sold for clients' accounts. Our primary objective in placing orders for the purchase or sale of securities for a client's account is to obtain the most favorable net results under the circumstances, taking into account such factors as price, commission, size of order, difficulty of execution and skill required of the broker. Therefore, we select brokers on the basis of best price (including commissions) and execution capability. We do not consider whether we or a related person receives client referrals from a broker-dealer or third party. To mitigate any conflict of interest, Chartwell has restricted trading client portfolio securities with any Raymond James affiliate broker-dealer. Retail ("wrap") clients select which brokerage firms should effect their transactions. The client designates the registered representative and brokerage firm in the investment management agreement. Registered representatives of brokerage firms, both affiliated and non-affiliated with Chartwell, solicit persons to become Chartwell clients.

In selecting a broker to execute a transaction for a client, Chartwell may consider a variety of factors, including the following: the broker has the contra side of Chartwell's order; the broker's capital depth; the broker's market access; the broker's transaction confirmation and account statement practices; Chartwell's knowledge of negotiated commission rates and spreads currently available; the nature of the security or instrument being traded; the size and type of the transaction; the desired timing of the transaction; the execution, clearance and settlement capabilities of the broker selected and others considered; the reputation and perceived soundness of the broker selected and others considered; Chartwell's knowledge of any actual or apparent operational problems of a broker; and the reasonableness of the commission or its equivalent for the specific transaction. While Chartwell generally seeks competitive commission rates and dealer spreads, it will not necessarily pay the lowest commission or commission equivalent.

Transactions may involve specialized services on the part of the broker and thereby justify higher commissions or their equivalent than would be the case with other transactions requiring more routine services. It should be noted that Chartwell may place trades directly through ECNs (electronic trade networks) and ATSs (alternative trading systems) when we believe that the transactions can be execute at lower or equal costs without sacrificing overall quality of execution.

A Brokerage Committee, including certain Chartwell officers and Portfolio Managers, is responsible for approving brokers and dealers for eligibility to place client trades and reviewing trade data. This Committee meets no less frequently than quarterly.

Chartwell selects investments for clients based solely on investment considerations, including whether the investments are suitable for the client and meet the client's investment objectives and guidelines. Chartwell prohibits cross trading on behalf of any of our clients, proprietary or sub-advisory clients. For clarity, this cross-trading prohibition applies to both agency trades (i.e.-the investment advisor acts as a broker for both the buyer and the seller in the transaction), as well as brokered trades (i.e.-the investment advisor, acting on behalf of two or more accounts under its management, places simultaneous purchase and sale orders for the same security with a single broker-dealer).

Managed Account Best Execution

Chartwell's obligation to obtain best execution (a combination of price and execution charges) is owed to all clients including those participating in wrap fee programs, the fee for which covers transaction charges only when participating client orders are placed through the sponsor of the program. Chartwell will place orders for wrap fee client transactions through broker-dealers other than the sponsor (that typically is a broker-dealer) when it can obtain best execution by doing so. However, it is likely that in most, if not all, cases Chartwell will place orders for wrap fee clients with the sponsoring broker-dealer in recognition that the client's wrap fee does not include transaction charges paid to non-sponsoring broker-dealers when orders are placed through them, and as such, wrap clients would effectively pay transaction charges twice. We consistently monitor best execution for all clients as well as those in wrap relationships and consider many factors in these evaluations including the fact that the client's wrap fee will not be reduced if the trade is executed away from the sponsoring broker-dealer.

Chartwell serves as Portfolio Manager for Raymond James & Associates (RJA) sponsored Model Wrap Programs -Raymond James Consulting Services and Freedom Unified Management Account. In this relationship, Chartwell provides investment advisory services to RJA on a non-discretionary basis, including the model portfolio of securities provided by Chartwell. RJA, who provides discretionary investment advisory services to program clients according to separate client agreements, may recommend one or more strategies of unaffiliated managers or Chartwell, and determines whether Chartwell's discipline and model portfolio is suitable for program clients and consistent with the strategy selected by such program client. Since Chartwell and RJA are affiliates, this may appear to be a conflict of interest. The potential conflict of interest is mitigated by RJA's "Chinese Wall" policies and procedures, which prevent information from being disseminated to parties outside the Investment Banking division. In addition to RJA's Chinese wall procedures, Chartwell has insider trading policies and procedures, which are designed to prevent and detect any misuse of non-public information.

Soft Dollars

Consistent with obtaining best execution for clients, Chartwell may direct brokerage transactions for clients' portfolios to brokers who provide research and execution services to Chartwell and, indirectly, to Chartwell's clients. These services are of the type described in Section 28(e) of the Securities Exchange Act of 1934 and are designed to augment Chartwell's own internal research and investment strategy capabilities, but Chartwell receives a benefit from these services because it does not have to produce or pay for the research, products, or services itself. Research services obtained through the use of soft dollars may include statistical or quotation services, including online services, as well as research reports and expertise for selected sectors & industries provided by third-party research firms. Chartwell does not attempt to put a specific dollar value on the services rendered or to allocate the relative costs or benefits of those services among clients, believing that the research it receives will help Chartwell to fulfill its overall duty to its clients.

Chartwell uses research services obtained in this manner for the benefit of all of its clients. Chartwell may not use each particular research service, however, to service each client. As a result, a client may pay brokerage commissions that are used, in part, to purchase research services that are not used to benefit that specific client. Brokers selected by Chartwell may be paid commissions for effecting transactions for Chartwell's clients that exceed the amounts other brokers would have charged for effecting these transactions if Chartwell determines in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those brokers, viewed either in terms of a particular transaction or Chartwell's overall duty to its discretionary client accounts. Chartwell may have an incentive to select broker-dealers based on its interest in receiving brokerage and/or research services, rather than on clients' interest in receiving most favorable execution. Certain items obtained with soft dollars might not be used exclusively for either brokerage or research services. The cost of such "mixed-use" products or services will be fairly allocated between soft dollars (paid by clients) and hard dollars (paid by Chartwell), according to the proposed use. For example, the cost of a computer that is used for both research services and administrative purposes will be allocated between hard and soft dollars according to the percentage of time it is used for each purpose. Although such an allocation will not always be a precise calculation, Chartwell will make a good faith effort to reasonably allocate such services.

Directed Brokerage

In some circumstances, particularly with certain retail and high net worth clients, the client will designate a particular broker or dealer through which trades are to be effected or through which transactions may be introduced, typically under such terms as the client negotiates with the particular broker or dealer.

Where a client has directed the use of a particular broker or dealer, Chartwell generally will not be in a position to negotiate commission rates or spreads freely or, depending on the circumstances, to select brokers or dealers based on best execution.

Additionally, transactions for a client that has directed that Chartwell use a particular broker or dealer may not be commingled or "bunched" for execution with orders for the same securities for other managed accounts, except in situations where there are multiple clients using the same broker or to the extent that the executing broker or dealer is willing to "step out" such transactions to the client's designated broker or dealer. Where "step out" arrangements are not possible or to the client's advantage, trades for a client that has directed use of a particular broker or dealer may be placed at the end of bunched trading activity for a particular security. Retail clients who have directed brokerage may approve step out trades for fixed income trades, but equity trades are routed to the directed broker.

The direction by a client to use a particular broker or dealer to execute transactions may result in higher commissions, greater spreads, or less favorable net prices than might be the case if Chartwell were empowered to negotiate commission rates or spreads freely or to select brokers or dealers based on best execution. See "Managed Account Best Execution" section above for description of our brokerage practices regarding wrap fee accounts.

Trade Allocation and Aggregation Process

When consistent with the best interests of Chartwell's clients, orders being placed at the same time for the accounts of two or more clients may be "batched" or placed as an aggregated order for execution. This practice may enable Chartwell to seek more favorable executions and net prices for the combined order. Any orders placed for all accounts managed by Chartwell, including accounts of Chartwell or Private Funds, may be aggregated or "batched" for execution subject to Chartwell's order aggregation and allocation policy and procedures. All portfolios included in an aggregated trade are allocated the same average price per share thereby eliminating the possibility of one portfolio being favored over another. If trade executions/fills are required over multiple days to satisfy a trade order to achieve a target position weighting, each portfolio is allocated the same market weighting and same price per share from each execution/fill. This policy and these procedures are designed to meet the legal standards applicable to Chartwell under federal and state securities laws and the Employee Retirement Income Security Act of 1974 and its obligations as a fiduciary to each client.

Whenever possible, we execute block trades for all portfolios managed within the same investment product, and in these cases, all portfolios receive the same average price per share and the same asset weighting of the security being traded. In the case of certain retail clients, the average price per share issued as well for aggregated trades but the individual costs may differ because each client negotiates commissions with the broker independently. Discretionary institutional and mutual fund accounts are traded side- by- side in these block orders. In cases where separate block trades are required (dictated by wrap account trading through sponsoring broker-dealers for example), we will generally execute these separate trades for all accounts simultaneously, or in a reasonably similar time frame, with no rotation. When the amount of assets in a particular investment product could each potentially cause market impact and/or security liquidity issues if traded simultaneously, we employ a simple rotation of block trades between all accounts. A trade rotation is employed to trade across the various SMA and UMA platforms (simultaneously with the discretionary institutional accounts). Trades are executed directly with each sponsor utilizing changing starting points and progressing through the wrap sponsor relationships (both UMA and SMA) alphabetically.

In the rare case that an Affiliated Fund and one or more long only products are trading the same security on the same day, shares are allocated on a pro-rata basis based on market value until our desired weightings for each portfolio are achieved, and all portfolios obtain the same average price. We do not permit an Affiliated Fund to short stocks that are held long in any of our long only products. If an Affiliated Fund holds a short position at the time a long only product buys the stock, we allow that Fund to maintain that short position or close out the short position, but do not permit the Fund to further increase its short position until the long only product no longer holds the security.

Model Portfolio Investment Procedures

As described above, Chartwell participates in model-based Managed Accounts Programs. The recommendations implicit in the model portfolios that Chartwell provides to the Program Sponsor may reflect recommendations being made by Chartwell contemporaneously to, or investment advisory decisions made contemporaneously for, Chartwell's similarly managed discretionary clients. As a result, Chartwell may have already commenced trading before the Program Sponsor has received or had the opportunity to evaluate or act on Chartwell's recommendations. In this circumstance, trades ultimately placed by the Program Sponsor for its clients may be subject to price movements, particularly with large orders or where the securities are thinly traded, that may result in model-based Managed Account Program clients receiving prices that are more or less favorable than the prices obtained by Chartwell for its discretionary client accounts. On the other hand, the Program Sponsor may initiate trading based on Chartwell's recommendations at the same time Chartwell is trading for its discretionary client accounts. Particularly with large orders where the securities are thinly traded, this could result in Chartwell's discretionary clients receiving prices that are more or less favorable than prices that might otherwise have been obtained absent the Program Sponsor's activity. Chartwell generally seeks to minimize the market impact of the recommendations provided to the Program Sponsor on accounts for which Chartwell exercises investment discretion. However, because Chartwell does not control the Program Sponsor's execution of transactions for the Program Sponsor's client accounts, Chartwell cannot control the market impact of such transactions to the same extent that it would for its discretionary client accounts.

Item 13 – Review of Accounts

Chartwell's Investment Committee comprised of portfolio managers and analysts of the various investment strategies review each account periodically. In addition, all accounts will be assigned to at least one member of the Investment Committee or portfolio management team that will typically review accounts on a daily basis. There will be regular portfolios reviews during which the assessment of each account will be reviewed, and the overall market and portfolio issues discussed.

Institutional clients will receive a written quarterly statement of his portfolio detailing the performance of the account along with discussions of certain positions in each portfolio. To the extent that any account is audited, the results of that audit will be provided to the client on an annual basis. Retail clients will receive performance results upon request or in cases where the client requests an in-person meeting with the Advisor.

Item 14 – Client Referrals and Other Compensation

Any solicitation or referral arrangement involving a third party will comply with applicable laws that govern the nature of the service, fees to be paid, disclosures to clients and any necessary client consents.

Item 15 – Custody

Chartwell does not maintain custody of client assets that it advises (although we may be deemed to have custody of client assets if the client gives us authority to withdraw assets from the client's account or pursuant to a standing letter of instruction to a qualified custodian to direct client funds to third parties). Client assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. However, it is important to note that clients should also compare the account statements received from their custodian with those received from us. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

Clients' investment advisory agreements give Chartwell discretionary authority to determine, consistent with the clients' investment objectives, which securities and the total amount of securities to be bought or sold for clients' accounts. The first step in starting a new client relationship is the development of an appropriate investment policy statement and strategy. Once their objectives are defined, restrictions are identified, guidelines are determined, and a contract (investment advisory agreement) is drafted that details all of these pertinent issues. The client will then notify their custodian that we will be managing their account. We set up the new client in our accounting and trading systems and, depending on whether we receive cash or securities, begin the appropriate course of trading.

Item 17 – Voting Client Securities

Investment Advisers Act Rule 206(4)-6 requires every SEC-registered adviser exercising proxy voting authority over client securities to:

- Adopt and follow written proxy voting policies and procedures;
- Provide clients with a summary of those policies and procedures;
- Let clients know how to obtain copies of the adviser's proxy voting policies and procedures, as well as information about how the adviser voted their proxies; and
- Keep certain records relating to proxy voting.
- *Purpose.* Chartwell Investment Partners ("Chartwell") has adopted these Proxy Voting Policies and Procedures ("Policies") to seek to ensure that it exercises voting authority on behalf of Chartwell clients in a manner consistent with the best interests of each client and its agreement with the client.

These Policies apply where clients have delegated the authority and responsibility to Chartwell to decide how to vote proxies. Chartwell does not accept or retain authority to vote proxies in accordance with individual client guidelines with the exception of those clients who wish their proxies voted in accordance with Taft-Hartley Proxy Voting Guidelines and who have instructed Chartwell to do so. In addition, Clients who wish to instruct Chartwell not to vote in accordance with AFL-CIO Key Vote Survey recommendations, as described below, retain that authority. Clients who wish to arrange to vote proxies in accordance with their own guidelines may elect to do so at any time by notifying Chartwell. Chartwell generally will follow these Policies if asked to make recommendations about proxy voting to clients who request that advice but have not delegated proxy voting responsibility to Chartwell.

Guiding Principles. Chartwell believes that voting proxies in the best interests of each client means making a judgment as to what voting decision is most likely to contribute to positive long-term performance of the companies the client is an investor and casting votes accordingly. Chartwell recognizes the growing view among investors that not only is the concern for economic returns to shareholders and good corporate governance, but also with ensuring corporate activities and practices are aligned with the broader objectives of society. With this in mind, Chartwell subscribes to Sustainability Proxy Voting Guidelines. Sustainability or environmental, social, and corporate governance (ESG) factors enhance investment making decisions in order to have a more comprehensive understanding of the overall risk profile of the companies in which we invest while simultaneously contributing to positive environmental or social impact. For these reasons, the following guidelines will govern Chartwell's proxy voting decisions.

Use of Independent Proxy Voting Service. Chartwell has retained ISS, an independent proxy voting service, to assist it in analyzing specific proxy votes with respect to securities held by Chartwell clients and to handle the mechanical aspects of casting votes. Historically, Chartwell has placed substantial reliance on ISS' analyses and recommendations and generally gives instructions to ISS to vote proxies in accordance with ISS' recommendations, unless Chartwell reaches a different conclusion than ISS about how a particular matter should be voted. ISS' proxy voting recommendations typically are made available to Chartwell about a week before the proxy must be voted, and are reviewed and monitored by members of the Proxy Voting Committee (and, in certain cases, by Chartwell portfolio managers), with a view to determining whether it is in the best interests of Chartwell's clients to vote proxies as recommended by ISS, or whether client proxies should be voted on a particular proposal in another manner. In addition, Chartwell generally votes in accordance with AFL-CIO Key Votes Survey, a list of proposals and meetings based on recommendations by the AFL-CIO Office of Investment. To the extent that any of the proxy voting positions stated in these Policies are inconsistent with a Key Vote Survey recommendation, Chartwell will generally vote in accordance with the Key Vote Survey recommendation on all impacted securities unless any client has chosen to instruct Chartwell to refrain from doing so. In that case, Chartwell will vote the client's securities position in accordance with these Policies (which may or may not cause the vote to be the same as the Key Vote Survey recommendation).

Administration of Policies. Chartwell has established a Proxy Voting Committee to oversee and administer the voting of proxies on behalf of clients, comprised of approximately four representatives of the firm's compliance, client services and operations departments. The Committee's responsibilities include reviewing and updating these Policies as may be appropriate from time to time; identifying and resolving any material conflicts of interest on the part of Chartwell or its personnel that may affect particular proxy votes; evaluating and monitoring, on an ongoing basis, the analyses, recommendations and other services provided by ISS or another third party retained to assist Chartwell in carrying out its proxy voting responsibilities; when deemed appropriate by the Committee, consulting with Chartwell portfolio managers and investment professionals on particular proposals or categories of proposals presented for vote; and determining when and how client proxies should be voted other than in accordance with the general rules and criteria set forth in Chartwell's Proxy Voting Guidelines or with the recommendations of ISS or another independent proxy voting service retained by Chartwell.

Conflicts of Interest. It is Chartwell's policy not to exercise its authority to decide how to vote a proxy if there is a material conflict of interest between Chartwell's interests and the interests of the client that owns the shares to be voted that could affect the vote on that matter. To seek to identify any such material conflicts, a representative of the Proxy Voting Committee screens all proxies and presents any potential conflicts identified to the Committee for determination of whether the conflict exists and if so, whether it is material.

Conflicts of interest could result from a variety of circumstances, including, but not limited to, significant personal relationships between executive officers of an issuer and Chartwell personnel, a current or prospective investment adviser-client relationship between an issuer or a pension plan sponsored by an issuer and Chartwell, a significant ownership interest by Chartwell or its personnel in the issuer and various other business, personal or investment relationships. Generally, a current or prospective adviser-client relationship will not be considered material for these purposes if the net advisory revenues to Chartwell have not in the most recent fiscal year and are not expected in the current fiscal year to exceed ½ of 1 percent of Chartwell's annual advisory revenue.

Currently, the Proxy Voting Committee has determined that voting in accordance with AFL-CIO Key Votes Survey recommendations is not a material conflict of interest. In reaching this decision, the Committee recognized that Chartwell has many union clients and many clients that are not union-oriented. By voting all impacted securities positions in accordance with AFL-CIO recommendations, it could be said that Chartwell is attempting to retain or attract existing and prospective union clients. However, the overall number of proxy issues in the AFL-CIO Key Votes Survey on which Chartwell has historically voted is approximately 14 – 30 out of a total of approximately 500 company meetings and thousands of proxy votes cast by Chartwell each year. Chartwell does not use its AFL-CIO Key Votes Survey rankings for marketing purposes, so to the extent any client or prospect becomes aware of how Chartwell votes in the Surveys, it does so on its own. In addition, Union Clients have the ability to instruct Chartwell to vote their proxies entirely in accordance with the Taft-Hartley policy. Recognizing that deciding this is not a material conflict of interest is fundamentally subjective, Chartwell nonetheless discloses its practices to clients and invites clients to instruct Chartwell not to change any vote in these Policies to be consistent with an AFL-CIO Key Votes Survey recommendation (even though voting consistently with these Policies may result in voting the same way).

In the event the Committee determines that there is a material conflict of interest that may affect a particular proxy vote, Chartwell will ***not*** make the decision how to vote the proxy in accordance with these Policies unless the Policies specify how votes shall be cast on that particular type of matter, i.e., "for" or "against" the proposal. Where the Policies provide that the voting decision will be made on a "case-by-case" basis, Chartwell will either request the client to make the voting decision, or the vote will be cast in accordance with the recommendations of ISS or another independent proxy voting service retained by Chartwell for that purpose. Chartwell also will not provide advice to clients on proxy votes without first disclosing any material conflicts to the client requesting such advice.

When Chartwell Does Not Vote Proxies. Chartwell may not vote proxies respecting client securities in certain circumstances, including, but not limited to, situations where (a) the securities are no longer held in a client's account; (b) the proxy and other relevant materials are not received in sufficient time to allow analysis or an informed vote by the voting deadline; (c) Chartwell concludes that the cost of voting the proxy will exceed the expected potential benefit to the client; or (d) the securities have been loaned out pursuant to a client's securities lending program and are unavailable to vote.

Proxy Voting Guidelines

Generally, Chartwell votes all proxies in accordance with the guidelines provided by Institutional Shareholder Services' (ISS) Sustainability Proxy Voting Policy. These guidelines may be changed or supplemented from time to time. Votes on matters not covered by these guidelines will be determined in accordance with the principles set forth above. Client guidelines may be inconsistent with these guidelines and may cause Chartwell to vote differently for different clients on the same matter.

We will update our proxy voting policies, procedures and guidelines from time to time as conditions dictate, and will make copies available upon request. A copy of our proxy voting policies and procedures, including our voting guidelines, is available by contacting Chartwell at the address and/or phone number on the cover page of this Brochure. Clients may similarly contact us for specific record or information on how we voted proxies on their behalf. Chartwell should also be contacted if Chartwell is to be directed not to vote in accordance with AFL-CIO recommendations.

Item 18– Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about an adviser's financial condition. Chartwell has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

Item 1- Cover Page **June, 2022**

Supervised Persons

Client Services & Marketing

John Andress	Joseph Barilotti	Thomas DiBari
Michael Honer	Jameson Keevican	Timothy Riddle
Michael Magee	Michael McCloskey	Brian Ward
Jason Stewart	Kevin Shields	

1205 Westlakes Drive, Suite 100, Berwyn, PA 19312
610-296-1400

This Brochure Supplement provides information about Chartwell's Portfolio Investment, Management and Client Services teams that supplements Chartwell Investment Partners' Brochure (Form ADV Part 2). You should have received a copy of that Brochure. Please contact info@chartwellip.com if you did not receive Chartwell's Brochure or if you have any questions about the contents of this supplement.

Additional background information about Thomas DiBari, Michael Honer, Jameson Keevican, Kevin Shields, Jason Stewart, and Brian Ward is available on both the SEC's website at www.adviserinfo.sec.gov and on FINRA's BrokerCheck at https://brokercheck.finra.org.

Professional Designations:

Certified Investment Management Analyst* ['CIMA']: This designation is issued by the Investment Management Consultants Association and is granted to individuals who meet one of the following prerequisites: three years of verifiable financial services experience and must answer "no" to all disclosure questions on Form U-4 that cover criminal and regulatory violations, civil judicial actions and customer complaints or else satisfactorily justify a "yes" answer. The candidate is also required to follow a self-study program involving 5 months of study and one-week classroom education program followed by an online examination of the self-study program and an in-class final certification examination. Once the designation is issued, 40 hours every two years of Continuing Education is required.

Chartered Financial Analyst ['CFA']:** This designation is issued by the CFA Institute and is granted to individuals who must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct. The CFA program curriculum provides a comprehensive framework of knowledge for investment decision making and is firmly grounded in the knowledge and skills used every day in the investment profession. The three levels of the CFA program test a proficiency with a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed-income and equity analysis, alternative and derivative investments, economics, financial reporting standards, portfolio management and wealth planning. To learn more about the CFA charter, visit www.cfainstitute.org.

Chartered Special Needs Consultant * [ChSNC']:** This designation, provided by The American College of Financial Services, provides financial advisors with the skills required to assist disabled individuals with special needs financial planning, tax planning, SSI, special needs trusts, and other federal benefits.

Item 2- Educational Background and Business Experience

Institutional Client Services

John E. Andress, born 1955, has been with Chartwell since 2000 and currently serves as Director of Taft Hartley Services, Marketing & Client Services. Prior to joining Chartwell, he was a Vice President of Marketing and Client Service at Delaware Investment Advisers (1995-2000). Previously, he was employed by Luxottica Group as a Manager of Marketing and Client Service (1985-1995). Mr. Andress earned a Bachelor's degree from the Pennsylvania State University.

Joseph A. Barilotti, born 1975, has been with Chartwell since June 1999 and currently serves as Vice President, Marketing & Client Services. Mr. Barilotti worked as a Marketing Assistant on the proposal process (1999-2001). Prior to joining Chartwell, he was employed at SEI Investment as a Mutual Fund Analyst (1997-1999). Mr. Barilotti earned a Bachelor's degree in Business Administration and in Human Resource Management from Cabrini College.

Client Services & Marketing Team, Form ADV 2B

Messrs. Andress, and Barilotti directly report to Michael McCloskey, Managing Partner, Director of Client Services, phone number: 610-407-4830, who supervises the Client Services & Marketing Team. Mr. McCloskey reports directly to Timothy J. Riddle, Managing Partner, CEO of Chartwell, phone number: 610-407-4832.

Michael J. McCloskey, born 1961, has been with Chartwell since its inception in 1997 and is currently a Managing Partner, Director Client Services. Previously, Mr. McCloskey was a Vice President at Delaware Investment Advisers in Philadelphia (1993-1997), a Director of Marketing for RTE Asset Management in Philadelphia (1991-1993) and an Account Manager for Travelers Insurance in Philadelphia (1988-1991). Mr. McCloskey holds a B.A. in Labor Studies from Pennsylvania State University.

Mr. McCloskey who supervises the Client Services & Marketing Team reports directly to Timothy J. Riddle, Managing Partner, CEO of Chartwell, phone number: 610-407-4832.

Timothy J. Riddle, **CFA****, born 1955, has been with Chartwell since its inception in 1997 and currently serves as Managing Partner, Chief Executive Officer. Previously, Mr. Riddle served as a Senior Vice President for Delaware Investment Advisers in Philadelphia (1986-1997). Mr. Riddle holds a B.S.B.A. in Finance and an M.B.A with a concentration in Finance from Creighton University. He is a CFA® charterholder and member of the CFA Institute and the CFA Society of Philadelphia.

Mr. Riddle reports directly to Robert D. Kendall, President of Carillon Tower Advisers, phone number (800) 237-3101.

<u>**Advisor Services Group**</u>

Thomas DiBari, **CIMA***, **ChSNC*****, born 1966, has been with Chartwell since April 2015 and currently serves as Eastern Regional Director, Retail Distribution. Prior to joining Chartwell, Mr. DiBari was the Director of Northeast Sales at Geneva Advisors (2012-2015). He was employed at Pacific Income Advisors as a Senior Vice President (1999-2012). He was employed as a Financial Advisor at PaineWebber (1996-1999). He was employed at Ibbotson Associates as an Account Executive and Consultant (1994-1996). Mr. DiBari earned a Bachelor's degree in Economics from Johns Hopkins University and an M.B.A in Finance from the University of Notre Dame. He holds CIMA and ChSNC designations.

Michael C. Honer, **CFA****, born 1982, has been with Chartwell since December 2018 and is a Strategic Accounts Director responsible for on the retail distribution team. Prior to joining Chartwell, Mike was a Senior Portfolio Manager for Lockwood Advisors, Inc. (Lockwood), an affiliate of Pershing, and a Vice President for Pershing responsible for the investment management of Lockwood's discretionary investment solutions (2014-2018). He also previously worked at UBS Financial Services as a Wealth Strategy Analyst (2008-2014) and Morgan Stanley as a Financial Advisor (2006-2008). He earned a B.A. in Finance from Temple University. He is a CFA® charterholder and member of the CFA Institute and the CFA Society of Philadelphia.

Jameson L. Keevican, born 1984, has been with Chartwell since August 2016 and currently serves as Northern Regional Director, Retail Distribution. Prior to joining Chartwell, Mr. Keevican was an Inside Sales Representative at TriState Capital Bank from (2013-2016). He also previously worked at Federated Investors, Inc. as a Senior Internal Sales Representative (2007-2013). Mr. Keevican earned a Bachelor's degree in Economics from the Pennsylvania State University.

Client Services & Marketing Team, Form ADV 2B

Kevin Shields, born 1991, has been with Chartwell since January 2020 and serves as Southern Regional Director, Retail Distribution. Prior to joining Chartwell, Mr. Shields held the position of Sales Associate, Mutual Fund Consultant at Harborside Group serving as an Outside Sale Representative for various firms since joining in 2013. Mr. Shields earned a Bachelor's degree in Business, Organizations and Society from Franklin and Marshall College.

Jason B. Stewart, **CIMA***, born 1971, has been with Chartwell since October 2012 and serves as Vice President, Western Regional Director, Retail Distribution. Previously, Mr. Stewart was a Financial Advisor at Graystone Consulting (2010-2012), a Consulting Group Senior Regional Director at Smith Barney (2000-2009), and a Consulting Group Divisional Analyst at Smith Barney (1997-2000). Mr. Stewart earned a Bachelor's degree in Economics at Stanford University. He holds the CIMA designation.

Messrs. Honer, DiBari, Keevican, Shields, and Stewart directly report to Brian J. Ward, Managing Partner, Director of Advisor Services, phone number 610-407-4831. Mr. Ward reports directly to Timothy J. Riddle, Managing Partner, CEO of Chartwell, phone number: 610-407-4832.

Brian J. Ward, CIMA*, **CFA****, born 1972, has been with Chartwell since May 2007 and serves as Managing Partner, Director of Advisor Services. Previously, Mr. Ward was Executive Director and Director of Institutional Consulting at UBS Financial Services (2006-2007) and a Senior Vice President and Divisional Sales Director at Smith Barney Consulting Group where he was responsible for sales and training support for over 3,000 financial advisors (1995-2006). Mr. Ward earned a Bachelor's degree in Business Administration, as well as an M.B.A from the University of Delaware. He is a CFA® charterholder and member of the CFA Institute and the CFA Society of Philadelphia. He also holds the CIMA designation.

Mr. Ward reports directly to Timothy J. Riddle, Managing Partner, CEO of Chartwell, phone number: 610-407-4832.

Item 3- Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. There are no disciplinary events relevant to the individuals listed in Item 2.

Item 4- Other Business Activities

There are no other investment-related business activities involving the other individuals identified in this brochure.

Item 5- Additional Compensation

None of the individuals listed in this brochure receive any additional compensation outside their normal salary or regular bonus.

Item 6 - Supervision

Chartwell maintains its compliance policies in the firm's Compliance Manual, which is distributed to all employees upon hire, then annually, and any time the manual is amended. New employees are required to sign a certification that they have read the manual, understand the policies, and that they will fully comply with such policies. On an annual basis, each employee must sign a similar certification that he/she has fully complied with the policies over the past year. In each certification, the employees must also make other representations regarding any history of legal issues or disciplinary action by any court, regulatory agency or exchange related to investments or fraud.

Chartwell acts as an adviser to both investment companies registered under the Investment Company Act of 1940 ("registered funds") and other clients ("investment accounts"). When registered funds and investment accounts are managed side-by-side, firm personnel must strictly follow the policies and procedures outlined in Trade Allocation Policy to ensure that accounts are treated in a fair and equitable manner, and that no client or account is favored over another.

When registered funds and investment accounts are trading under the same investment product, and thus trading the same securities, shares are allocated on a pro-rata basis based on market value, and all portfolios obtain the same average price. On a monthly basis, a Compliance Officer oversees the performance calculation process handled in Operations and completes a spreadsheet of monthly portfolio returns by client. This spreadsheet is then provided to the CEO, CFO, COO, CCO, Director of Client Services and various investment personnel for their review. Any performance dispersion noted by anyone on the distribution list is investigated by reviewing the underlying transactional detail, holdings & security weightings by portfolio. This monthly process ensures that all portfolios that are managed under the same investment product are treated fairly and traded in accordance with firm policy.

Chartwell's Code of Ethics provides strict rules that govern employee (access person) personal trading and requires pre-clearance for all personal trading of securities and open-end mutual fund shares of funds for which Chartwell acts as a sub-adviser. Pre-clearance is required to be approved by Compliance. There are blackout periods and specific consequences for different types of violations. Personal securities transactions and holdings of employees are reviewed at least quarterly by a compliance officer where any unauthorized trades can be detected. All supervised persons at Chartwell must acknowledge the terms of the Code of Ethics upon initial hire, quarterly, annually, or as amended and report their holdings to Compliance.

Since the inception of the firm, Chartwell's CFO (Chief Financial Officer), has been part of the executive management team and has a position on Chartwell's Management Committee. Chartwell's CEO (Chief Executive Officer) has a position in the firm's Compliance Group and is heavily involved in compliance communications to employees. The firm's COO is also a member of the Compliance Group and oversees the Trading Desk, Portfolio Accounting and IT departments. Management has been able to establish a true compliance culture.

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Item 1- Cover Page **June, 2022**

Supervised Persons

Fixed Income Investment Team

Thomas Coughlin

James Fox

Allison Frederico

John Hopkins

Kiernan McCloskey

Andrew Toburen

Christine Williams

1205 Westlakes Drive, Suite 100, Berwyn, PA 19312
610-296-1400

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Chartered Market Technician [CMT]:** This credential is the preeminent, global designation for practitioners of technical analysis. The designation is awarded to those who demonstrate mastery of a core body of knowledge of investment risk in portfolio management settings. Earning the CMT charter makes you part of a community of investment professionals recognized as specialists and value generators around the world. Candidates who successfully complete all three levels of the CMT examination, attain Membership in the MTA and agree to abide by the MTA Code of Ethics are granted the right to use the CMT credential. To learn more about the CMT designation, visit www.mta.org.

Item 2- Educational Background and Business Experience

Thomas R. Coughlin, **CFA***, **CMT****, born 1982, has been with Chartwell since April 2007 and serves as Co-Manager of the Carillon Chartwell Income Fund and Portfolio Manager/Senior Analyst on the Fixed Income Investment team. Prior to joining Chartwell, Mr. Coughlin was employed at Janney Montgomery Scott, LLC where he held multiple analyst positions (2005-2007). His most recent position was an Investment Analyst where he carried out the due diligence on their recommended list and maintained both the recommended mutual fund and money manager lists. Mr. Coughlin earned a Bachelor of Arts degree in Economics and History from Swarthmore College. He is a CFA® charterholder and member of the CFA Institute and the CFA Society of Philadelphia.

James W. Fox, born 1984, has been with Chartwell since August 2010 and serves as an Assistant Portfolio Manager/Analyst. Prior to joining Chartwell, Mr. Fox was a financial consultant for RBC Wealth Management from (2007-2010). Mr. Fox earned a Bachelor in Business Administration and Finance degree from Loyola College of Maryland, and an MBA in Business Administration and Finance from Saint Joseph's University.

Allison B. Frederico, born 1991, has been with Chartwell since June 2014 and serves as Quantitative Analyst/Trader. Ms. Bohs is a recent graduate from the Pennsylvania State University where she earned a Bachelor of Science degree in Finance. She passed the Chartered Financial Analyst level one exam in 2016.

John M. Hopkins, **CFA***, born 1963, has been with Chartwell since April 2007 and serves as Portfolio Manager/Senior Analyst, and Co-Manager of the Carillon Chartwell Income Fund and Carillon Chartwell Short Duration High Yield Fund. Prior to joining Chartwell, Mr. Hopkins was a Founder and Managing Principal for Collateral Processing Group, LLC (2004-2007). Previously, he worked for Sunrock Capital Corporation where he was Chief Financial Officer (1999-2003). Prior to that, he worked for Chase Securities, Inc. where he was a Senior High Yield Analyst (1997-1999). Mr. Hopkins earned Bachelor's degrees in both Finance and Economics and a Minor in Spanish, from the Pennsylvania State University. Mr. Hopkins is a CFA® charterholder and member of the CFA Institute and the CFA Society of Philadelphia.

Fixed Income Investment Team, Form ADV 2B

Kiernan McCloskey, born 1995, has been with Chartwell since April 2021 and serves as Research Analyst/Trader. Prior to joining Chartwell, Ms. McCloskey was employed at Duff and Phelps as an Analyst in their real estate advisory group. She earned a B.S. in Finance from Lehigh University and a M.S. in Finance from Villanova University.

Andrew S. Toburen, **CFA***, born 1971, has been with Chartwell since June 1999 and serves as Co-Manager of the Chartwell Income Fund, Senior Portfolio Manager of the Fixed Income Investment Team, and Lead Manager of the Chartwell Short Duration High Yield Fund. Previously, Mr. Toburen was an Analyst with Nomura Corporate Research & Asset Management in New York (1994-1997). Mr. Toburen received a B.A. in Economics from Yale University and a M.B.A. in Finance from Cornell University (1999). He is a CFA® charterholder and member of the CFA Institute and the CFA Society of Philadelphia.

Mr. Coughlin, Mr. Fox, Ms. Frederico, Mr. Hopkins, Ms. McCloskey and Mr. Toburen directly report to Christine F. Williams, phone number 610-407-4840.

Christine F. Williams, born 1965, has been with Chartwell since September 1997. She is an original founding partner, Senior Portfolio Manager and Co-Manager of the Carillon Chartwell Income Fund and Carillon Chartwell Short Duration High Yield Fund. She is responsible for overseeing all of the high-grade fixed income assets at Chartwell. Previously, Ms. Williams was a Portfolio Manager specializing in fixed income securities for Meridian Investment Company in Malvern, PA (1990-1997). Prior to that Ms. Williams was an Administrative Assistant for Merrill Lynch & Co. in Valley Forge, PA (1988-1990). Ms. Williams holds a B.S. in Economics from the University of Delaware and an M.B.A. from St. Joseph's University. Ms. Williams is a member of the CFA Institute and the CFA Society of Philadelphia.

Ms. Williams, who supervises the Fixed Income Team, reports directly to Michael J. McCloskey, Managing Partner, Director of Client Services, phone number: 610-407-4830 and Timothy J. Riddle, Managing Partner, CEO of Chartwell, phone number: 610-407-4832.

Item 3- Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. There are no disciplinary events relevant to the individuals listed in Item 2.

Item 4- Other Business Activities

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Item 5- Additional Compensation

None of the individuals listed in this brochure receive any additional compensation outside their normal salary or regular bonus.

Item 6 - Supervision

Chartwell maintains its compliance policies in the firm's Compliance Manual, which is distributed to all employees upon hire, then annually, and any time the manual is amended. New employees are required to sign a certification that they have read the manual, understand the policies, and that they will fully comply with such policies. On an annual basis, each employee must sign a similar certification that he/she has fully complied with the policies over the past year. In each certification, the employees must also make other representations

regarding any history of legal issues or disciplinary action by any court, regulatory agency or exchange related to investments or fraud.

Chartwell acts as an adviser to both investment companies registered under the Investment Company Act of 1940 (“registered funds”) and other clients (“investment accounts”). When registered funds and investment accounts are managed side-by-side, firm personnel must strictly follow the policies and procedures outlined in Trade Allocation Policy to ensure that accounts are treated in a fair and equitable manner, and that no client or account is favored over another. When registered funds and investment accounts are trading under the same investment product, and thus trading the same securities, shares are allocated on a pro-rata basis based on market value, and all portfolios obtain the same average price. On a monthly basis, a Compliance Officer oversees the performance calculation process handled in Operations and completes a spreadsheet of monthly portfolio returns by client. This spreadsheet is then provided to the CEO, CFO, COO, CCO, Director of Client Services and various investment personnel for their review. Any performance dispersion noted by anyone on the distribution list is investigated by reviewing the underlying transactional detail, holdings & security weightings by portfolio. This monthly process ensures that all portfolios that are managed under the same investment product are treated fairly and traded in accordance with firm policy.

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Item 1- Cover Page **June, 2022**

Supervised Persons

Large Cap Investment Team
(Large Cap Growth and Large Cap Value)

Jeffrey Bilsky

Douglas Kugler

Peter Schofield

John T. Sepanski

Mark Tindall

1205 Westlakes Drive, Suite 100, Berwyn, PA 19312
610-296-1400

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Item 2- Educational Background and Business Experience

Jeffrey D. Bilsky, born 1984, joined Chartwell in December 2013 and currently serves as Co-Manager of the Carillon Chartwell Income Fund and on the Dividend Value equity team. Previously, Mr. Bilsky was a Portfolio Analyst with Cruiser Capital a long-short hedge fund (2011-2013), a Vice President in Institutional Sales and Trading at Hudson Securities (2008-2011) and an Analyst in Institutional Sales and Trading at Banc of America Securities (2006-2008). Mr. Bilsky received a Bachelor's degree in Diplomatic History from the University of Pennsylvania and an MBA in Finance from the University of Pennsylvania's Wharton School.

Douglas W. Kugler, **CFA***, born 1961, joined Chartwell in December 2003 and currently serves as Senior Portfolio Manager. Prior to joining Chartwell, he held several positions at Morgan Stanley Investment Management (Miller Anderson & Sherrerd) including Vice President, Head of Mutual Fund Administration, Treasurer of the MAS Funds, Junior Associate in the Equity Department, and his last position held there was Senior Associate and Analyst for the Large Cap Value team (1993-2003). Previously, he was an Assistant Vice President and Senior Accounting Officer at Provident Financial Processing Corporation (1989-1993). Mr. Kugler earned a Bachelor's degree in Accounting from the University of Delaware. He is a CFA® charterholder and member of the CFA Institute and the CFA Society of Philadelphia.

Peter M. Schofield, **CFA***, born 1960, joined Chartwell in December 2010 and serves as a Senior Portfolio Manager. Prior to joining Chartwell, he was a Co-Chief Investment Officer at Knott Capital (2005-2010), a Portfolio Manager at Sovereign Asset Management (1996-2005). Prior to Sovereign Asset Management, he was a portfolio manager at Geewax, Terker & Company (1984-1996). Mr. Schofield earned a Bachelor's degree in History from the University of Pennsylvania. Mr. Schofield is a CFA® charterholder and member of the CFA Institute and the CFA Society of Philadelphia.

John T. Sepanski, born 1998, joined Chartwell in February 2022 and serves as an Equity Analyst. Prior to joining Chartwell, Mr. Sepanski was employed at The Legacy Foundation, LLC, as an Investment Analyst (2020-2022). He earned a B.A. in Financial Economics and Econometrics Statistics from the University of Virginia.

Mark Tindall, **CFA***, born 1971, is a Portfolio Manager responsible for the management of the Large Cap Growth strategy at Chartwell Investment Partners. Prior to joining Chartwell in April 2018, Mr. Tindall was a member of the equity team and served as a co-team leader on their Large Cap Equity portfolios. Prior to joining Columbia Partners in 2003, Mark spent four years analyzing equity securities at Invesco. He also previously held research positions in the economics departments at Morgan Stanley and the Federal Reserve Bank of New York.

Mr. Tindall earned his B.A. from Swarthmore College where he majored in economics and his MBA from the Amos Tuck School at Dartmouth College. Mr. Tindall is a CFA® charterholder and member of the CFA Institute.

Messrs. Bilsky and Sepanksi report to Douglas Kugler, Senior Portfolio Manager, phone number: 610-786-4944 and Peter Schofield, Senior Portfolio Manager, phone number: 610-407-4858 who co-supervise the Large Cap Value Team. Mr. Tindall is the lead portfolio manager for Large Cap Growth, phone number: 610-407-4835. Messrs. Kugler, Schofield and Tindall all directly report to Timothy J. Riddle, Managing Partner, CEO of Chartwell, phone number: 610-407-4832.

Item 3- Disciplinary Information

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Item 6 - Supervision

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Item 1- Cover Page **June, 2022**

Supervised Persons
Small Cap Growth Investment Team
(Small Cap and Mid Cap Growth)

Frank Sustersic

1205 Westlakes Drive, Suite 100, Berwyn, PA 19312
610-296-1400

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Item 2- Educational Background and Business Experience

Frank L. Sustersic, **CFA***, born 1967, joined Chartwell in October 2016 and serves as Managing Partner, Senior Portfolio Manager, also Portfolio Manager of the Chartwell Small Cap Growth Fund. Prior to joining Chartwell, he was a Portfolio Manager at Lazard Asset Management (2014-2016). Mr. Sustersic was also a Portfolio Manager at Turner Investments (1994-2014). Previously, he was a Portfolio Manager at First Fidelity Bank Corporation (1989-1994). Mr. Sustersic earned a Bachelor of Science degree in Economics from The University of Pennsylvania. He is a CFA® charterholder and member of the CFA Institute and the CFA Society of Philadelphia.

Mr. Sustersic reports directly to Timothy J. Riddle, Managing Partner, CEO of Chartwell, phone number: 610-407-4832.

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Supervised Persons
Small Cap Value Investment Team
(Small Cap Value, Mid Cap Value, Small Mid Cap Value)

David Dalrymple

Reid Halloran

Ryan Harkins

Jared Marks

Thomas Mattsson

1205 Westlakes Drive, Suite 100, Berwyn, PA 19312
610-296-1400

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Small Cap Value Investment Team, Form ADV 2B

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Item 2- Educational Background and Business Experience

David C. Dalrymple, **CFA***, born 1957, has been with Chartwell since its inception in 1997. He serves as Co-Manager of the Carillon Chartwell Income Fund, Carillon Chartwell Mid Cap Value Fund and Carillon Chartwell Small Cap Value Fund and Managing Partner and Senior Portfolio Manager of the Small Cap Value team. Previously, Mr. Dalrymple was a Portfolio Manager at Delaware Investment Advisers in Philadelphia (1991-1997) and an Assistant Portfolio Manager at Lord Abbett & Co, in New York (1986-1991). Mr. Dalrymple holds a B.S. in Business Administration from Clarkson University and a M.B.A. with a concentration in Finance from Cornell University. He is a CFA® charterholder and member of the CFA Institute and the CFA Society of Philadelphia.

Reid T. Halloran, born 1983, joined Chartwell in April 2010 and serves as Portfolio Analyst. Prior to joining Chartwell, Mr. Halloran was an investment analyst for Aberdeen Asset Management in the North American Equities division (2006-2009). He earned a Bachelor of Science degree in Business Management from Babson College. He is currently a Chartered Financial Analyst level one candidate.

T. Ryan Harkins, **CFA***, born 1974, joined Chartwell in January 2007 and serves as a Co-Manager of the Carillon Chartwell Income Fund, Carillon Chartwell Small Cap Value Fund, and Carillon Chartwell Mid Cap Value Fund and a Senior Portfolio Manager of the Small Cap Value Investment team. Prior to joining Chartwell, Mr. Harkins was a Portfolio Manager and Research Analyst at Credit Suisse Asset Management where he co-managed the firm's
small cap value strategy (2002-2006). Previously, he was an Investment Banker at Morgan Keegan & Company where he specialized in private placements for small public and private companies (1997-2000). Mr. Harkins earned a Bachelor's degree in Economics from Duke University and an MBA in Finance and Entrepreneurial Management from the University of Pennsylvania's Wharton School (2002). He is a CFA® charterholder and member of the CFA Institute and the CFA Society of Philadelphia.

Jared Marks, **CFA***, born 1989, joined Chartwell in May 2019 and serves as a Portfolio Analyst. Prior to joining Chartwell, Mr. Marks held various Investment Analyst and Manager roles at Aberdeen Standard Investments (2012-2019). Mr. Marks earned a Bachelor of Science in Economics from the University of Pennsylvania, Wharton School (2011). He is a CFA® charterholder and member of the CFA Institute.

Thomas W. Mattsson, **CFA***, born 1990, joined Chartwell in May 2019 and serves as a Portfolio Analyst. Prior to joining Chartwell, Mr. Mattsson he was a Research Analyst at Cohen & Steers (2018-2019). Previously, he was an Analyst at Rockefeller & Co (2013-2018) and a Wealth Management Associate at Morgan Stanley Wealth Management (2012-2013). Mr. Mattsson earned a Bachelor of Science in Political Science from the University of Pennsylvania. He is a CFA® charterholder and member of the CFA Institute.

Messrs. Halloran, Harkins, Marks and Mattsson directly report to David Dalrymple, Managing Partner, Senior Portfolio Manager, phone number: 610-407-4827, who supervises the Small Cap Value Team. Mr. Dalrymple reports directly to Timothy J. Riddle, Managing Partner, CEO of Chartwell, phone number: 610-407-4832.

Item 3- Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. There are no disciplinary events relevant to the individuals listed in Item 2.

Item 4- Other Business Activities

There are no other investment-related business activities involving the individuals identified in this brochure.

Item 5- Additional Compensation

None of the individuals listed in this brochure receive any additional compensation outside their normal salary or regular bonus.

Item 6 - Supervision

Chartwell maintains its compliance policies in the firm's Compliance Manual, which is distributed to all employees upon hire, then annually, and any time the manual is amended. New employees are required to sign a certification that they have read the manual, understand the policies, and that they will fully comply with such policies. On an annual basis, each employee must sign a similar certification that he/she has fully complied with the policies over the past year. In each certification, the employees must also make other representations regarding any history of legal issues or disciplinary action by any court, regulatory agency or exchange related to investments or fraud.

Chartwell acts as an adviser to both investment companies registered under the Investment Company Act of 1940 ("registered funds") and other clients ("investment accounts"). When registered funds and investment accounts are managed side-by-side, firm personnel must strictly follow the policies and procedures outlined in Trade Allocation Policy to ensure that accounts are treated in a fair and equitable manner, and that no client or account is favored over another. When registered funds and investment accounts are trading under the same investment product, and thus trading the same securities, shares are allocated on a pro-rata basis based on market value, and all portfolios obtain the same average price. On a monthly basis, a Compliance Officer oversees the performance calculation process handled in Operations and completes a spreadsheet of monthly portfolio returns by client. This spreadsheet is then provided to the CEO, CFO, COO, CCO, Director of Client Services and various investment personnel for their review. Any performance dispersion noted by anyone on the distribution list is investigated by reviewing the underlying transactional detail, holdings & security weightings by portfolio. This monthly process ensures that all portfolios that are managed under the same investment product are treated fairly and traded in accordance with firm policy.

Chartwell's Code of Ethics provides strict rules that govern employee (access person) personal trading and requires pre-clearance for all personal trading of securities and open-end mutual fund shares of funds for which Chartwell acts as a sub-adviser. Pre-clearance is required to be approved by Compliance. There are blackout periods and specific consequences for different types of violations. Personal securities transactions and holdings of employees are reviewed at least quarterly by a compliance officer where any unauthorized trades can be detected. All supervised persons at Chartwell must acknowledge the terms of the Code of Ethics upon initial hire, quarterly, annually, or as amended and report their holdings to Compliance.

Since the inception of the firm, Chartwell's CFO (Chief Financial Officer), also a Compliance Officer, has been part of the executive management team and has a position on Chartwell's Management Committee. Chartwell's CEO (Chief Executive Officer) has a position in the firm's Compliance Group and is heavily involved in compliance communications to employees. The firm's COO is also a member of the Compliance Group and oversees the Trading Desk, Portfolio Accounting and IT departments. Management has been able to establish a true compliance culture.

The monitoring of compliance with a client's investment policies is three-fold: (1) Chartwell's order management system, Bloomberg AIM, can automatically monitor cash levels, prevent the trading of certain restricted securities or trading with certain restricted brokers as provided by the client, and investment limits of specific bond types, asset class exposure, client and regulatory restrictions. Compliance and Operations are included on alerts of restriction violations and immediately communicate with the Fixed Income and Equity teams to resolve any issues. (2) Chartwell's portfolio managers monitor compliance with diversification requirements, as well as security type and weighting limitations as set forth by the client or by fund prospectus, and (3) Chartwell's Compliance Group monitors portfolio compliance with the Investment Company Act of 1940 via daily customized reports, quarterly checklists, and external fund administrators that have automated monitoring processes in place. In addition, Chartwell's CEO (who is part of the Compliance team) attends all weekly investment meetings and reviews the portfolios on a weekly basis at a minimum.

For client portfolio transactions, all trades are processed through the firm's order management system. This information is downloaded to our accounting system overnight. This gives the portfolio managers the advantage of having complete, up to date account holding information available each day. The trade executions are circulated via a daily trade blotter and are reviewed daily by investment and trading personnel to judge the efficiency of our trading operation. These controls limit the risk of unauthorized trading by a firm employee.

Supervised Persons
Private Client Investment Team
(All Equity, Dividend Value, Balanced)

Allen Chapracki

Michael Magee

Peter Schofield

1205 Westlakes Drive, Suite 100, Berwyn, PA 19312
610-296-1400

This Brochure Supplement provides information about Chartwell's Portfolio Investment, Management and Client Services teams that supplements Chartwell Investment Partners' Brochure (Form ADV Part 2). You should have received a copy of that Brochure. Please contact info@chartwellip.com if you did not receive Chartwell's Brochure or if you have any questions about the contents of this supplement.

Additional background information about Michael Magee is available on both the SEC's website at www.adviserinfo.sec.gov.

Professional Designations:

Chartered Financial Analyst * ['CFA']: This designation is issued by the CFA Institute and is granted to individuals who must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct. The CFA program curriculum provides a comprehensive framework of knowledge for investment decision making and is firmly grounded in the knowledge and skills used every day in the investment profession. The three levels of the CFA program test a proficiency with a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed-income and equity analysis, alternative and derivative investments, economics, financial reporting standards, portfolio management and wealth planning. To learn more about the CFA charter, visit www.cfainstitute.org.

Item 2- Educational Background and Business Experience

Allen A. Chapracki, **CFA***, born 1980, has been with Chartwell since April 2016 and currently serves as Director of ESG, Risk and Analysis. Prior to joining Chartwell, Mr. Chapracki was Director of Analytics and Product Management (2014-2016) and a Research Analyst (2010-2013) at The Killen Group. Previous to that, Mr. Chapracki worked as Manager, Valuation Services at Deloitte Financial Advisory Services, LLP (2006-2010). Mr. Chapracki earned a Bachelor's degree in Finance from Pennsylvania State University. In addition, he is a CFA® charterholder and member of the CFA Institute and the CFA Society of Philadelphia.

Allen A Chapracki reports directly to Michael P. Magee, Chief Operating Officer of Chartwell, phone number: 610-407-4867.

Michael P. Magee, born 1965, joined Chartwell in April 2016 and currently serves as Chief Operating Officer of the firm. Prior to joining Chartwell, he was Chief Operating Officer at The Killen Group where he oversaw all the business management operations for the firm (2013-2016). Previously, Mr. Magee was with Legg Mason's Clearbridge Advisors division in New York City (2005-2013) as Managing Director of the firm's daily operational needs supporting the institutional business, developed tactical and strategic business plans across a global platform and managed the separately managed account (SMA) team within the Private Client Group. Mr. Magee earned a Master of Science in Information Systems from Stevens Institute of Technology, a certificate in Financial Planning from New York University, a Master of Business Administration from Manhattan College and a Bachelor's degree in Business/Economics from the State University of New York.

Peter M. Schofield, **CFA***, born 1960, joined Chartwell in December 2010 and serves as a Senior Portfolio Manager. Prior to joining Chartwell, he was a Co-Chief Investment Officer at Knott Capital (2005-2010), a Portfolio Manager at Sovereign Asset Management (1996-2005). Prior to Sovereign Asset Management, he was a portfolio manager at Geewax, Terker & Company (1984-1996). Mr. Schofield earned a Bachelor's degree in History from the University of Pennsylvania. Mr. Schofield is a CFA® charterholder and member of the CFA Institute and the CFA Society of Philadelphia.

Messrs. Magee and Schofield directly report to Timothy J. Riddle, Managing Partner, CEO of Chartwell, phone number: 610-407-4832.

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CHARTWELL
INVESTMENT PARTNERS

PRIVACY NOTICE

Privacy Policy. In managing your account, Chartwell Investment Partners (CIP) obtains certain nonpublic personal information about you. CIP keeps this information confidential and safeguards it from being improperly disclosed. CIP only uses and discloses this information to the extent necessary to provide services to you or as otherwise permitted by law. This policy applies to existing and former clients of CIP.

Information Collected and Disclosed. This Privacy Policy relates to nonpublic personal information that is personal to you and possibly your family and generally includes:

- Your name, address and telephone numbers;
- Your employment information, including your salary and benefits;
- Information relating to your financial situation, including your income and assets, liabilities and debts; and
- Information about your account assets and transactions, brokerage and custody arrangements for your account.

CIP only discloses this nonpublic personal information about you to those persons that provide necessary services to your account or as permitted by law or authorized by you.

Safeguarding Your Information. CIP restricts access to nonpublic personal information about you only to those persons who need it to provide services to you or who are permitted by law to receive it. CIP maintains physical, electronic and procedural safeguards to protect the confidentiality of all nonpublic information CIP has about you.

If you have any questions regarding this Policy, please contact us at 610-296-1400 and ask for the Compliance Department.

CHARTWELL INVESTMENT PARTNERS
Proxy Voting Policies and Procedures

Adopted April 11, 1997
As Amended January 19, 2022

Purpose. Chartwell Investment Partners ("Chartwell") has adopted these Proxy Voting Policies and Procedures ("Policies") to seek to ensure that it exercises voting authority on behalf of Chartwell clients in a manner consistent with the best interests of each client and its agreement with the client.

Scope. These Policies apply where clients have delegated the authority and responsibility to Chartwell to decide how to vote proxies. Chartwell does not accept or retain authority to vote proxies in accordance with individual client guidelines with the exception of those clients who wish their proxies voted in accordance with Taft-Hartley Proxy Voting Guidelines and who have instructed Chartwell to do so. In addition, Clients who wish to instruct Chartwell not to vote in accordance with AFL-CIO Key Vote Survey recommendations, as described below, retain that authority. Clients who wish to arrange to vote proxies in accordance with their own guidelines may elect to do so at any time by notifying Chartwell. Chartwell generally will follow these Policies if asked to make recommendations about proxy voting to clients who request that advice but have not delegated proxy voting responsibility to Chartwell**.**

Guiding Principles. Chartwell believes that voting proxies in the best interests of each client means making a judgment as to what voting decision is most likely to contribute to positive long-term performance of the companies the client is an investor and casting votes accordingly. Chartwell recognizes the growing view among investors that not only is the concern for economic returns to shareholders and good corporate governance, but also with ensuring corporate activities and practices are aligned with the broader objectives of society. With this in mind, Chartwell subscribes to Sustainability Proxy Voting Guidelines. Sustainability or environmental, social, and corporate governance (ESG) factors enhance investment making decisions in order to have a more comprehensive understanding of the overall risk profile of the companies in which we invest while simultaneously contributing to positive environmental or social impact. For these reasons, the following guidelines will govern Chartwell's proxy voting decisions.

Use of Independent Proxy Voting Service. Chartwell has retained ISS, an independent proxy voting service, to assist it in analyzing specific proxy votes with respect to securities held by Chartwell clients and to handle the mechanical aspects of casting votes. Historically, Chartwell has placed substantial reliance on ISS' analyses and recommendations and generally gives instructions to ISS to vote proxies in accordance with ISS' recommendations, unless Chartwell reaches a different conclusion than ISS about how a particular matter should be voted. ISS' proxy voting recommendations typically are made available to Chartwell about a week before the proxy must be voted, and are reviewed and monitored by members of the Proxy Voting Committee (and, in certain cases, by Chartwell portfolio managers), with a view to determining whether it is in the best interests of Chartwell's clients to vote proxies as recommended by ISS, or whether client proxies should be voted on a particular proposal in another manner. In addition, Chartwell generally votes in accordance with AFL-CIO Key Votes Survey, a list of proposals and meetings based on recommendations by the AFL-CIO Office of Investment. To the extent that any of the proxy voting positions stated in these Policies are inconsistent with a Key Vote Survey recommendation, Chartwell will generally vote in accordance with the Key Vote Survey recommendation on all impacted securities unless any client has chosen to instruct Chartwell to refrain from doing so. In that case, Chartwell will vote the client's securities position in accordance with these Policies (which may or may not cause the vote to be the same as the Key Vote Survey recommendation).

Administration of Policies. Chartwell has established a Proxy Voting Committee to oversee and administer the voting of proxies on behalf of clients, comprised of approximately four representatives of the firm's compliance, client services and operations departments. The Committee's responsibilities include reviewing and updating these Policies as may be appropriate from time to time; identifying and resolving any material conflicts of interest on the part of Chartwell or its personnel that may affect particular proxy votes; evaluating and monitoring, on an ongoing basis, the analyses, recommendations and other services provided by ISS or another third party retained to assist Chartwell in carrying out its proxy voting responsibilities; when deemed appropriate by the Committee, consulting with Chartwell portfolio managers and investment professionals on particular proposals or categories of proposals presented for vote; and determining when and how client proxies should be voted other than in accordance with the general rules and criteria set forth in Chartwell's Proxy Voting Guidelines or with the recommendations of ISS or another independent proxy voting service retained by Chartwell.

Conflicts of Interest. It is Chartwell's policy not to exercise its authority to decide how to vote a proxy if there is a material conflict of interest between Chartwell's interests and the interests of the client that owns the shares to be voted that could affect the vote on that matter. To seek to identify any such material conflicts, a representative of the Proxy Voting Committee screens all proxies and presents any potential conflicts identified to the Committee for determination of whether the conflict exists and if so, whether it is material.

Conflicts of interest could result from a variety of circumstances, including, but not limited to, significant personal relationships between executive officers of an issuer and Chartwell personnel, a current or prospective investment adviser-client relationship between an issuer or a pension plan sponsored by an issuer and Chartwell, a significant ownership interest by Chartwell or its personnel in the issuer and various other business, personal or investment relationships. Generally, a current or prospective adviser-client relationship will not be considered material for these purposes if the net advisory revenues to Chartwell have not in the most recent fiscal year and are not expected in the current fiscal year to exceed ½ of 1 percent of Chartwell's annual advisory revenue.

Currently, the Proxy Voting Committee has determined that voting in accordance with AFL-CIO Key Votes Survey recommendations is not a material conflict of interest. In reaching this decision, the Committee recognized that Chartwell has many union clients and many clients that are not union-oriented. By voting all impacted securities positions in accordance with AFL-CIO recommendations, it could be said that Chartwell is attempting to retain or attract existing and prospective union clients. However, the overall number of proxy issues in the AFL-CIO Key Votes Survey on which Chartwell has historically voted is approximately 14 – 30 out of a total of approximately 500 company meetings and thousands of proxy votes cast by Chartwell each year. Chartwell does not use its AFL-CIO Key Votes Survey rankings for marketing purposes, so to the extent any client or prospect becomes aware of how Chartwell votes in the Surveys, it does so on its own. In addition, Union Clients have the ability to instruct Chartwell to vote their proxies entirely in accordance with the Taft-Hartley policy. Recognizing that deciding this is not a material conflict of interest is fundamentally subjective, Chartwell nonetheless discloses its practices to clients and invites clients to instruct Chartwell not to change any vote in these Policies to be consistent with an AFL-CIO Key Votes Survey recommendation (even though voting consistently with these Policies may result in voting the same way).

In the event the Committee determines that there is a material conflict of interest that may affect a particular proxy vote, Chartwell will ***not*** make the decision how to vote the proxy in accordance with these Policies unless the Policies specify how votes shall be cast on that particular type of matter, i.e., "for" or "against" the proposal. Where the Policies provide that the voting decision will be made on a "case-by-case" basis, Chartwell will either request the client to make the voting decision, or the vote will be cast in accordance with the recommendations of ISS or another independent proxy voting service retained by Chartwell for that purpose. Chartwell also will not provide advice to clients on proxy votes without first disclosing any material conflicts to the client requesting such advice.

When Chartwell Does Not Vote Proxies. Chartwell may not vote proxies respecting client securities in certain circumstances, including, but not limited to, situations where (a) the securities are no longer held in a client's account; (b) the proxy and other relevant materials are not received in sufficient time to allow analysis or an informed vote by the voting deadline; (c) Chartwell concludes that the cost of voting the proxy will exceed the expected potential benefit to the client; or (d) the securities have been loaned out pursuant to a client's securities lending program and are unavailable to vote.

Proxy Voting Guidelines

Generally, Chartwell votes all proxies in accordance with the following guidelines provided by Institutional Shareholder Services' (ISS) Sustainability Proxy Voting Policy. These guidelines may be changed or supplemented from time to time. Votes on matters not covered by these guidelines will be determined in accordance with the principles set forth above. Client guidelines may be inconsistent with these guidelines and may cause Chartwell to vote differently for different clients on the same matter.

UNITED STATES

SUSTAINABILITY PROXY VOTING GUIDELINES

2022 Policy Recommendations

Published January 19, 2022

ISSGOVERNANCE.COM

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Introduction

ISS recognizes the growing view among investment professionals that sustainability or environmental, social, and corporate governance (ESG) factors could present material risks to portfolio investments. Whereas investment managers have traditionally analyzed topics such as board accountability and executive compensation to mitigate risk, greater numbers are incorporating ESG performance into their investment making decisions in order to have a more comprehensive understanding of the overall risk profile of the companies in which they invest and ensure sustainable long-term profitability for their beneficiaries.

Investors concerned with portfolio value preservation and enhancement through the incorporation of sustainability factors can also carry out this active ownership approach through their proxy voting activity. In voting their shares, sustainability-minded investors are concerned not only with economic returns to shareholders and good corporate governance, but also with ensuring corporate activities and practices are aligned with the broader objectives of society. These investors seek standardized reporting on ESG issues, request information regarding an issuer's adoption of, or adherence to, relevant norms, standards, codes of conduct or universally recognized international initiatives including affirmative support for related shareholder resolutions advocating enhanced disclosure and transparency.

ISS' Sustainability Proxy Voting Guidelines

ISS has, therefore, developed proxy voting guidelines that are consistent with the objectives of sustainability-minded investors and fiduciaries. On matters of ESG import, ISS' Sustainability Policy seeks to promote support for recognized global governing bodies promoting sustainable business practices advocating for stewardship of environment, fair labor practices, non-discrimination, and the protection of human rights. Generally, ISS' Sustainability Policy will take as its frame of reference internationally recognized sustainability-related initiatives such as the United Nations Environment Programme Finance Initiative (UNEP FI), United Nations Principles for Responsible Investment (UNPRI), United Nations Global Compact, Global Reporting Initiative (GRI), Carbon Principles, International Labour Organization Conventions (ILO), Ceres Roadmap 2030, Global Sullivan Principles, MacBride Principles, and environmental and social European Union Directives. Each of these efforts promote a fair, unified and productive reporting and compliance environment which advances positive corporate ESG actions that promote practices that present new opportunities or that mitigate related financial and reputational risks.

On matters of corporate governance, executive compensation, and corporate structure, the Sustainability Policy guidelines are based on a commitment to create and preserve economic value and to advance principles of good corporate governance.

These guidelines provide an overview of how ISS approaches proxy voting issues for subscribers of the Sustainability Policy. We note there may be cases in which the final vote recommendation at a particular company varies from the voting guidelines due to the fact that we closely examine the merits of each proposal and consider relevant information and company-specific circumstances in arriving at our decisions. To that end, ISS engages with both interested shareholders as well as issuers to gain further insight into contentious issues facing the company. Where ISS acts as voting agent for clients, it follows each client's voting policy, which may differ in some cases from the policies outlined in this document. ISS updates its guidelines on an annual basis to take into account emerging issues and trends on environmental, social and corporate governance topics, as well as the evolution of market standards, regulatory changes and client feedback.

1. Routine/Miscellaneous

Adjourn Meeting

Sustainability Policy Recommendation: Generally vote against proposals to provide management with the authority to adjourn an annual or special meeting absent compelling reasons to support the proposal.

Vote for proposals that relate specifically to soliciting votes for a merger or transaction if supporting that merger or transaction. Vote against proposals if the wording is too vague or if the proposal includes "other business."

Amend Quorum Requirements

Sustainability Policy Recommendation: Vote against proposals to reduce quorum requirements for shareholder meetings below a majority of the shares outstanding unless there are compelling reasons to support the proposal.

Amend Minor Bylaws

Sustainability Policy Recommendation: Vote for bylaw or charter changes that are of a housekeeping nature (updates or corrections).

Change Company Name

Sustainability Policy Recommendation: Vote for proposals to change the corporate name unless there is compelling evidence that the change would adversely impact shareholder value.

Change Date, Time, or Location of Annual Meeting

Sustainability Policy Recommendation: Vote for management proposals to change the date, time, or location of the annual meeting unless the proposed change is unreasonable.

Vote against shareholder proposals to change the date, time, or location of the annual meeting unless the current scheduling or location is unreasonable.

Other Business

Sustainability Policy Recommendation: Vote against proposals to approve other business when it appears as voting item.

Audit-Related

Auditor Indemnification and Limitation of Liability

Sustainability Policy Recommendation: Vote case-by-case on the issue of auditor indemnification and limitation of liability. Factors to be assessed include, but are not limited to:

- The terms of the auditor agreement--the degree to which these agreements impact shareholders' rights;
- The motivation and rationale for establishing the agreements;
- The quality of the company's disclosure; and
- The company's historical practices in the audit area.

Vote against or withhold from members of an audit committee in situations where there is persuasive evidence that the audit committee entered into an inappropriate indemnification agreement with its auditor that limits the ability of the company, or its shareholders, to pursue legitimate legal recourse against the audit firm.

Auditor Ratification

Sustainability Policy Recommendation: Vote for proposals to ratify auditors unless any of the following apply:

- An auditor has a financial interest in or association with the company, and is therefore not independent;
- There is reason to believe that the independent auditor has rendered an opinion that is neither accurate nor indicative of the company's financial position;
- Poor accounting practices are identified that rise to a serious level of concern, such as: fraud; misapplication of GAAP; and material weaknesses identified in Section 404 disclosures; or
- Fees for non-audit services ("Other" fees) are excessive.

Non-audit fees are excessive if:

- Non-audit ("other") fees > audit fees + audit-related fees + tax compliance/preparation fees

Tax compliance and preparation include the preparation of original and amended tax returns and refund claims, and tax payment planning. All other services in the tax category, such as tax advice, planning, or consulting, should be added to "Other" fees. If the breakout of tax fees cannot be determined, add all tax fees to "Other" fees.

In circumstances where "Other" fees include fees related to significant one-time capital structure events (such as initial public offerings, bankruptcy emergence, and spin-offs) and the company makes public disclosure of the amount and nature of those fees that are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining the ratio of non-audit to audit/audit-related fees/tax compliance and preparation for purposes of determining whether non-audit fees are excessive.

Shareholder Proposals Limiting Non-Audit Services

Sustainability Policy Recommendation: Vote case-by-case on shareholder proposals asking companies to prohibit or limit their auditors from engaging in non-audit services.

Shareholder Proposals on Audit Firm Rotation

Sustainability Policy Recommendation: Vote case-by-case on shareholder proposals asking for audit firm rotation, taking into account:

- The tenure of the audit firm;
- The length of rotation specified in the proposal;
- Any significant audit-related issues at the company;
- The number of audit committee meetings held each year;
- The number of financial experts serving on the committee; and
- Whether the company has a periodic renewal process where the auditor is evaluated for both audit quality and competitive price.

2. Board of Directors

Voting on Director Nominees in Uncontested Elections

Four fundamental principles apply when determining votes on director nominees:

- **Accountability**: Boards should be sufficiently accountable to shareholders, including through transparency of the company's governance practices and regular board elections, by the provision of sufficient information for shareholders to be able to assess directors and board composition, and through the ability of shareholders to remove directors.
- **Responsiveness**: Directors should respond to investor input, such as that expressed through significant opposition to management proposals, significant support for shareholder proposals (whether binding or non-binding), and tender offers where a majority of shares are tendered.
- **Composition**: Companies should seek directors who can add value to the board through specific skills or expertise and who can devote sufficient time and commitment to serve effectively. Boards should be of a size appropriate to accommodate diversity, expertise, and independence, while ensuring active and collaborative participation by all members. Boards should be sufficiently diverse to ensure consideration of a wide range of perspectives.
- **Independence**: Boards should be sufficiently independent from management (and significant shareholders) so as to ensure that they are able and motivated to effectively supervise management's performance for the benefit of all shareholders, including in setting and monitoring the execution of corporate strategy, with appropriate use of shareholder capital, and in setting and monitoring executive compensation programs that support that strategy. The chair of the board should ideally be an independent director, and all boards should have an independent leadership position or a similar role in order to help provide appropriate counterbalance to executive management, as well as having sufficiently independent committees that focus on key governance concerns such as audit, compensation, and nomination of directors.

Sustainability Policy Recommendation: Generally vote for director nominees, except under the following circumstances (with new nominees[1] considered on a case-by-case basis):

1. Accountability

Problematic Takeover Defenses

Classified Board Structure: The board is classified, and a continuing director responsible for a problematic governance issue at the board/committee level that would warrant a withhold/against vote recommendation is not up for election. All appropriate nominees (except new) may be held accountable.

Removal of Shareholder Discretion on Classified Boards: The company has opted into, or failed to opt out of, state laws requiring a classified board structure.

Director Performance Evaluation: The board lacks mechanisms to promote accountability and oversight, coupled with sustained poor performance relative to peers. Sustained poor performance is measured by one-, three-, and

[1] 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.

five-year total shareholder returns in the bottom half of a company's four-digit GICS industry group (Russell 3000 companies only). Take into consideration the company's operational metrics and other factors as warranted. Problematic provisions include but are not limited to:

- A classified board structure;
- A supermajority vote requirement;
- Either a plurality vote standard in uncontested director elections or a majority vote standard with no plurality carve-out for contested elections;
- The inability of shareholders to call special meetings;
- The inability of shareholders to act by written consent;
- A multi-class capital structure; and/or
- A non–shareholder-approved poison pill.

Poison Pills: Vote against/withhold from all nominees (except new nominees, who should be considered case-by-case) if:

- The company has a poison pill that was not approved by shareholders[2]. 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 modification to an existing pill, including, but not limited to, extension, renewal, or lowering the trigger, without shareholder approval; or
- The pill, whether short-term[3] or long-term, has a deadhand or slowhand feature.

Restrictions on Shareholder Rights

Restricting Binding Shareholder Proposals: Generally vote against or withhold from members of the governance committee if:

- The company's governing documents impose undue restrictions on shareholders' ability to amend the bylaws. Such restrictions include, but are not limited to: outright prohibition on the submission of binding shareholder proposals, or share ownership requirements, subject matter restrictions, or time holding requirement in excess of SEC Rule 14a-8. Vote against or withhold on an ongoing basis.

Submission of management proposals to approve or ratify requirements in excess of SEC Rule 14a-8 for the submission of binding bylaw amendments will generally be viewed as an insufficient restoration of shareholders' rights. Generally continue to vote against or withhold on an ongoing basis until shareholders are provided with an unfettered ability to amend the bylaws or a proposal providing for such unfettered right is submitted for shareholder approval.

Problematic Audit-Related Practices

Generally vote against or withhold from the members of the audit committee if:

- The non-audit fees paid to the auditor are excessive (see discussion under "Auditor Ratification");
- The company receives an adverse opinion on the company's financial statements from its auditor; or

[2] Public shareholders only, approval prior to a company's becoming public is insufficient.
[3] If the short-term pill with a deadhand or slowhand feature is enacted but expires before the next shareholder vote, Sustainability Advisory Services will generally still recommend withhold/against nominees at the next shareholder meeting following its adoption.

- There is persuasive evidence that the audit committee entered into an inappropriate indemnification agreement with its auditor that limits the ability of the company, or its shareholders, to pursue legitimate legal recourse against the audit firm.

Vote case-by-case on members of the audit committee and potentially the full board if:

- Poor accounting practices are identified that rise to a level of serious concern, such as: fraud; misapplication of GAAP; and material weaknesses identified in Section 404 disclosures. Examine the severity, breadth, chronological sequence, and duration, as well as the company's efforts at remediation or corrective actions, in determining whether withhold/against votes are warranted.

Problematic Compensation Practices

In the absence of an Advisory Vote on Executive Compensation (Say on Pay) ballot item or in egregious situations, vote against or withhold from the members of the compensation committee and potentially the full board if:

- There is a significant misalignment between CEO pay and company performance (pay for performance);
- The company maintains significant problematic pay practices;
- The board exhibits a significant level of poor communication and responsiveness to shareholders;
- The company fails to include a Say on Pay ballot item when required under SEC provisions, or under the company's declared frequency of say on pay; or
- The company fails to include a Frequency of Say on Pay ballot item when required under SEC provisions.

Generally vote against members of the board committee responsible for approving/setting non-employee director compensation if there is a pattern (i.e. two or more years) of awarding excessive non-employee director compensation without disclosing a compelling rationale or other mitigating factors.

Problematic Pledging of Company Stock: Vote against the members of the committee that oversees risks related to pledging, or the full board, where a significant level of pledged company stock by executives or directors raises concerns. The following factors will be considered:

- The presence of an anti-pledging policy, disclosed in the proxy statement, that prohibits future pledging activity;
- The magnitude of aggregate pledged shares in terms of total common shares outstanding, market value, and trading volume;
- Disclosure of progress or lack thereof in reducing the magnitude of aggregate pledged shares over time;
- Disclosure in the proxy statement that shares subject to stock ownership and holding requirements do not include pledged company stock; and
- Any other relevant factors.

Unilateral Bylaw/Charter Amendments and Problematic Capital Structures: Generally vote against or withhold from directors individually, committee members, or the entire board (except new nominees, 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, 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.

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, 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 Capital Structure - Newly public companies: For **2022**, for newly public companies[4], generally vote against or withhold from the entire board (except new nominees[1], 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.

[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.

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 [1], 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.

Management Proposals to Ratify Existing Charter or Bylaw Provisions: Vote against/withhold from individual directors, members of the governance committee, or the full board, where boards ask shareholders to ratify existing charter or bylaw provisions considering the following factors:

- The presence of a shareholder proposal addressing the same issue on the same ballot;
- The board's rationale for seeking ratification;
- Disclosure of actions to be taken by the board should the ratification proposal fail;
- Disclosure of shareholder engagement regarding the board's ratification request;
- The level of impairment to shareholders' rights caused by the existing provision;
- The history of management and shareholder proposals on the provision at the company's past meetings;
- Whether the current provision was adopted in response to the shareholder proposal;
- The company's ownership structure; and
- Previous use of ratification proposals to exclude shareholder proposals.

Environmental, Social and Governance (ESG) Failures

Under extraordinary circumstances, vote against or withhold from directors individually, committee members, or the entire board, due to:

- Material failures of governance, stewardship, risk oversight[6], or fiduciary responsibilities at the company, including failure to adequately guard against or manage ESG risks;
- A lack of sustainability reporting in the company's public documents and/or website in conjunction with a failure to adequately manage or mitigate ESG risks;
- Failure to replace management as appropriate; or
- Egregious actions related to a director's service on other boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company.

[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").
[6] Examples of failure of risk oversight include, but are not limited to: bribery; large or serial fines or sanctions from regulatory bodies; demonstrably poor risk oversight of environmental and social issues, including climate change; significant environmental incidents including spills and pollution; large scale or repeat workplace fatalities or injuries; significant adverse legal judgments or settlements; or hedging of company stock.

Climate Accountability

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 Sustainability 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

2. Responsiveness

Vote case-by-case on individual directors, committee members, or the entire board of directors as appropriate if:

- The board failed to act on a shareholder proposal that received the support of a majority of the shares cast in the previous year or failed to act on a management proposal seeking to ratify an existing charter/bylaw provision that received opposition of a majority of the shares cast in the previous year. Factors that will be considered are:
  - Disclosed outreach efforts by the board to shareholders in the wake of the vote;
  - Rationale provided in the proxy statement for the level of implementation;
  - The subject matter of the proposal;
  - The level of support for and opposition to the resolution in past meetings;
  - Actions taken by the board in response to the majority vote and its engagement with shareholders;
  - The continuation of the underlying issue as a voting item on the ballot (as either shareholder or management proposals); and
  - Other factors as appropriate.
- The board failed to act on takeover offers where the majority of shares are tendered;
- At the previous board election, any director received more than 50 percent withhold/against votes of the shares cast and the company has failed to address the issue(s) that caused the high withhold/against vote.

Vote case-by-case on compensation committee members (or, in exceptional cases, the full board) and the Say on Pay proposal if:

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

- The company's previous say-on-pay received the support of less than 70 percent of votes cast. Factors that will be considered are:
  - The company's response, including:
    - Disclosure of engagement efforts with major institutional investors regarding the issues that contributed to the low level of support (including the timing and frequency of engagements and whether independent directors participated);
    - Disclosure of the specific concerns voiced by dissenting shareholders that led to the say-on-pay opposition;
    - Disclosure of specific and meaningful actions taken to address shareholders' concerns;
  - Other recent compensation actions taken by the company;
  - Whether the issues raised are recurring or isolated;
  - The company's ownership structure; and
  - Whether the support level was less than 50 percent, which would warrant the highest degree of responsiveness.
- The board implements an advisory vote on executive compensation on a less frequent basis than the frequency that received the plurality of votes cast.

3. Composition

Attendance at Board and Committee Meetings: Generally vote against or withhold from directors (except nominees who served only part of the fiscal year[8]) who attend less than 75 percent of the aggregate of their board and committee meetings for the period for which they served, unless an acceptable reason for absences is disclosed in the proxy or another SEC filing. Acceptable reasons for director absences are generally limited to the following:

- Medical issues/illness;
- Family emergencies; and
- Missing only one meeting (when the total of all meetings is three or fewer).
- In cases of chronic poor attendance without reasonable justification, in addition to voting against the director(s) with poor attendance, generally vote against or withhold from appropriate members of the nominating/governance committees or the full board.

If the proxy disclosure is unclear and insufficient to determine whether a director attended at least 75 percent of the aggregate of his/her board and committee meetings during his/her period of service, vote against or withhold from the director(s) in question.

Overboarded Directors: Generally, vote against or withhold from individual directors who:

- Sit on more than five public company boards; or
- Are CEOs of public companies who sit on the boards of more than two public companies besides their own — withhold only at their outside boards[9].

[8] Nominees who served for only part of the fiscal year are generally exempted from the attendance policy.
[9] Although all of a CEO's subsidiary boards will be counted as separate boards, Sustainability Advisory Services will not recommend a withhold vote for the CEO of a parent company board or any of the controlled (>50 percent ownership) subsidiaries of that parent, but may do so at subsidiaries that are less than 50 percent controlled and boards outside the parent/subsidiary relationships.

Gender Diversity

Sustainability Policy Recommendation: Generally vote against or withhold from the chair of the nominating committee, or other nominees on a case-by-case basis, if the board lacks at least one director of an underrepresented gender identity[10].

Racial and/or Ethnic Diversity

Sustainability Policy Recommendation: Generally vote against or withhold from the chair of the nominating committee (or other directors on a case-by-case basis) where the board has no apparent racially or ethnically diverse members[11].

4. Independence

Vote against or withhold from non-independent directors (Executive Directors and Non-Independent Non-Executive Directors per Sustainability Advisory Services' Classification of Directors) when:

- Independent directors comprise 50 percent or less of the board;
- The non-independent director serves on the audit, compensation, or nominating committee;
- The company lacks an audit, compensation, or nominating committee so that the full board functions as that committee; or
- The company lacks a formal nominating committee, even if the board attests that the independent directors fulfill the functions of such a committee.

[10] Underrepresented gender identity includes directors who identify as women or as non-binary.
[11] Aggregate diversity statistics provided by the board will only be considered if specific to racial and/or ethnic diversity.

Sustainability Policy Classification of Directors – U.S.

1. **Executive Director**
   1.1. Current officer[1] of the company or one of its affiliates[2].

2. Non-Independent Non-Executive Director

   Board Identification

   2.1. Director identified as not independent by the board.

   Controlling/Significant Shareholder

   2.2. Beneficial owner of more than 50 percent of the company's voting power (this may be aggregated if voting power is distributed among more than one member of a group).

   Current Employment at Company or Partnership

   2.3. Non-officer employee of the firm (including employee representatives).

   2.4. Officer[1], former officer, or general or limited partner of a joint venture or partnership with the company.

   Former Employment

   2.5. Former CEO of the company.[3],[4]

   2.6. Former non-CEO officer[1] of the company or an affiliate[2] within the past five years.

   2.7. Former officer[1] of an acquired company within the past five years[4].

   2.8. Officer [1] of a former parent or predecessor firm at the time the company was sold or split off within the past five years.

   2.9. Former interim officer if the service was longer than 18 months. If the service was between 12 and 18 months an assessment of the interim officer's employment agreement will be made.[5]

   Family Members

   2.10. Immediate family member[6] of a current or former officer[1] of the company or its affiliates[2] within the last five years.

   2.11. Immediate family member[6] of a current employee of company or its affiliates[2] where additional factors raise concern (which may include, but are not limited to, the following: a director related to numerous employees; the company or its affiliates employ relatives of numerous board members; or a non-Section 16 officer in a key strategic role).

   Professional, Transactional, and Charitable Relationships

   2.12. Director who (or whose immediate family member[6]) currently provides professional services[7] in excess of $10,000 per year to: the company, an affiliate[2], or an individual officer of the company or an affiliate; either directly or is (or whose family member is) a partner, employee, or controlling shareholder of an organization which provides the services.

   2.13. Director who (or whose immediate family member[6]) currently has any material transactional relationship[8] with the company or its affiliates[2]; or who is (or whose immediately family member[6] is) a partner in, or a controlling shareholder or an executive officer of, an organization which has the material transactional relationship[8] (excluding investments in the company through a private placement).

   2.14. Director who (or whose immediate family member[6]) is a trustee, director, or employee of a charitable or non-profit organization that receives material grants or endowments[8] from the company or its affiliates[2].

   Other Relationships

   2.15. Party to a voting agreement[9] to vote in line with management on proposals being brought to shareholder vote.

   2.16. Has (or an immediate family member[6] has) an interlocking relationship as defined by the SEC involving members of the board of directors or its Compensation Committee[10].

   2.17. Founder[11] of the company but not currently an employee.

2.18. Director with pay comparable to Named Executive Officers.
2.19. Any material[12] relationship with the company.

3. **Independent Director**
   3.1. No material[12] connection to the company other than a board seat.

Footnotes:

[1] The definition of officer will generally follow that of a "Section 16 officer" (officers subject to Section 16 of the Securities and Exchange Act of 1934) and includes the chief executive, operating, financial, legal, technology, and accounting officers of a company (including the president, treasurer, secretary, controller, or any vice president in charge of a principal business unit, division, or policy function). Current interim officers are included in this category. For private companies, the equivalent positions are applicable. A non-employee director serving as an officer due to statutory requirements (e.g. corporate secretary) will be classified as an Affiliated Outsider under "Any material relationship with the company." However, if the company provides explicit disclosure that the director is not receiving additional compensation in excess of $10,000 per year for serving in that capacity, then the director will be classified as an Independent Outsider.

[2] "Affiliate" includes a subsidiary, sibling company, or parent company. Sustainability Advisory Services uses 50 percent control ownership by the parent company as the standard for applying its affiliate designation. The manager/advisor of an externally managed issuer (EMI) is considered an affiliate.

[3] Includes any former CEO of the company prior to the company's initial public offering (IPO).

[4] When there is a former CEO of a special purpose acquisition company (SPAC) serving on the board of an acquired company, Sustainability Advisory Services will generally classify such directors as independent unless determined otherwise taking into account the following factors: the applicable listing standards determination of such director's independence; any operating ties to the firm; and the existence of any other conflicting relationships or related party transactions.

[5] Sustainability Advisory Services will look at the terms of the interim officer's employment contract to determine if it contains severance pay, long-term health and pension benefits, or other such standard provisions typically contained in contracts of permanent, non-temporary CEOs. Sustainability Advisory Services will also consider if a formal search process was under way for a full-time officer at the time.

[6] "Immediate family member" follows the SEC's definition of such and covers spouses, parents, children, step-parents, step-children, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.

[7] Professional services can be characterized as advisory in nature, generally involve access to sensitive company information or to strategic decision-making, and typically have a commission- or fee-based payment structure. Professional services generally include, but are not limited to the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; legal services; property management services; realtor services; lobbying services; executive search services; and IT consulting services. The following would generally be considered transactional relationships and not professional services: deposit services; IT tech support services; educational services; and construction services. The case of participation in a banking syndicate by a non-lead bank should be considered a transactional (and hence subject to the associated materiality test) rather than a professional relationship. "Of Counsel" relationships are only considered immaterial if the individual does not receive any form of compensation (in excess of $10,000 per year) from, or is a retired partner of, the firm providing the professional service. The case of a company providing a professional service to one of its directors or to an entity with which one of its directors is affiliated, will be considered a transactional rather than

a professional relationship. Insurance services and marketing services are assumed to be professional services unless the company explains why such services are not advisory.

[8] A material transactional relationship, including grants to non-profit organizations, exists if the company makes annual payments to, or receives annual payments from, another entity exceeding the greater of $200,000 or 5 percent of the recipient's gross revenues, in the case of a company which follows NASDAQ listing standards; or the greater of $1,000,000 or 2 percent of the recipient's gross revenues, in the case of a company which follows NYSE listing standards. In the case of a company which follows neither of the preceding standards, Sustainability Advisory Services will apply the NASDAQ-based materiality test. (The recipient is the party receiving the financial proceeds from the transaction).

[9] Dissident directors who are parties to a voting agreement pursuant to a settlement or similar arrangement may be classified as independent outsiders if an analysis of the following factors indicates that the voting agreement does not compromise their alignment with all shareholders' interests: the terms of the agreement; the duration of the standstill provision in the agreement; the limitations and requirements of actions that are agreed upon; if the dissident director nominee(s) is subject to the standstill; and if there any conflicting relationships or related party transactions.

[10] Interlocks include: executive officers serving as directors on each other's compensation or similar committees (or, in the absence of such a committee, on the board); or executive officers sitting on each other's boards and at least one serves on the other's compensation or similar committees (or, in the absence of such a committee, on the board).

[11] The operating involvement of the founder with the company will be considered; if the founder was never employed by the company, Sustainability Advisory Services may deem him or her an independent outsider.

[12] For purposes of Sustainability Advisory Services' director independence classification, "material" will be defined as a standard of relationship (financial, personal or otherwise) that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders.

Other Board-Related Proposals

Board Refreshment

Board refreshment is best implemented through an ongoing program of individual director evaluations, conducted annually, to ensure the evolving needs of the board are met and to bring in fresh perspectives, skills, and diversity as needed.

Term/Tenure Limits

Sustainability Policy Recommendation: Vote case-by-case on management proposals regarding director term/tenure limits, considering:

- The rationale provided for adoption of the term/tenure limit;
- The robustness of the company's board evaluation process;
- Whether the limit is of sufficient length to allow for a broad range of director tenures;
- Whether the limit would disadvantage independent directors compared to non-independent directors; and
- Whether the board will impose the limit evenly, and not have the ability to waive it in a discriminatory manner.

Vote case-by-case on shareholder proposals asking for the company to adopt director term/tenure limits, considering:

- The scope of the shareholder proposal; and
- Evidence of problematic issues at the company combined with, or exacerbated by, a lack of board refreshment.

Age Limits

Sustainability Policy Recommendation: Generally vote against management and shareholder proposals to limit the tenure of independent directors through mandatory retirement ages. Vote for proposals to remove mandatory age limits.

Board Size

Sustainability Policy Recommendation: Vote for proposals seeking to fix the board size or designate a range for the board size.

Vote against proposals that give management the ability to alter the size of the board outside of a specified range without shareholder approval.

Classification/Declassification of the Board

Sustainability Policy Recommendation: Vote against proposals to classify (stagger) the board.

Vote for proposals to repeal classified boards and to elect all directors annually.

CEO Succession Planning

Sustainability Policy Recommendation: Generally vote for proposals seeking disclosure on a CEO succession planning policy, considering, at a minimum, the following factors:

- The reasonableness/scope of the request; and
- The company's existing disclosure on its current CEO succession planning process.

Cumulative Voting

Sustainability Policy Recommendation: Generally vote against management proposals to eliminate cumulate voting, and for shareholder proposals to restore or provide for cumulative voting, unless:

- The company has proxy access, thereby allowing shareholders to nominate directors to the company's ballot; and
- The company has adopted a majority vote standard, with a carve-out for plurality voting in situations where there are more nominees than seats, and a director resignation policy to address failed elections.

Vote for proposals for cumulative voting at controlled companies (insider voting power > 50%).

Director and Officer Indemnification and Liability Protection

Sustainability Policy Recommendation: Vote case-by-case on proposals on director and officer indemnification and liability protection.

Vote against proposals that would:

- Eliminate entirely directors' and officers' liability for monetary damages for violating the duty of care.
- Expand coverage beyond just legal expenses to liability for acts that are more serious violations of fiduciary obligation than mere carelessness.
- 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 only those proposals providing such expanded coverage in cases when a director's or officer's legal defense was unsuccessful if both of the following apply:

- If the director was found to have acted in good faith and in a manner that s/he reasonably believed was in the best interests of the company; and
- If only the director's legal expenses would be covered.

Establish/Amend Nominee Qualifications

Sustainability Policy Recommendation: Vote case-by-case on proposals that establish or amend director qualifications. Votes should be based on the reasonableness of the criteria and the degree to which they may preclude dissident nominees from joining the board.

Vote case-by-case on shareholder resolutions seeking a director nominee who possesses a particular subject matter expertise, considering:

- The company's board committee structure, existing subject matter expertise, and board nomination provisions relative to that of its peers;
- The company's existing board and management oversight mechanisms regarding the issue for which board oversight is sought;

- The company's disclosure and performance relating to the issue for which board oversight is sought and any significant related controversies; and
- The scope and structure of the proposal.

Establish Other Board Committee Proposals

Sustainability Policy Recommendation: Generally vote against shareholder proposals to establish a new board committee, as such proposals seek a specific oversight mechanism/structure that potentially limits a company's flexibility to determine an appropriate oversight mechanism for itself. However, the following factors will be considered:

- Existing oversight mechanisms (including current committee structure) regarding the issue for which board oversight is sought;
- Level of disclosure regarding the issue for which board oversight is sought;
- Company performance related to the issue for which board oversight is sought;
- Board committee structure compared to that of other companies in its industry sector; and
- The scope and structure of the proposal.

Filling Vacancies/Removal of Directors

Sustainability Policy Recommendation: Vote against proposals that provide that directors may be removed only for cause.

- Vote for proposals to restore shareholders' ability to remove directors with or without cause.
- Vote against proposals that provide that only continuing directors may elect replacements to fill board vacancies.
- Vote for proposals that permit shareholders to elect directors to fill board vacancies.

Independent Board Chair

One of the principal functions of the board is to monitor and evaluate the performance of the CEO and other executive officers. The board chair's duty to oversee management may be compromised when he/she is connected to or a part of the management team. Generally, Sustainability Advisory Services recommends supporting shareholder proposals that would require that the position of board chair be held by an individual with no materials ties to the company other than their board seat.

Sustainability Policy Recommendation: Generally, support shareholder proposals that would require the board chair to be independent of management.

Majority of Independent Directors/Establishment of Independent Committees

Sustainability Policy Recommendation: Vote for shareholder proposals asking that a majority or more of directors be independent unless the board composition already meets the proposed threshold by the Sustainability policy's definition of independent outsider. (See Sustainability Policy Classification of Directors – U.S.)

Vote for shareholder proposals asking that board audit, compensation, and/or nominating committees be composed exclusively of independent directors unless they currently meet that standard.

Majority Vote Standard for the Election of Directors

Sustainability Policy Recommendation: Generally vote for management proposals to adopt a majority of votes cast standard for directors in uncontested elections. Vote against if no carve-out for a plurality vote standard in contested elections is included.

Generally vote for precatory and binding shareholder resolutions requesting that the board change the company's bylaws to stipulate that directors need to be elected with an affirmative majority of votes cast, provided it does not conflict with the state law where the company is incorporated. Binding resolutions need to allow for a carve-out for a plurality vote standard when there are more nominees than board seats.

Companies are strongly encouraged to also adopt a post-election policy (also known as a director resignation policy) that will provide guidelines so that the company will promptly address the situation of a holdover director.

Proxy Access

Sustainability Policy Recommendation: Generally vote for management and shareholder proposals for proxy access with the following provisions:

- **Ownership threshold:** maximum requirement not more than three percent (3%) of the voting power;
- **Ownership duration:** maximum requirement not longer than three (3) years of continuous ownership for each member of the nominating group;
- **Aggregation:** minimal or no limits on the number of shareholders permitted to form a nominating group;
- **Cap:** cap on nominees of generally twenty-five percent (25%) of the board.

Review for reasonableness any other restrictions on the right of proxy access.

Generally vote against proposals that are more restrictive than these guidelines.

Require More Nominees than Open Seats

Sustainability Policy Recommendation: Vote against shareholder proposals that would require a company to nominate more candidates than the number of open board seats.

Shareholder Engagement Policy (Shareholder Advisory Committee)

Sustainability Policy Recommendation: Generally vote for shareholder proposals requesting that the board establish an internal mechanism/process, which may include a committee, in order to improve communications between directors and shareholders, unless the company has the following features, as appropriate:

- Established a communication structure that goes beyond the exchange requirements to facilitate the exchange of information between shareholders and members of the board;
- Effectively disclosed information with respect to this structure to its shareholders;
- Company has not ignored majority-supported shareholder proposals or a majority withhold vote on a director nominee; and
- The company has an independent chair or a lead director, according to ISS' Sustainability policy definition. This individual must be made available for periodic consultation and direct communication with major shareholders.

Proxy Contests/Proxy Access -Voting for Director Nominees in Contested Elections

Sustainability Policy Recommendation: Vote case-by-case on the election of directors in contested elections, considering the following factors:

- Long-term financial performance of the company relative to its industry;
- Management's track record;
- Background to the contested election;
- Nominee qualifications and any compensatory arrangements;
- Strategic plan of dissident slate and quality of the critique against management;
- Likelihood that the proposed goals and objectives can be achieved (both slates); and
- Stock ownership positions.

In the case of candidates nominated pursuant to proxy access, vote case-by-case considering any applicable factors listed above or additional factors which may be relevant, including those that are specific to the company, to the nominee(s) and/or to the nature of the election (such as whether or not there are more candidates than board seats).

Vote-No Campaigns

Sustainability Policy Recommendation: In cases where companies are targeted in connection with public "vote-no" campaigns, evaluate director nominees under the existing governance policies for voting on director nominees in uncontested elections. Take into consideration the arguments submitted by shareholders and other publicly available information.

3. Shareholder Rights & Defenses

Advance Notice Requirements for Shareholder Proposals/Nominations

Sustainability Policy Recommendation: Vote case-by-case on advance notice proposals, giving support to those proposals which allow shareholders to submit proposals/nominations as close to the meeting date as reasonably possible and within the broadest window possible, recognizing the need to allow sufficient notice for company, regulatory, and shareholder review.

To be reasonable, the company's deadline for shareholder notice of a proposal/nominations must be no earlier than 120 days prior to the anniversary of the previous year's meeting and have a submittal window of no shorter than 30 days from the beginning of the notice period (also known as a 90-120 day window). The submittal window is the period under which shareholders must file their proposal/nominations prior to the deadline.

In general, support additional efforts by companies to ensure full disclosure in regard to a proponent's economic and voting position in the company so long as the informational requirements are reasonable and aimed at providing shareholders with the necessary information to review such proposals.

Amend Bylaws without Shareholder Consent

Sustainability Policy Recommendation: Vote against proposals giving the board exclusive authority to amend the bylaws.

Vote for proposals giving the board the ability to amend the bylaws in addition to shareholders.

Control Share Acquisition Provisions

Control share acquisition statutes function by denying shares their voting rights when they contribute to ownership in excess of certain thresholds. Voting rights for those shares exceeding ownership limits may only be restored by approval of either a majority or supermajority of disinterested shares. Thus, control share acquisition statutes effectively require a hostile bidder to put its offer to a shareholder vote or risk voting disenfranchisement if the bidder continues buying up a large block of shares.

Sustainability Policy Recommendation: Vote for proposals to opt out of control share acquisition statutes unless doing so would enable the completion of a takeover that would be detrimental to shareholders.

Vote against proposals to amend the charter to include control share acquisition provisions.

Vote for proposals to restore voting rights to the control shares.

Control Share Cash-Out Provisions

Control share cash-out statutes give dissident shareholders the right to "cash-out" of their position in a company at the expense of the shareholder who has taken a control position. In other words, when an investor crosses a preset threshold level, remaining shareholders are given the right to sell their shares to the acquirer, who must buy them at the highest acquiring price.

Sustainability Policy Recommendation: Vote for proposals to opt out of control share cash-out statutes.

Disgorgement Provisions

Disgorgement provisions require an acquirer or potential acquirer of more than a certain percentage of a company's stock to disgorge, or pay back, to the company any profits realized from the sale of that company's stock purchased 24 months before achieving control status. All sales of company stock by the acquirer occurring within a certain period of time (between 18 months and 24 months) prior to the investor's gaining control status are subject to these recapture-of-profits provisions.

Sustainability Policy Recommendation: Vote for proposals to opt out of state disgorgement provisions.

Fair Price Provisions

Sustainability Policy Recommendation: Vote case-by-case on proposals to adopt fair price provisions (provisions that stipulate that an acquirer must pay the same price to acquire all shares as it paid to acquire the control shares), evaluating factors such as the vote required to approve the proposed acquisition, the vote required to repeal the fair price provision, and the mechanism for determining the fair price.

Generally vote against fair price provisions with shareholder vote requirements greater than a majority of disinterested shares.

Freeze-Out Provisions

Sustainability Policy Recommendation: Vote for proposals to opt out of state freeze-out provisions. Freeze-out provisions force an investor who surpasses a certain ownership threshold in a company to wait a specified period of time before gaining control of the company.

Greenmail

Greenmail payments are targeted share repurchases by management of company stock from individuals or groups seeking control of the company. Since only the hostile party receives payment, usually at a substantial premium over the market value of its shares, the practice discriminates against all other shareholders.

Sustainability Policy Recommendation: Vote for proposals to adopt anti-greenmail charter or bylaw amendments or otherwise restrict a company’s ability to make greenmail payments.

Vote case-by-case on anti-greenmail proposals when they are bundled with other charter or bylaw amendments.

Shareholder Litigation Rights

Federal Forum Selection Provisions

Federal forum selection provisions require that U.S. federal courts be the sole forum for shareholders to litigate claims arising under federal securities law.

Sustainability Policy Recommendation: Generally vote for federal forum selection provisions in the charter or bylaws that specify "the district courts of the United States" as the exclusive forum for federal securities law matters, in the absence of serious concerns about corporate governance or board responsiveness to shareholders.

Vote against provisions that restrict the forum to a particular federal district court; unilateral adoption (without a shareholder vote) of such a provision will generally be considered a one-time failure under the Unilateral Bylaw/Charter Amendments policy.

Exclusive Forum Provisions for State Law Matters

Exclusive forum provisions in the charter or bylaws restrict shareholders' ability to bring derivative lawsuits against the company, for claims arising out of state corporate law, to the courts of a particular state (generally the state of incorporation).

Sustainability Policy Recommendation: Generally vote for charter or bylaw provisions that specify courts located within the state of Delaware as the exclusive forum for corporate law matters for Delaware corporations, in the absence of serious concerns about corporate governance or board responsiveness to shareholders.

For states other than Delaware, vote case-by-case on exclusive forum provisions, taking into consideration:

- The company's stated rationale for adopting such a provision;
- Disclosure of past harm from duplicative shareholder lawsuits in more than one forum;
- The breadth of application of the charter or bylaw provision, including the types of lawsuits to which it would apply and the definition of key terms; and
- Governance features such as shareholders' ability to repeal the provision at a later date (including the vote standard applied when shareholders attempt to amend the charter or bylaws) and their ability to hold directors accountable through annual director elections and a majority vote standard in uncontested elections.

Generally vote against provisions that specify a state other than the state of incorporation as the exclusive forum for corporate law matters, or that specify a particular local court within the state; unilateral adoption of such a provision will generally be considered a one-time failure under the Unilateral Bylaw/Charter Amendments policy.

Fee shifting

Fee-shifting provisions in the charter or bylaws require that a shareholder who sues a company unsuccessfully pay all litigation expenses of the defendant corporation and its directors and officers.

Sustainability Policy Recommendation: Generally vote against provisions that mandate fee-shifting whenever plaintiffs are not completely successful on the merits (i.e., including 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 and Problematic Capital Structures policy.

Net Operating Loss (NOL) Protective Amendments

Sustainability Policy Recommendation: Vote against proposals to adopt a protective amendment for the stated purpose of protecting a company's net operating losses (NOL) if the effective term of the protective amendment would exceed the shorter of three years and the exhaustion of the NOL.

Vote case-by-case, considering the following factors, for management proposals to adopt an NOL protective amendment that would remain in effect for the shorter of three years (or less) and the exhaustion of the NOL:

- The ownership threshold (NOL protective amendments generally prohibit stock ownership transfers that would result in a new 5-percent holder or increase the stock ownership percentage of an existing 5-percent holder);
- The value of the NOLs;
- Shareholder protection mechanisms (sunset provision or commitment to cause expiration of the protective amendment upon exhaustion or expiration of the NOL);

- The company's existing governance structure including: board independence, existing takeover defenses, track record of responsiveness to shareholders, and any other problematic governance concerns; and
- Any other factors that may be applicable.

Poison Pills (Shareholder Rights Plans)

Shareholder Proposals to Put Pill to a Vote and/or Adopt a Pill Policy

Sustainability Policy Recommendation: Vote for shareholder proposals requesting that the company submit its poison pill to a shareholder vote or redeem it unless the company has: (1) A shareholder approved poison pill in place; or (2) The company has adopted a policy concerning the adoption of a pill in the future specifying that the board will only adopt a shareholder rights plan if either:

- Shareholders have approved the adoption of the plan; or
- The board, in its exercise of its fiduciary responsibilities, determines that it is in the best interest of shareholders under the circumstances to adopt a pill without the delay in adoption that would result from seeking stockholder approval (*i.e.*, the "fiduciary out" provision). A poison pill adopted under this fiduciary out will be put to a shareholder ratification vote within 12 months of adoption or expire. If the pill is not approved by a majority of the votes cast on this issue, the plan will immediately terminate.

If the shareholder proposal calls for a time period of less than 12 months for shareholder ratification after adoption, vote for the proposal, but add the caveat that a vote within 12 months would be considered sufficient implementation.

Management Proposals to Ratify a Poison Pill

Sustainability Policy Recommendation: Vote case-by-case on management proposals on poison pill ratification, focusing on the features of the shareholder rights plan. Rights plans should contain the following attributes:

- No lower than a 20% trigger, flip-in or flip-over;
- A term of no more than three years;
- No dead-hand, slow-hand, no-hand or similar feature that limits the ability of a future board to redeem the pill;
- Shareholder redemption feature (qualifying offer clause); if the board refuses to redeem the pill 90 days after a qualifying offer is announced, 10 percent of the shares may call a special meeting or seek a written consent to vote on rescinding the pill.

In addition, the rationale for adopting the pill should be thoroughly explained by the company. In examining the request for the pill, take into consideration the company's existing governance structure, including: board independence, existing takeover defenses, and any problematic governance concerns.

Management Proposals to Ratify a Pill to Preserve Net Operating Losses (NOLs)

Sustainability Policy Recommendation: Vote against proposals to adopt a poison pill for the stated purpose of protecting a company's net operating losses (NOL) if the term of the pill would exceed the shorter of three years and the exhaustion of the NOL.

Vote case-by-case on management proposals for poison pill ratification, considering the following factors, if the term of the pill would be the shorter of three years (or less) and the exhaustion of the NOL:

- The ownership threshold to transfer (NOL pills generally have a trigger slightly below 5 percent);
- The value of the NOLs;
- Shareholder protection mechanisms (sunset provision, or commitment to cause expiration of the pill upon exhaustion or expiration of NOLs);

- The company's existing governance structure including: board independence, existing takeover defenses, track record of responsiveness to shareholders, and any other problematic governance concerns; and
- Any other factors that may be applicable.

Proxy Voting Disclosure, Confidentiality, and Tabulation

Sustainability Policy Recommendation: Vote case-by-case on proposals regarding proxy voting mechanics, taking into consideration whether implementation of the proposal is likely to enhance or protect shareholder rights. Specific issues covered under the policy include, but are not limited to, confidential voting of individual proxies and ballots, confidentiality of running vote tallies, and the treatment of abstentions and/or broker non-votes in the company's vote-counting methodology.

While a variety of factors may be considered in each analysis, the guiding principles are: transparency, consistency, and fairness in the proxy voting process. The factors considered, as applicable to the proposal, may include:

- The scope and structure of the proposal;
- The company's stated confidential voting policy (or other relevant policies) and whether it ensures a "level playing field" by providing shareholder proponents with equal access to vote information prior to the annual meeting;
- The company's vote standard for management and shareholder proposals and whether it ensures consistency and fairness in the proxy voting process and maintains the integrity of vote results;
- Whether the company's disclosure regarding its vote counting method and other relevant voting policies with respect to management and shareholder proposals are consistent and clear;
- Any recent controversies or concerns related to the company's proxy voting mechanics;
- Any unintended consequences resulting from implementation of the proposal; and
- Any other factors that may be relevant.

Ratification Proposals: Management Proposals to Ratify Existing Charter or Bylaw Provisions

Sustainability Policy Recommendation: Generally vote against management proposals to ratify provisions of the company's existing charter or bylaws, unless these governance provisions align with best practice.

In addition, voting against/withhold from individual directors, members of the governance committee, or the full board may be warranted, considering:

- The presence of a shareholder proposal addressing the same issue on the same ballot;
- The board's rationale for seeking ratification;
- Disclosure of actions to be taken by the board should the ratification proposal fail;
- Disclosure of shareholder engagement regarding the board's ratification request;
- The level of impairment to shareholders' rights caused by the existing provision;
- The history of management and shareholder proposals on the provision at the company's past meetings;
- Whether the current provision was adopted in response to the shareholder proposal;
- The company's ownership structure; and
- Previous use of ratification proposals to exclude shareholder proposals.

Reimbursing Proxy Solicitation Expenses

Sustainability Policy Recommendation: Vote case-by-case on proposals to reimburse proxy solicitation expenses.

When voting in conjunction with support of a dissident slate, vote for the reimbursement of all appropriate proxy solicitation expenses associated with the election.

Generally vote for shareholder proposals calling for the reimbursement of reasonable costs incurred in connection with nominating one or more candidates in a contested election where the following apply:

- The election of fewer than 50% of the directors to be elected is contested in the election;
- One or more of the dissident's candidates is elected;
- Shareholders are not permitted to cumulate their votes for directors; and
- The election occurred, and the expenses were incurred, after the adoption of this bylaw.

Reincorporation Proposals

Sustainability Policy Recommendation: Management or shareholder proposals to change a company's state of incorporation should be evaluated case-by-case, giving consideration to both financial and corporate governance concerns including the following:

- Reasons for reincorporation;
- Comparison of company's governance practices and provisions prior to and following the reincorporation; and
- Comparison of corporation laws of original state and destination state.
- Vote for reincorporation when the economic factors outweigh any neutral or negative governance changes.

Shareholder Ability to Act by Written Consent

Sustainability Policy Recommendation: Generally vote against management and shareholder proposals to restrict or prohibit shareholders' ability to act by written consent.

Generally vote for management and shareholder proposals that provide shareholders with the ability to act by written consent, taking into account the following factors:

- Shareholders' current right to act by written consent;
- The consent threshold;
- The inclusion of exclusionary or prohibitive language;
- Investor ownership structure; and
- Shareholder support of, and management's response to, previous shareholder proposals.

Vote case-by-case on shareholder proposals if, in addition to the considerations above, the company has the following governance and antitakeover provisions:

- An unfettered[12] right for shareholders to call special meetings at a 10 percent threshold;
- A majority vote standard in uncontested director elections;
- No non-shareholder-approved pill; and
- An annually elected board.

Shareholder Ability to Call Special Meetings

Sustainability Policy Recommendation: Vote against management or shareholder proposals to restrict or prohibit shareholders' ability to call special meetings.

Generally vote for management or shareholder proposals that provide shareholders with the ability to call special meetings taking into account the following factors:

- Shareholders' current right to call special meetings;
- Minimum ownership threshold necessary to call special meetings (10% preferred);
- The inclusion of exclusionary or prohibitive language;
- Investor ownership structure; and

[12] "Unfettered" means no restrictions on agenda items, no restrictions on the number of shareholders who can group together to reach the 10 percent threshold, and only reasonable limits on when a meeting can be called: no greater than 30 days after the last annual meeting and no greater than 90 prior to the next annual meeting.

- Shareholder support of, and management's response to, previous shareholder proposals.

Stakeholder Provisions

Sustainability Policy Recommendation: Vote against proposals that ask the board to consider non-shareholder constituencies or other non-financial effects when evaluating a merger or business combination.

State Antitakeover Statutes

Sustainability Policy Recommendation: Vote case-by-case on proposals to opt in or out of state takeover statutes (including fair price provisions, stakeholder laws, poison pill endorsements, severance pay and labor contract provisions, and anti-greenmail provisions).

Supermajority Vote Requirements

Sustainability Policy Recommendation: Vote against proposals to require a supermajority shareholder vote.

Vote for management or shareholder proposals to reduce supermajority vote requirements. However, for companies with shareholder(s) who have significant ownership levels, vote case-by-case, taking into account:

- Ownership structure;
- Quorum requirements; and
- Vote requirements.

Virtual Shareholder Meetings

Sustainability Policy Recommendation: Generally vote for management proposals allowing for the convening of shareholder meetings by electronic means, so long as they do not preclude in-person meetings. Companies are encouraged to disclose the circumstances under which virtual-only[13] meetings would be held, and to allow for comparable rights and opportunities for shareholders to participate electronically as they would have during an in-person meeting.

Vote case-by-case on shareholder proposals concerning virtual-only meetings, considering:

- Scope and rationale of the proposal; and
- Concerns identified with the company's prior meeting practices.

[13] Virtual-only shareholder meeting" refers to a meeting of shareholders that is held exclusively using technology without a corresponding in-person meeting.

4. Capital/Restructuring

Capital

Adjustments to Par Value of Common Stock

Sustainability Policy Recommendation: Vote for management proposals to reduce the par value of common stock unless the action is being taken to facilitate an anti-takeover device or some other negative corporate governance action.

Vote for management proposals to eliminate par value.

Common Stock Authorization

General Authorization Requests

Sustainability Policy Recommendation: Vote case-by-case on proposals to increase the number of authorized shares of common stock that are to be used for general corporate purposes:

- If share usage (outstanding plus reserved) is less than 50% of the current authorized shares, vote for an increase of up to **50**% of current authorized shares.
- If share usage is 50% to 100% of the current authorized, vote for an increase of up to **100**% of current authorized shares.
- If share usage is greater than current authorized shares, vote for an increase of up to the current share usage.
- In the case of a stock split, the allowable increase is calculated (per above) based on the post-split adjusted authorization.

Generally vote against proposed increases, even if within the above ratios, if the proposal or the company's prior or ongoing use of authorized shares is problematic, including, but not limited to:

- The proposal seeks to increase the number of authorized shares of the class of common stock that has superior voting rights to other share classes;
- On the same ballot is a proposal for a reverse split for which support is warranted despite the fact that it would result in an excessive increase in the share authorization;
- The company has a non-shareholder approved poison pill (including an NOL pill); or
- The company has previous sizeable placements (within the past 3 years) of stock with insiders at prices substantially below market value, or with problematic voting rights, without shareholder approval.

However, generally vote for proposed increases beyond the above ratios or problematic situations when there is disclosure of specific and severe risks to shareholders of not approving the request, such as:

- In, or subsequent to, the company's most recent 10-K filing, the company discloses that there is substantial doubt about its ability to continue as a going concern;
- The company states that there is a risk of imminent bankruptcy or imminent liquidation if shareholders do not approve the increase in authorized capital; or
- A government body has in the past year required the company to increase its capital ratios.

For companies incorporated in states that allow increases in authorized capital without shareholder approval, generally vote withhold or against all nominees if a unilateral capital authorization increase does not conform to the above policies.

Specific Authorization Requests

Sustainability Policy Recommendation: Generally vote for proposals to increase the number of authorized common shares where the primary purpose of the increase is to issue shares in connection with transaction(s) (such as acquisitions, SPAC transactions, private placements, or similar transactions) on the same ballot, or disclosed in the proxy statement, that warrant support. For such transactions, the allowable increase will be the greater of:

- twice the amount needed to support the transactions on the ballot, and
- the allowable increase as calculated for general issuances above.

Dual Class Structure

Sustainability Policy Recommendation: Generally vote against proposals to create a new class of common stock unless:

- The company discloses a compelling rationale for the dual-class capital structure, such as:
  - The company's auditor has concluded that there is substantial doubt about the company's ability to continue as a going concern; or
  - The new class of shares will be transitory;
- The new class is intended for financing purposes with minimal or no dilution to current shareholders in both the short term and long term; and
- The new class is not designed to preserve or increase the voting power of an insider or significant shareholder.

Issue Stock for Use with Rights Plan

Sustainability Policy Recommendation: Vote against proposals that increase authorized common stock for the explicit purpose of implementing a non-shareholder- approved shareholder rights plan (poison pill).

Preemptive Rights

Sustainability Policy Recommendation: Vote case-by-case on shareholder proposals that seek preemptive rights, taking into consideration:

- The size of the company;
- The shareholder base; and
- The liquidity of the stock.

Preferred Stock Authorization

General Authorization Requests

Sustainability Policy Recommendation: Vote case-by-case on proposals to increase the number of authorized shares of preferred stock that are to be used for general corporate purposes:

- If share usage (outstanding plus reserved) is less than 50% of the current authorized shares, vote for an increase of up to **50**% of current authorized shares.
- If share usage is 50% to 100% of the current authorized, vote for an increase of up to **100**% of current authorized shares.
- If share usage is greater than current authorized shares, vote for an increase of up to the current share usage.
- In the case of a stock split, the allowable increase is calculated (per above) based on the post-split adjusted authorization.
- If no preferred shares are currently issued and outstanding, vote against the request, unless the company discloses a specific use for the shares.

Generally vote against proposed increases, even if within the above ratios, if the proposal or the company's prior or ongoing use of authorized shares is problematic, including, but not limited to:

- If the shares requested are blank check preferred shares that can be used for antitakeover purposes;[14]
- The company seeks to increase a class of non-convertible preferred shares entitled to more than one vote per share on matters that do not solely affect the rights of preferred stockholders "supervoting shares");
- The company seeks to increase a class of convertible preferred shares entitled to a number of votes greater than the number of common shares into which they're convertible ("supervoting shares") on matters that do not solely affect the rights of preferred stockholders;
- The stated intent of the increase in the general authorization is to allow the company to increase an existing designated class of supervoting preferred shares;
- On the same ballot is a proposal for a reverse split for which support is warranted despite the fact that it would result in an excessive increase in the share authorization;
- The company has a non-shareholder approved poison pill (including an NOL pill); or
- The company has previous sizeable placements (within the past 3 years) of stock with insiders at prices substantially below market value, or with problematic voting rights, without shareholder approval.

However, generally vote for proposed increases beyond the above ratios or problematic situations when there is disclosure of specific and severe risks to shareholders of not approving the request, such as:

- In, or subsequent to, the company's most recent 10-K filing, the company discloses that there is substantial doubt about its ability to continue as a going concern;
- The company states that there is a risk of imminent bankruptcy or imminent liquidation if shareholders do not approve the increase in authorized capital; or
- A government body has in the past year required the company to increase its capital ratios.

For companies incorporated in states that allow increases in authorized capital without shareholder approval, generally vote withhold or against all nominees if a unilateral capital authorization increase does not conform to the above policies.

Specific Authorization Requests

Sustainability Policy Recommendation: Generally vote for proposals to increase the number of authorized preferred shares where the primary purpose of the increase is to issue shares in connection with transaction(s) (such as acquisitions, SPAC transactions, private placements, or similar transactions) on the same ballot, or disclosed in the proxy statement, that warrant support. For such transactions, the allowable increase will be the greater of:

- twice the amount needed to support the transactions on the ballot, and
- the allowable increase as calculated for general issuances above.

Recapitalization Plans

Sustainability Policy Recommendation: Vote case-by-case on recapitalizations (reclassifications of securities), taking into account the following:

- More simplified capital structure;
- Enhanced liquidity;
- Fairness of conversion terms;
- Impact on voting power and dividends;
- Reasons for the reclassification;
- Conflicts of interest; and
- Other alternatives considered.

[14] To be acceptable, appropriate disclosure would be needed that the shares are "declawed": i.e., representation by the board that it will not, without prior stockholder approval, issue or use the preferred stock for any defensive or anti-takeover purpose or for the purpose of implementing any stockholder rights plan.

Reverse Stock Splits

Sustainability Policy Recommendation: Vote for management proposals to implement a reverse stock split if:

- The number of authorized shares will be proportionately reduced; or
- The effective increase in authorized shares is equal to or less than the allowable increase calculated in accordance with Sustainability Advisory Services' Common Stock Authorization policy.

Vote case-by-case on proposals that do not meet either of the above conditions, taking into consideration the following factors:

- Stock exchange notification to the company of a potential delisting;
- Disclosure of substantial doubt about the company's ability to continue as a going concern without additional financing;
- The company's rationale; or
- Other factors as applicable.

Share Repurchase Programs

Sustainability Policy Recommendation: For U.S.-incorporated companies, and foreign-incorporated U.S. Domestic Issuers that are traded solely on U.S. exchanges, vote for management proposals to institute open-market share repurchase plans in which all shareholders may participate on equal terms, or to grant the board authority to conduct open-market repurchases, in the absence of company-specific concerns regarding:

- Greenmail,
- The use of buybacks to inappropriately manipulate incentive compensation metrics,
- Threats to the company's long-term viability, or
- Other company-specific factors as warranted.

Vote case-by-case on proposals to repurchase shares directly from specified shareholders, balancing the stated rationale against the possibility for the repurchase authority to be misused, such as to repurchase shares from insiders at a premium to market price.

Stock Distributions: Splits and Dividends

Sustainability Policy Recommendation: Generally vote for management proposals to increase the common share authorization for stock split or stock dividend, provided that the effective increase in authorized shares is equal to or is less than the allowable increase calculated in accordance with Sustainability Advisory Services' Common Stock Authorization policy.

Tracking Stock

Sustainability Policy Recommendation: Vote case-by-case on the creation of tracking stock, weighing the strategic value of the transaction against such factors as:

- Adverse governance changes;
- Excessive increases in authorized capital stock;
- Unfair method of distribution;
- Diminution of voting rights;
- Adverse conversion features;
- Negative impact on stock option plans; and
- Alternatives such as spin-off.

Restructuring

Appraisal Rights

Sustainability Policy Recommendation: Vote for proposals to restore or provide shareholders with rights of appraisal.

Asset Purchases

Sustainability Policy Recommendation: Vote case-by-case on asset purchase proposals, considering the following factors:

- Purchase price;
- Fairness opinion;
- Financial and strategic benefits;
- How the deal was negotiated;
- Conflicts of interest;
- Other alternatives for the business;
- Non-completion risk.

Asset Sales

Sustainability Policy Recommendation: Vote case-by-case on asset sales, considering the following factors:

- Impact on the balance sheet/working capital;
- Potential elimination of diseconomies;
- Anticipated financial and operating benefits;
- Anticipated use of funds;
- Value received for the asset;
- Fairness opinion;
- How the deal was negotiated;
- Conflicts of interest.

Bundled Proposals

Sustainability Policy Recommendation: Vote case-by-case on bundled or "conditional" proxy proposals. In the case of items that are conditioned upon each other, examine the benefits and costs of the packaged items. In instances when the joint effect of the conditioned items is not in shareholders' best interests, vote against the proposals. If the combined effect is positive, support such proposals.

Conversion of Securities

Sustainability Policy Recommendation: Vote case-by-case on proposals regarding conversion of securities. When evaluating these proposals, the investor should review the dilution to existing shareholders, the conversion price relative to market value, financial issues, control issues, termination penalties, and conflicts of interest.

Vote for the conversion if it is expected that the company will be subject to onerous penalties or will be forced to file for bankruptcy if the transaction is not approved.

Corporate Reorganization/Debt Restructuring/Prepackaged Bankruptcy Plans/Reverse Leveraged Buyouts/Wrap Plans

Sustainability Policy Recommendation: Vote case-by-case on proposals to increase common and/or preferred shares and to issue shares as part of a debt restructuring plan, after evaluating:

- Dilution to existing shareholders' positions;
- Terms of the offer - discount/premium in purchase price to investor, including any fairness opinion; termination penalties; exit strategy;
- Financial issues - company's financial situation; degree of need for capital; use of proceeds; effect of the financing on the company's cost of capital;
- Management's efforts to pursue other alternatives;
- Control issues - change in management; change in control, guaranteed board and committee seats; standstill provisions; voting agreements; veto power over certain corporate actions; and
- Conflict of interest - arm's length transaction, managerial incentives.

Vote for the debt restructuring if it is expected that the company will file for bankruptcy if the transaction is not approved.

Formation of Holding Company

Sustainability Policy Recommendation: Vote case-by-case on proposals regarding the formation of a holding company, taking into consideration the following:

- The reasons for the change;
- Any financial or tax benefits;
- Regulatory benefits;
- Increases in capital structure; and
- Changes to the articles of incorporation or bylaws of the company.

Absent compelling financial reasons to recommend for the transaction, vote against the formation of a holding company if the transaction would include either of the following:

- Increases in common or preferred stock in excess of the allowable maximum (see discussion under "Capital"); or
- Adverse changes in shareholder rights.

Going Private and Going Dark Transactions (LBOs and Minority Squeeze-outs)

Sustainability Policy Recommendation: Vote case-by-case on going private transactions, taking into account the following:

- Offer price/premium;
- Fairness opinion;
- How the deal was negotiated;
- Conflicts of interest;
- Other alternatives/offers considered; and
- Non-completion risk.

Vote case-by-case on going dark transactions, determining whether the transaction enhances shareholder value by taking into consideration:

- Whether the company has attained benefits from being publicly-traded (examination of trading volume, liquidity, and market research of the stock);
- Balanced interests of continuing vs. cashed-out shareholders, taking into account the following:

- Are all shareholders able to participate in the transaction?
- Will there be a liquid market for remaining shareholders following the transaction?
- Does the company have strong corporate governance?
- Will insiders reap the gains of control following the proposed transaction?
- Does the state of incorporation have laws requiring continued reporting that may benefit shareholders?

Joint Ventures

Sustainability Policy Recommendation: Vote case-by-case on proposals to form joint ventures, taking into account the following:

- Percentage of assets/business contributed;
- Percentage ownership;
- Financial and strategic benefits;
- Governance structure;
- Conflicts of interest;
- Other alternatives; and
- Non-completion risk.

Liquidations

Sustainability Policy Recommendation: Vote case-by-case on liquidations, taking into account the following:

- Management's efforts to pursue other alternatives;
- Appraisal value of assets; and
- The compensation plan for executives managing the liquidation.

Vote for the liquidation if the company will file for bankruptcy if the proposal is not approved.

Mergers and Acquisitions

Sustainability Policy Recommendation: Vote case-by-case on mergers and acquisitions. Review and evaluate the merits and drawbacks of the proposed transaction, balancing various and sometimes countervailing factors including:

- *Valuation* - Is the value to be received by the target shareholders (or paid by the acquirer) reasonable? While the fairness opinion may provide an initial starting point for assessing valuation reasonableness, emphasis is placed on the offer premium, market reaction and strategic rationale.
- *Market reaction* - How has the market responded to the proposed deal? A negative market reaction should cause closer scrutiny of a deal.
- *Strategic rationale* - Does the deal make sense strategically? From where is the value derived? Cost and revenue synergies should not be overly aggressive or optimistic, but reasonably achievable. Management should also have a favorable track record of successful integration of historical acquisitions.
- *Negotiations and process* - Were the terms of the transaction negotiated at arm's-length? Was the process fair and equitable? A fair process helps to ensure the best price for shareholders. Significant negotiation "wins" can also signify the deal makers' competency. The comprehensiveness of the sales process (*e.g.*, full auction, partial auction, no auction) can also affect shareholder value.
- *Conflicts of interest* - Are insiders benefiting from the transaction disproportionately and inappropriately as compared to non-insider shareholders? As the result of potential conflicts, the directors and officers of the company may be more likely to vote to approve a merger than if they did not hold these interests. Consider whether these interests may have influenced these directors and officers to support or recommend the merger.
- *Governance* - Will the combined company have a better or worse governance profile than the current governance profiles of the respective parties to the transaction? If the governance profile is to change for the worse, the burden is on the company to prove that other issues (such as valuation) outweigh any deterioration in governance.

Private Placements/Warrants/Convertible Debentures

Sustainability Policy Recommendation: Vote case-by-case on proposals regarding private placements, warrants, and convertible debentures taking into consideration:

- Dilution to existing shareholders' position: The amount and timing of shareholder ownership dilution should be weighed against the needs and proposed shareholder benefits of the capital infusion. Although newly issued common stock, absent preemptive rights, is typically dilutive to existing shareholders, share price appreciation is often the necessary event to trigger the exercise of "out of the money" warrants and convertible debt. In these instances from a value standpoint, the negative impact of dilution is mitigated by the increase in the company's stock price that must occur to trigger the dilutive event.

- Terms of the offer (discount/premium in purchase price to investor, including any fairness opinion, conversion features, termination penalties, exit strategy):
  - The terms of the offer should be weighed against the alternatives of the company and in light of company's financial condition. Ideally, the conversion price for convertible debt and the exercise price for warrants should be at a premium to the then prevailing stock price at the time of private placement.

  - When evaluating the magnitude of a private placement discount or premium, consider factors that influence the discount or premium, such as, liquidity, due diligence costs, control and monitoring costs, capital scarcity, information asymmetry and anticipation of future performance.

- Financial issues:
  - The company's financial condition;
  - Degree of need for capital;
  - Use of proceeds;
  - Effect of the financing on the company's cost of capital;
  - Current and proposed cash burn rate;
  - Going concern viability and the state of the capital and credit markets.

- Management's efforts to pursue alternatives and whether the company engaged in a process to evaluate alternatives: A fair, unconstrained process helps to ensure the best price for shareholders. Financing alternatives can include joint ventures, partnership, merger or sale of part or all of the company.

- Control issues:
  - Change in management;
  - Change in control;
  - Guaranteed board and committee seats;
  - Standstill provisions;
  - Voting agreements;
  - Veto power over certain corporate actions; and
  - Minority versus majority ownership and corresponding minority discount or majority control premium

- Conflicts of interest:
  - Conflicts of interest should be viewed from the perspective of the company and the investor.
  - Were the terms of the transaction negotiated at arm's length? Are managerial incentives aligned with shareholder interests?

- Market reaction:
  - The market's response to the proposed deal. A negative market reaction is a cause for concern. Market reaction may be addressed by analyzing the one day impact on the unaffected stock price.

Vote for the private placement, or for the issuance of warrants and/or convertible debentures in a private placement, if it is expected that the company will file for bankruptcy if the transaction is not approved.

Reorganization/Restructuring Plan (Bankruptcy)

Sustainability Policy Recommendation: Vote case-by-case on proposals to common shareholders on bankruptcy plans of reorganization, considering the following factors including, but not limited to:

- Estimated value and financial prospects of the reorganized company;
- Percentage ownership of current shareholders in the reorganized company;
- Whether shareholders are adequately represented in the reorganization process (particularly through the existence of an official equity committee);
- The cause(s) of the bankruptcy filing, and the extent to which the plan of reorganization addresses the cause(s);
- Existence of a superior alternative to the plan of reorganization; and
- Governance of the reorganized company.

Special Purpose Acquisition Corporations (SPACs)

Sustainability Policy Recommendation: Vote case-by-case on SPAC mergers and acquisitions taking into account the following:

- *Valuation*—Is the value being paid by the SPAC reasonable? SPACs generally lack an independent fairness opinion and the financials on the target may be limited. Compare the conversion price with the intrinsic value of the target company provided in the fairness opinion. Also, evaluate the proportionate value of the combined entity attributable to the SPAC IPO shareholders versus the pre-merger value of SPAC. Additionally, a private company discount may be applied to the target, if it is a private entity.
- *Market reaction*—How has the market responded to the proposed deal? A negative market reaction may be a cause for concern. Market reaction may be addressed by analyzing the one-day impact on the unaffected stock price.
- *Deal timing*—A main driver for most transactions is that the SPAC charter typically requires the deal to be complete within 18 to 24 months, or the SPAC is to be liquidated. Evaluate the valuation, market reaction, and potential conflicts of interest for deals that are announced close to the liquidation date.
- *Negotiations and process*—What was the process undertaken to identify potential target companies within specified industry or location specified in charter? Consider the background of the sponsors.
- *Conflicts of interest*—How are sponsors benefiting from the transaction compared to IPO shareholders? Potential conflicts could arise if a fairness opinion is issued by the insiders to qualify the deal rather than a third party or if management is encouraged to pay a higher price for the target because of an 80% rule (the charter requires that the fair market value of the target is at least equal to 80% of net assets of the SPAC). Also, there may be sense of urgency by the management team of the SPAC to close the deal since its charter typically requires a transaction to be completed within the 18-24 month timeframe.
- *Voting agreements*—Are the sponsors entering into enter into any voting agreements/ tender offers with shareholders who are likely to vote against the proposed merger or exercise conversion rights?
- *Governance*—What is the impact of having the SPAC CEO or founder on key committees following the proposed merger?

Special Purpose Acquisition Corporations (SPACs) - Proposals for Extensions

Sustainability Policy Recommendation: Vote case-by-case on SPAC extension proposals taking into account the length of the requested extension, the status of any pending transaction(s) or progression of the acquisition process, any added incentive for non-redeeming shareholders, and any prior extension requests.

- *Length of request*: Typically, extension requests range from two to six months, depending on the progression of the SPAC's acquistion process.
- *Pending transaction(s) or progression of the acquisition process:* Sometimes an intial business combination was already put to a shareholder vote, but, for varying reasons, the transaction could not be consummated by the termination date and the SPAC is requesting an extension. Other times, the SPAC has entered into a definitive transaction agreement, but needs additional time to consummate or hold the shareholder meeting.
- *Added incentive for non-redeeming shareholders*: Sometimes the SPAC sponsor (or other insiders) will contribute, typically as a loan to the company, additional funds that will be added to the redemption value of

each public share as long as such shares are not redeemed in connection with the extension request. The purpose of the "equity kicker" is to incentivize shareholders to hold their shares through the end of the requested extension or until the time the transaction is put to a shareholder vote, rather than electing redeemption at the extension proposal meeting.

- *Prior extension requests*: Some SPACs request additional time beyond the extension period sought in prior extension requests.

Spin-offs

Sustainability Policy Recommendation: Vote case-by-case on spin-offs, considering:

- Tax and regulatory advantages;
- Planned use of the sale proceeds;
- Valuation of spinoff;
- Fairness opinion;
- Benefits to the parent company;
- Conflicts of interest;
- Managerial incentives;
- Corporate governance changes;
- Changes in the capital structure.

Value Maximization Shareholder Proposals

Sustainability Policy Recommendation: Vote case-by-case on shareholder proposals seeking to maximize shareholder value by:

- Hiring a financial advisor to explore strategic alternatives;
- Selling the company; or
- Liquidating the company and distributing the proceeds to shareholders.

These proposals should be evaluated based on the following factors:

- Prolonged poor performance with no turnaround in sight;
- Signs of entrenched board and management (such as the adoption of takeover defenses);
- Strategic plan in place for improving value;
- Likelihood of receiving reasonable value in a sale or dissolution; and
- The company actively exploring its strategic options, including retaining a financial advisor.

5. Compensation

Executive Pay Evaluation

Underlying all evaluations are five global principles that most investors expect corporations to adhere to in designing and administering executive and director compensation programs:

1. Maintain appropriate pay-for-performance alignment, with emphasis on long-term shareholder value: This principle encompasses overall executive pay practices, which must be designed to attract, retain, and appropriately motivate the key employees who drive shareholder value creation over the long term. It will take into consideration, among other factors, the link between pay and performance; the mix between fixed and variable pay; performance goals; and equity-based plan costs;
2. Avoid arrangements that risk "pay for failure": This principle addresses the appropriateness of long or indefinite contracts, excessive severance packages, and guaranteed compensation;
3. Maintain an independent and effective compensation committee: This principle promotes oversight of executive pay programs by directors with appropriate skills, knowledge, experience, and a sound process for compensation decision-making (*e.g.*, including access to independent expertise and advice when needed);
4. Provide shareholders with clear, comprehensive compensation disclosures: This principle underscores the importance of informative and timely disclosures that enable shareholders to evaluate executive pay practices fully and fairly;
5. Avoid inappropriate pay to non-executive directors: This principle recognizes the interests of shareholders in ensuring that compensation to outside directors does not compromise their independence and ability to make appropriate judgments in overseeing managers' pay and performance. At the market level, it may incorporate a variety of generally accepted best practices.

Advisory Votes on Executive Compensation—Management Proposals (Management Say-on-Pay)

Sustainability Policy Recommendation: Vote case-by-case on ballot items related to executive pay and practices, as well as certain aspects of outside director compensation.

Vote against Advisory Votes on Executive Compensation (Say-on-Pay or "SOP") if:

- There is an unmitigated misalignment between CEO pay and company performance (pay for performance);
- The company maintains significant problematic pay practices;
- The board exhibits a significant level of poor communication and responsiveness to shareholders.

Vote against or withhold from the members of the compensation committee and potentially the full board if:

- There is no SOP on the ballot, and an against vote on an SOP is warranted due to pay for performance misalignment, problematic pay practices, or the lack of adequate responsiveness on compensation issues raised previously, or a combination thereof;
- The board fails to respond adequately to a previous SOP proposal that received less than 70 percent support of votes cast;
- The company has recently practiced or approved problematic pay practices, such as option repricing or option backdating; or
- The situation is egregious.

Primary Evaluation Factors for Executive Pay

Pay-for-Performance Evaluation

Sustainability Advisory Services annually conducts a pay-for-performance analysis to identify strong or satisfactory alignment between pay and performance over a sustained period. With respect to companies in the Russell 3000 or Russell 3000E Indices[15], this analysis considers the following:

1. Peer Group[16] Alignment:
   - The degree of alignment between the company's annualized TSR rank and the CEO's annualized total pay rank within a peer group, each measured over a three-year period.
   - The rankings of CEO total pay and company financial performance within a peer group, each measured over a three-year period.
   - The multiple of the CEO's total pay relative to the peer group median in the most recent fiscal year.

2. Absolute Alignment[17] – the absolute alignment between the trend in CEO pay and company TSR over the prior five fiscal years – i.e., the difference between the trend in annual pay changes and the trend in annualized TSR during the period.

If the above analysis demonstrates significant unsatisfactory long-term pay-for-performance alignment or, in the case of companies outside the Russell indices, misaligned pay and performance are otherwise suggested, our analysis may include any of the following qualitative factors, as relevant to evaluating how various pay elements may work to encourage or to undermine long-term value creation and alignment with shareholder interests:

- The ratio of performance- to time-based incentive awards;
- The overall ratio of performance-based compensation;
- The rigor of performance goals;
- The complexity and risks around pay program design;
- The transparency and clarity of disclosure;
- The company's peer group benchmarking practices;
- Financial/operational results, both absolute and relative to peers;
- Special circumstances related to, for example, a new CEO in the prior FY or anomalous equity grant practices (e.g., bi-annual awards);
- Realizable pay[18] compared to grant pay; and
- Any other factors deemed relevant.

Problematic Pay Practices

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

[15] The Russell 3000E Index includes approximately 4,000 of the largest U.S. equity securities.
[16] The revised peer group is generally comprised of 14-24 companies that are selected using market cap, revenue (or assets for certain financial firms), GICS industry group, and company's selected peers' GICS industry group, with size constraints, via a process designed to select peers that are comparable to the subject company in terms of revenue/assets and industry, and also within a market cap bucket that is reflective of the company's. For Oil, Gas & Consumable Fuels companies, market cap is the only size determinant.
[17] Only Russell 3000 Index companies are subject to the Absolute Alignment analysis.
[18] Sustainability Advisory Services research reports include realizable pay for S&P1500 companies.

- Pay decisions that circumvent pay-for-performance, such as options backdating or waiving performance requirements.

Problematic Pay Practices related to Non-Performance-Based Compensation Elements

Pay elements that are not directly based on performance are generally evaluated case-by-case considering the context of a company's overall pay program and demonstrated pay-for-performance philosophy. Please refer to ISS' Compensation Policies FAQ document for detail on specific pay practices that have been identified as potentially problematic and may lead to negative recommendations if they are deemed to be inappropriate or unjustified relative to executive pay best practices. The list below highlights the problematic practices that carry significant weight in this overall consideration and may result in adverse vote recommendations:

- Repricing or replacing of underwater stock options/SARS without prior shareholder approval (including cash buyouts and voluntary surrender of underwater options);
- Excessive perquisites or tax gross-ups;
- New or materially amended agreements that provide for:
  - Excessive termination or CIC severance payments exceeding 3 times base salary and average/target/most recent bonus;
  - CIC severance payments without involuntary job loss or substantial diminution of duties ("single" or "modified single" triggers); or in connection with a problematic Good Reason definition;
  - CIC excise tax gross-up entitlements (including "modified" gross-ups);
  - Multi-year guaranteed awards that are not at risk due to rigorous performance conditions;
- Liberal CIC definition combined with any single-trigger CIC benefits;
- 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.
- Any other provision or practice deemed to be egregious and present a significant risk to investors.

Options Backdating

The following factors should be examined case-by-case to allow for distinctions to be made between “sloppy” plan administration versus deliberate action or fraud:

- Reason and motive for the options backdating issue, such as inadvertent vs. deliberate grant date changes;
- Duration of options backdating;
- Size of restatement due to options backdating;
- Corrective actions taken by the board or compensation committee, such as canceling or re-pricing backdated options, the recouping of option gains on backdated grants; and
- Adoption of a grant policy that prohibits backdating, and creates a fixed grant schedule or window period for equity grants in the future.

Compensation Committee Communications and Responsiveness

Consider the following factors case-by-case when evaluating ballot items related to executive pay on the board’s responsiveness to investor input and engagement on compensation issues:

- Failure to respond to majority-supported shareholder proposals on executive pay topics; or
- Failure to adequately respond to the company's previous say-on-pay proposal that received the support of less than 70 percent of votes cast, taking into account:
  - The company's response, including:
    - Disclosure of engagement efforts with major institutional investors regarding the issues that contributed to the low level of support (including the timing and frequency of engagements and whether independent directors participated);

    - Disclosure of the specific concerns voiced by dissenting shareholders that led to the say-on-pay opposition;
    - Disclosure of specific and meaningful actions taken to address shareholders' concerns;
    - Other recent compensation actions taken by the company;
- Whether the issues raised are recurring or isolated;
- The company's ownership structure; and
- Whether the support level was less than 50 percent, which would warrant the highest degree of responsiveness.

Frequency of Advisory Vote on Executive Compensation ("Say When on Pay")

Sustainability Policy Recommendation: Vote for annual advisory votes on compensation, which provide the most consistent and clear communication channel for shareholder concerns about companies' executive pay programs.

Voting on Golden Parachutes in an Acquisition, Merger, Consolidation, or Proposed Sale

Sustainability Policy Recommendation: Vote case-by-case on say on Golden Parachute proposals, including consideration of existing change-in-control arrangements maintained with named executive officers rather than focusing primarily on new or extended arrangements.

Features that may result in an "against" recommendation include one or more of the following, depending on the number, magnitude, and/or timing of issue(s):

- Single- or modified-single-trigger cash severance;
- Single-trigger acceleration of unvested equity awards;
- Full acceleration of equity awards granted shortly before the change in control;
- Acceleration of performance awards above the target level of performance without compelling rationale;
- Excessive cash severance (>3x base salary and bonus);
- Excise tax gross-ups triggered and payable;
- Excessive golden parachute payments (on an absolute basis or as a percentage of transaction equity value); or
- Recent amendments that incorporate any problematic features (such as those above) or recent actions (such as extraordinary equity grants) that may make packages so attractive as to influence merger agreements that may not be in the best interests of shareholders; or
- The company's assertion that a proposed transaction is conditioned on shareholder approval of the golden parachute advisory vote.

Recent amendment(s) that incorporate problematic features will tend to carry more weight on the overall analysis. However, the presence of multiple legacy problematic features will also be closely scrutinized.

In cases where the golden parachute vote is incorporated into a company's advisory vote on compensation (management say-on-pay), the say-on-pay proposal will be evaluated in accordance with these guidelines, which may give higher weight to that component of the overall evaluation.

Equity-Based and Other Incentive Plans

Please refer to ISS' U.S. Equity Compensation Plans FAQ document for additional details on the Equity Plan Scorecard policy.

Sustainability Policy Recommendation: Vote case-by-case on certain equity-based compensation plans[19] depending on a combination of certain plan features and equity grant practices, where positive factors may counterbalance negative factors, and vice versa, as evaluated using an "Equity Plan Scorecard" (EPSC) approach with three pillars:

- **Plan Cost:** The total estimated cost of the company's equity plans relative to industry/market cap peers, measured by the company's estimated Shareholder Value Transfer (SVT) in relation to peers and considering both:
  - SVT based on new shares requested plus shares remaining for future grants, plus outstanding unvested/unexercised grants; and
  - SVT based only on new shares requested plus shares remaining for future grants.

- **Plan Features:**
  - Quality of disclosure around vesting upon a change in control (CIC);
  - Discretionary vesting authority;
  - Liberal share recycling on various award types;
  - Lack of minimum vesting period for grants made under the plan;
  - Dividends payable prior to award vesting.

- **Grant Practices:**
  - The company's three year burn rate relative to its industry/market cap peers;
  - Vesting requirements in CEO'S recent equity grants (3-year look-back);
  - The estimated duration of the plan (based on the sum of shares remaining available and the new shares requested, divided by the average annual shares granted in the prior three years);
  - The proportion of the CEO's most recent equity grants/awards subject to performance conditions;
  - Whether the company maintains a sufficient claw-back policy;
  - Whether the company maintains sufficient post exercise/vesting share-holding requirements.

Generally vote against the plan proposal if the combination of above factors indicates that the plan is not, overall, in shareholders' interests, or if any of the following egregious factors ("overriding factors") apply:

- Awards may vest in connection with a liberal change-of-control definition;
- The plan would permit repricing or cash buyout of underwater options without shareholder approval (either by expressly permitting it – for NYSE and Nasdaq listed companies -- or by not prohibiting it when the company has a history of repricing – for non-listed companies);
- The plan is a vehicle for problematic pay practices or a significant pay-for-performance disconnect under certain circumstances;
- The plan is excessively dilutive to shareholders' holdings;
- The plan contains an evergreen (automatic share replenishment) feature; or
- Any other plan features are determined to have a significant negative impact on shareholder interests.

[19] Proposals evaluated under the EPSC policy generally include those to approve or amend (1) stock option plans for employees and/or employees and directors, (2) restricted stock plans for employees and/or employees and directors, and (3) omnibus stock incentive plans for employees and/or employees and directors; amended plans will be further evaluated case-by-case.

Further Information on certain EPSC Factors

Shareholder Value Transfer (SVT)

The cost of the equity plans is expressed as Shareholder Value Transfer (SVT), which is measured using a binomial option pricing model that assesses the amount of shareholders' equity flowing out of the company to employees and directors. SVT is expressed as both a dollar amount and as a percentage of market value, and includes the new shares proposed, shares available under existing plans, and shares granted but unexercised (using two measures, in the case of plans subject to the Equity Plan Scorecard evaluation, as noted above). All award types are valued. For omnibus plans, unless limitations are placed on the most expensive types of awards (for example, full value awards), the assumption is made that all awards to be granted will be the most expensive types.

For proposals subject to Equity Plan Scorecard evaluation, Shareholder Value Transfer is reasonable if it falls below a company-specific benchmark. The benchmark is determined as follows: The top quartile performers in each industry group (using the Global Industry Classification Standard: GICS) are identified. Benchmark SVT levels for each industry are established based on these top performers' historic SVT. Regression analyses are run on each industry group to identify the variables most strongly correlated to SVT. The benchmark industry SVT level is then adjusted upwards or downwards for the specific company by plugging the company-specific performance measures, size and cash compensation into the industry cap equations to arrive at the company's benchmark.[20]

Three-Year Burn Rate

For meetings held prior to February 1, 2023, burn-rate benchmarks (utilized in Equity Plan Scorecard evaluations) are calculated as 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. In addition, year-over-year burn-rate benchmark changes will be limited to a maximum of two (2) percentage points plus or minus the prior year's burn-rate benchmark. See the U.S. Equity Compensation Plans FAQ for the benchmarks.

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. Value-Adjusted Burn Rate benchmarks will be calculated as 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:

[20] For plans evaluated under the Equity Plan Scorecard policy, the company's SVT benchmark is considered along with other factors.

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).

Egregious Factors

Liberal Change in Control Definition

Generally vote against equity plans if the plan has a liberal definition of change in control and the equity awards could vest upon such liberal definition of change-in-control, even though an actual change in control may not occur. Examples of such a definition include, but are not limited to, announcement or commencement of a tender offer, provisions for acceleration upon a "potential" takeover, shareholder approval of a merger or other transactions, or similar language.

Repricing Provisions

Vote against plans that expressly permit the repricing or exchange of underwater stock options/stock appreciate rights (SARs) without prior shareholder approval. "Repricing" includes the ability to do any of the following:

- Amend the terms of outstanding options or SARs to reduce the exercise price of such outstanding options or SARs;
- Cancel outstanding options or SARs in exchange for options or SARs with an exercise price that is less than the exercise price of the original options or SARs;
- Cancel underwater options in exchange for stock awards; or
- Provide cash buyouts of underwater options.

While the above cover most types of repricing, Sustainability Advisory Services may view other provisions as akin to repricing depending on the facts and circumstances.

Also, vote against or withhold from members of the Compensation Committee who approved repricing (as defined above or otherwise determined by Sustainability Advisory Services) without prior shareholder approval, even if such repricings are allowed in their equity plan.

Vote against plans that do not expressly prohibit repricing or cash buyout of underwater options without shareholder approval if the company has a history of repricing/buyouts without shareholder approval, and the applicable listing standards would not preclude them from doing so.

Problematic Pay Practices or Significant Pay-for-Performance Disconnect

If the equity plan on the ballot is a vehicle for problematic pay practices, vote against the plan.

If a significant portion of the CEO's misaligned pay is attributed to non-performance-based equity awards, and there is an equity plan on the ballot with the CEO as one of the participants, Sustainability Advisory Services may recommend a vote against the equity plan. Considerations in voting against the equity plan may include, but are not limited to:

- Magnitude of pay misalignment;
- Contribution of non–performance-based equity grants to overall pay; and
- The proportion of equity awards granted in the last three fiscal years concentrated at the named executive officer level.

Specific Treatment of Certain Award Types in Equity Plan Evaluations

Dividend Equivalent Rights

Options that have Dividend Equivalent Rights (DERs) associated with them will have a higher calculated award value than those without DERs under the binomial model, based on the value of these dividend streams. The higher value will be applied to new shares, shares available under existing plans, and shares awarded but not exercised per the plan specifications. DERS transfer more shareholder equity to employees and non-employee directors and this cost should be captured.

Operating Partnership (OP) Units in Equity Plan Analysis of Real Estate Investment Trusts (REITs)

For Real Estate Investment Trusts (REITS), include the common shares issuable upon conversion of outstanding Operating Partnership (OP) units in the share count for the purposes of determining: (1) market capitalization in the Shareholder Value Transfer (SVT) analysis and (2) shares outstanding in the burn rate analysis.

Other Compensation Plans

401(k) Employee Benefit Plans

Sustainability Policy Recommendation: Vote for proposals to implement a 401(k) savings plan for employees.

Employee Stock Ownership Plans (ESOPs)

Sustainability Policy Recommendation: Vote for proposals to implement an ESOP or increase authorized shares for existing ESOPs, unless the number of shares allocated to the ESOP is excessive (more than five percent of outstanding shares).

Employee Stock Purchase Plans—Qualified Plans

Sustainability Policy Recommendation: Vote case-by-case on qualified employee stock purchase plans. Vote for employee stock purchase plans where all of the following apply:

- Purchase price is at least 85 percent of fair market value;
- Offering period is 27 months or less; and
- The number of shares allocated to the plan is 10 percent or less of the outstanding shares.

Vote against qualified employee stock purchase plans where any of the following apply:

- Purchase price is less than 85 percent of fair market value; or
- Offering period is greater than 27 months; or
- The number of shares allocated to the plan is more than ten percent of the outstanding shares.

Employee Stock Purchase Plans—Non-Qualified Plans

Sustainability Policy Recommendation: Vote case-by-case on nonqualified employee stock purchase plans. Vote for nonqualified employee stock purchase plans with all the following features:

-
- Broad-based participation (*i.e.*, all employees of the company with the exclusion of individuals with 5 percent or more of beneficial ownership of the company);
- Limits on employee contribution, which may be a fixed dollar amount or expressed as a percent of base salary;
- Company matching contribution up to 25 percent of employee's contribution, which is effectively a discount of 20 percent from market value;
- No discount on the stock price on the date of purchase when there is a company matching contribution.

Vote against nonqualified employee stock purchase plans when any of the plan features do not meet the above criteria. If the company matching contribution or effective discount exceeds the above, Sustainability Advisory Services may evaluate the SVT cost as part of the assessment.

Amending Cash and Equity Plans (including Approval for Tax Deductibility (162(m))

Sustainability Policy Recommendation: Vote case-by-case on amendments to cash and equity incentive plans.

Generally vote for proposals to amend executive cash, stock, or cash and stock incentive plans if the proposal:

- Addresses administrative features only; or
- Seeks approval for Section 162(m) purposes only, and the plan administering committee consists entirely of independent outsiders, per Sustainability Advisory Services' Classification of Directors. Note that if the company is presenting the plan to shareholders for the first time after the company's initial public offering (IPO), or if the proposal is bundled with other material plan amendments, then the recommendation will be case-by-case (see below).

Vote against such proposals to amend executive cash, stock, or cash and stock incentive plans if the proposal:

- Seeks approval for Section 162(m) purposes only, and the plan administering committee does not consist entirely of independent outsiders, per Sustainability Advisory Services' Classification of Directors.

Vote case-by-case on all other proposals to amend cash incentive plans. This includes plans presented to shareholders for the first time after the company's IPO and/or proposals that bundle material amendment(s) other than those for Section 162(m) purposes

Vote case-by-case on all other proposals to amend equity incentive plans, considering the following:

- If the proposal requests additional shares and/or the amendments may potentially increase the transfer of shareholder value to employees, the recommendation will be based on the Equity Plan Scorecard evaluation as well as an analysis of the overall impact of the amendments.
- If the plan is being presented to shareholders for the first time after the company's IPO, whether or not additional shares are being requested, the recommendation will be based on the Equity Plan Scorecard evaluation as well as an analysis of the overall impact of any amendments.
- If there is no request for additional shares and the amendments are not deemed to potentially increase the transfer of shareholder value to employees, then the recommendation will be based entirely on an analysis of the overall impact of the amendments, and the EPSC evaluation will be shown for informational purposes.

Option Exchange Programs/Repricing Options

Sustainability Policy Recommendation: Vote case-by-case on management proposals seeking approval to exchange/reprice options taking into consideration:

- Historic trading patterns--the stock price should not be so volatile that the options are likely to be back "in-the-money" over the near term;
- Rationale for the re-pricing--was the stock price decline beyond management's control?
- Is this a value-for-value exchange?
- Are surrendered stock options added back to the plan reserve?
- Timing--repricing should occur at least one year out from any precipitous drop in company's stock price;
- Option vesting--does the new option vest immediately or is there a black-out period?
- Term of the option--the term should remain the same as that of the replaced option;
- Exercise price--should be set at fair market or a premium to market;
- Participants--executive officers and directors must be excluded.

If the surrendered options are added back to the equity plans for re-issuance, then also take into consideration the company's total cost of equity plans and its three-year average burn rate.

In addition to the above considerations, evaluate the intent, rationale, and timing of the repricing proposal. The proposal should clearly articulate why the board is choosing to conduct an exchange program at this point in time. Repricing underwater options after a recent precipitous drop in the company's stock price demonstrates poor timing. and warrants additional scrutiny. Also, consider the terms of the surrendered options, such as the grant date, exercise price and vesting schedule. Grant dates of surrendered options should be far enough back (two to three years) so as not to suggest that repricings are being done to take advantage of short-term downward price movements. Similarly, the exercise price of surrendered options should be above the 52-week high for the stock price.

Vote for shareholder proposals to put option repricings to a shareholder vote.

Stock Plans in Lieu of Cash

Sustainability Policy Recommendation: Vote case-by-case on plans that provide participants with the option of taking all or a portion of their cash compensation in the form of stock.

Vote for non-employee director-only equity plans that provide a dollar-for-dollar cash-for-stock exchange.

Vote case-by-case on plans which do not provide a dollar-for-dollar cash for stock exchange. In cases where the exchange is not dollar-for-dollar, the request for new or additional shares for such equity program will be considered using the binomial option pricing model. In an effort to capture the total cost of total compensation, no adjustments will be made to carve out the in-lieu-of cash compensation.

Transfer Stock Option (TSO) Programs

Sustainability Policy Recommendation: One-time Transfers: Vote against or withhold from compensation committee members if they fail to submit one-time transfers to shareholders for approval.

Vote case-by-case on one-time transfers. Vote for if:

- Executive officers and non-employee directors are excluded from participating;
- Stock options are purchased by third-party financial institutions at a discount to their fair value using option pricing models such as Black-Scholes or a Binomial Option Valuation or other appropriate financial models;
- There is a two-year minimum holding period for sale proceeds (cash or stock) for all participants.

Additionally, management should provide a clear explanation of why options are being transferred to a third-party institution and whether the events leading up to a decline in stock price were beyond management's control. A review of the company's historic stock price volatility should indicate if the options are likely to be back "in-the-money" over the near term.

Ongoing TSO program: Vote against equity plan proposals if the details of ongoing TSO programs are not provided to shareholders. Since TSOs will be one of the award types under a stock plan, the ongoing TSO program, structure and mechanics must be disclosed to shareholders. The specific criteria to be considered in evaluating these proposals include, but not limited, to the following:

- Eligibility;
- Vesting;
- Bid-price;
- Term of options;
- Cost of the program and impact of the TSOs on company's total option expense

- Option repricing policy.

Amendments to existing plans that allow for introduction of transferability of stock options should make clear that only options granted post-amendment shall be transferable.

Director Compensation

Shareholder Ratification of Director Pay Programs

Sustainability Policy Recommendation: Vote case-by-case on management proposals seeking ratification of non-employee director compensation, based on the following factors:

- If the equity plan under which non-employee director grants are made is on the ballot, whether or not it warrants support; and
- An assessment of the following qualitative factors:
  - The relative magnitude of director compensation as compared to companies of a similar profile;
  - The presence of problematic pay practices relating to director compensation;
  - Director stock ownership guidelines and holding requirements;
  - Equity award vesting schedules;
  - The mix of cash and equity-based compensation;
  - Meaningful limits on director compensation;
  - The availability of retirement benefits or perquisites; and
  - The quality of disclosure surrounding director compensation.

Equity Plans for Non-Employee Directors

Sustainability Policy Recommendation: Vote case-by-case on compensation plans for non-employee directors, based on:

- The total estimated cost of the company's equity plans relative to industry/market cap peers, measured by the company's estimated Shareholder Value Transfer (SVT) based on new shares requested plus shares remaining for future grants, plus outstanding unvested/unexercised grants;
- The company's three-year burn rate relative to its industry/market cap peers; and
- The presence of any egregious plan features (such as an option repricing provision or liberal CIC vesting risk).

On occasion, director stock plans will exceed the plan cost or burn rate benchmarks when combined with employee or executive stock plans. In such cases, vote case-by-case on the plan taking into consideration the following qualitative factors:

- The relative magnitude of director compensation as compared to companies of a similar profile;
- The presence of problematic pay practices relating to director compensation;
- Director stock ownership guidelines and holding requirements;
- Equity award vesting schedules;
- The mix of cash and equity-based compensation;
- Meaningful limits on director compensation;
- The availability of retirement benefits or perquisites; and
- The quality of disclosure surrounding director compensation.

Non-Employee Director Retirement Plans

Sustainability Policy Recommendation: Vote against retirement plans for non-employee directors.

Vote for shareholder proposals to eliminate retirement plans for non-employee directors.

Shareholder Proposals on Compensation

Adopt Anti-Hedging/Pledging/Speculative Investments Policy

Sustainability Policy Recommendation: Generally vote for proposals seeking a policy that prohibits named executive officers from engaging in derivative or speculative transactions involving company stock, including hedging, holding stock in a margin account, or pledging stock as collateral for a loan. However, the company's existing policies regarding responsible use of company stock will be considered.

Bonus Banking/Bonus Banking "Plus"

Sustainability Policy Recommendation: Vote case-by-case on proposals seeking deferral of a portion of annual bonus pay, with ultimate payout linked to sustained results for the performance metrics on which the bonus was earned (whether for the named executive officers or a wider group of employees), taking into account the following factors:

- The company's past practices regarding equity and cash compensation;
- Whether the company has a holding period or stock ownership requirements in place, such as a meaningful retention ratio (at least 50 percent for full tenure); and
- Whether the company has a rigorous claw-back policy in place.

Compensation Consultants—Disclosure of Board or Company's Utilization

Sustainability Policy Recommendation: Generally vote for shareholder proposals seeking disclosure regarding the company, board, or compensation committee's use of compensation consultants, such as company name, business relationship(s), and fees paid.

Disclosure/Setting Levels or Types of Compensation for Executives and Directors

Sustainability Policy Recommendation: Generally vote for shareholder proposals seeking additional disclosure of executive and director pay information, provided the information requested is relevant to shareholders' needs, would not put the company at a competitive disadvantage relative to its industry, and is not unduly burdensome to the company.

Vote against shareholder proposals seeking to set absolute levels on compensation or otherwise dictate the amount or form of compensation.

Vote against shareholder proposals seeking to eliminate stock options or any other equity grants to employees or directors.

Vote against shareholder proposals requiring director fees be paid in stock only.

Generally vote against shareholder proposals that mandate a minimum amount of stock that directors must own in order to qualify as a director or to remain on the board.

Vote case-by-case on all other shareholder proposals regarding executive and director pay, taking into account company performance, pay level versus peers, pay level versus industry, and long-term corporate outlook.

Golden Coffins/Executive Death Benefits

Sustainability Policy Recommendation: Generally vote for proposals calling companies to adopt a policy of obtaining shareholder approval for any future agreements and corporate policies that could oblige the company to make payments or awards following the death of a senior executive in the form of unearned salary or bonuses, accelerated vesting or the continuation in force of unvested equity grants, perquisites and other payments or awards made in lieu of compensation. This would not apply to any benefit programs or equity plan proposals that the broad-based employee population is eligible.

Hold Equity Past Retirement or for a Significant Period of Time

Sustainability Policy Recommendation: Vote case-by-case on shareholder proposals asking companies to adopt policies requiring senior executive officers to retain a portion of net shares acquired through compensation plans. The following factors will be taken into account:

- The percentage/ratio of net shares required to be retained;
- The time period required to retain the shares;
- Whether the company has equity retention, holding period, and/or stock ownership requirements in place and the robustness of such requirements;
- Whether the company has any other policies aimed at mitigating risk taking by executives;
- Executives' actual stock ownership and the degree to which it meets or exceeds the proponent's suggested holding period/retention ratio or the company's existing requirements; and

Pay Disparity

Sustainability Policy Recommendation: Generally vote case-by-case on proposals calling for an analysis of the pay disparity between corporate executives and other non-executive employees.

Pay for Performance/Performance-Based Awards

Sustainability Policy Recommendation: Vote case-by-case on shareholder proposals requesting that a significant amount of future long-term incentive compensation awarded to senior executives shall be performance-based and requesting that the board adopt and disclose challenging performance metrics to shareholders, based on the following analytical steps:

- First, vote for shareholder proposals advocating the use of performance-based equity awards, such as performance contingent options or restricted stock, indexed options or premium-priced options, unless the proposal is overly restrictive or if the company has demonstrated that it is using a "substantial" portion of performance-based awards for its top executives. Standard stock options and performance-accelerated awards do not meet the criteria to be considered as performance-based awards. Further, premium-priced options should have a meaningful premium to be considered performance-based awards.
- Second, assess the rigor of the company's performance-based equity program. If the bar set for the performance-based program is too low based on the company's historical or peer group comparison, generally vote for the proposal. Furthermore, if target performance results in an above target payout, vote for the shareholder proposal due to program's poor design. If the company does not disclose the performance metric of the performance-based equity program, vote for the shareholder proposal regardless of the outcome of the first step to the test.

In general, vote for the shareholder proposal if the company does not meet both of the above two steps.

Pay for Superior Performance

Sustainability Policy Recommendation: Vote case-by-case on shareholder proposals that request the board establish a pay-for-superior performance standard in the company's executive compensation plan for senior executives. These proposals generally include the following principles:

- Set compensation targets for the plan's annual and long-term incentive pay components at or below the peer group median;
- Deliver a majority of the plan's target long-term compensation through performance-vested, not simply time-vested, equity awards;
- Provide the strategic rationale and relative weightings of the financial and non-financial performance metrics or criteria used in the annual and performance-vested long-term incentive components of the plan;
- Establish performance targets for each plan financial metric relative to the performance of the company's peer companies;

- Limit payment under the annual and performance-vested long-term incentive components of the plan to when the company's performance on its selected financial performance metrics exceeds peer group median performance.

Consider the following factors in evaluating this proposal:

- What aspects of the company's annual and long-term equity incentive programs are performance driven?
- If the annual and long-term equity incentive programs are performance driven, are the performance criteria and hurdle rates disclosed to shareholders or are they benchmarked against a disclosed peer group?
- Can shareholders assess the correlation between pay and performance based on the current disclosure?
- What type of industry and stage of business cycle does the company belong to?

Pre-Arranged Trading Plans (10b5-1 Plans)

Sustainability Policy Recommendation: Generally vote for shareholder proposals calling for the addition of certain safeguards in prearranged trading plans (10b5-1 plans) for executives. Safeguards may include:

- Adoption, amendment, or termination of a 10b5-1 Plan must be disclosed in a Form 8-K;
- Amendment or early termination of a 10b5-1 Plan allowed only under extraordinary circumstances, as determined by the board;
- Request that a certain number of days that must elapse between adoption or amendment of a 10b5-1 Plan and initial trading under the plan;
- Reports on Form 4 must identify transactions made pursuant to a 10b5-1 Plan;
- An executive may not trade in company stock outside the 10b5-1 Plan;
- Trades under a 10b5-1 Plan must be handled by a broker who does not handle other securities transactions for the executive.

Prohibit Outside CEOs from Serving on Compensation Committees

Sustainability Policy Recommendation: Generally vote against proposals seeking a policy to prohibit any outside CEO from serving on a company's compensation committee, unless the company has demonstrated problematic pay practices that raise concerns about the performance and composition of the committee.

Recoupment of Incentive or Stock Compensation in Specified Circumstances

Sustainability Policy Recommendation: Vote case-by-case on proposals to recoup incentive cash or stock compensation made to senior executives if it is later determined that the figures upon which incentive compensation is earned turn out to have been in error, or if the senior executive has breached company policy or has engaged in misconduct that may be significantly detrimental to the company's financial position or reputation, or if the senior executive failed to manage or monitor risks that subsequently led to significant financial or reputational harm to the company. Many companies have adopted policies that permit recoupment in cases where an executive's fraud, misconduct, or negligence significantly contributed to a restatement of financial results that led to the awarding of unearned incentive compensation. However, such policies may be narrow given that not all misconduct or negligence may result in significant financial restatements. Misconduct, negligence or lack of sufficient oversight by senior executives may lead to significant financial loss or reputational damage that may have long-lasting impact.

In considering whether to support such shareholder proposals, the following factors will be taken into consideration:

- If the company has adopted a formal recoupment policy;
- The rigor of the recoupment policy focusing on how and under what circumstances the company may recoup incentive or stock compensation;
- Whether the company has chronic restatement history or material financial problems;
- Whether the company's policy substantially addresses the concerns raised by the proponent;

- Disclosure of recoupment of incentive or stock compensation from senior executives or lack thereof; or
- Any other relevant factors.

Severance Agreements for Executives/Golden Parachutes

Sustainability Policy Recommendation: Vote for shareholder proposals requiring that golden parachutes or executive severance agreements be submitted for shareholder ratification, unless the proposal requires shareholder approval *prior* to entering into employment contracts.

Vote case-by-case on proposals to ratify or cancel golden parachutes. An acceptable parachute should include, but is not limited to, the following:

- The triggering mechanism should be beyond the control of management;
- 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);
- 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.

Share Buyback Proposals

Sustainability Policy Recommendation: Generally vote against shareholder proposals prohibiting executives from selling shares of company stock during periods in which the company has announced that it may or will be repurchasing shares of its stock. Vote for the proposal when there is a pattern of abuse by executives exercising options or selling shares during periods of share buybacks.

Vote case-by-case on proposals requesting the company exclude the impact of share buybacks from the calculation of incentive program metrics, considering the following factors:

- The frequency and timing of the company's share buybacks;
- The use of per-share metrics in incentive plans;
- The effect of recent buybacks on incentive metric results and payouts; and
- Whether there is any indication of metric result manipulation.

Supplemental Executive Retirement Plans (SERPs)

Sustainability Policy Recommendation: Generally vote for shareholder proposals requesting to put extraordinary benefits contained in SERP agreements to a shareholder vote unless the company's executive pension plans do not contain excessive benefits beyond what is offered under employee-wide plans.

Generally vote for shareholder proposals requesting to limit the executive benefits provided under the company's supplemental executive retirement plan (SERP) by limiting covered compensation to a senior executive's annual salary or those pay elements covered for the general employee population.

Tax Gross-Up Proposals

Sustainability Policy Recommendation: Generally vote for proposals calling for companies to adopt a policy of not providing tax gross-up payments to executives, except in situations where gross-ups are provided pursuant to a plan, policy, or arrangement applicable to management employees of the company, such as a relocation or expatriate tax equalization policy.

Termination of Employment Prior to Severance Payment/Eliminating Accelerated Vesting of Unvested Equity

Sustainability Policy Recommendation: Vote case-by-case on shareholder proposals seeking a policy requiring termination of employment prior to severance payment and/or eliminating accelerated vesting of unvested equity.

The following factors will be considered:

- The company's current treatment of equity in change-of-control situations (i.e. is it double triggered, does it allow for the assumption of equity by acquiring company, the treatment of performance shares, etc.);
- Current employment agreements, including potential poor pay practices such as gross-ups embedded in those agreements.

Generally vote for proposals seeking a policy that prohibits acceleration of the vesting of equity awards to senior executives in the event of a change in control (except for pro rata vesting considering the time elapsed and attainment of any related performance goals between the award date and the change in control).

6. Social and Environmental Issues

Global Approach

Socially responsible shareholder resolutions receive a great deal more attention from institutional shareholders today than in the past. While focusing on value enhancement through risk mitigation and exposure to new sustainability-related opportunities, these resolutions also seek standardized reporting on ESG issues, request information regarding an issuer's adoption of, or adherence to, relevant norms, standards, codes of conduct or universally recognized international initiatives to promote disclosure and transparency. ISS' Sustainability Policy generally supports standards-based ESG shareholder proposals that enhance long-term shareholder and stakeholder value while aligning the interests of the company with those of society at large. In particular, the policy will focus on resolutions seeking greater transparency and/or adherence to internationally recognized standards and principles.

Sustainability Policy Recommendation: In determining our vote recommendation on standardized ESG reporting shareholder proposals, we also analyze 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;
- The percentage of sales, assets and earnings affected;
- Whether the company has already responded in some appropriate manner to the request embodied in a proposal;
- Whether the company's analysis and voting recommendation to shareholders is persuasive;
- Whether there are significant controversies, fines, penalties, or litigation associated with the company's environmental or social practices;
- What other companies have done in response to the issue addressed in the proposal;
- Whether implementation of the proposal would achieve the objectives sought in the proposal; and
- The degree to which the company's stated position on the issues raised in the proposal could affect its reputation or sales, or leave it vulnerable to a boycott or selective purchasing.

Animal Welfare

Animal Welfare Policies

Sustainability Policy Recommendation: Generally vote for proposals seeking a report on a company's animal welfare standards, or animal welfare-related risks, unless:

- The company has already published a set of animal welfare standards and monitors compliance;
- The company's standards are comparable to industry peers; and
- There are no recent significant fines, litigation, or controversies related to the company's and/or its suppliers' treatment of animals.

Animal Testing

Sustainability Policy Recommendation: Generally vote against proposals to phase out the use of animals in product testing, unless:

- The company is conducting animal testing programs that are unnecessary or not required by regulation;
- The company is conducting animal testing when suitable alternatives are commonly accepted and used by industry peers; or
- There are recent, significant fines or litigation related to the company's treatment of animals.

Animal Slaughter

Sustainability Policy Recommendation: Generally vote against proposals requesting the implementation of Controlled Atmosphere Killing (CAK) methods at company and/or supplier operations unless such methods are required by legislation or generally accepted as the industry standard.

Vote case-by-case on proposals requesting a report on the feasibility of implementing CAK methods at company and/or supplier operations considering the availability of existing research conducted by the company or industry groups on this topic and any fines or litigation related to current animal processing procedures at the company.

Consumer Issues

Genetically Modified Ingredients

Sustainability Policy Recommendation: Generally vote against proposals requesting that a company voluntarily label genetically engineered (GE) ingredients in its products. The labeling of products with GE ingredients is best left to the appropriate regulatory authorities.

Vote case-by-case on proposals asking for a report on the feasibility of labeling products containing GE ingredients, taking into account:

- The potential impact of such labeling on the company's business;
- The quality of the company's disclosure on GE product labeling, related voluntary initiatives, and how this disclosure compares with industry peer disclosure; and
- Company's current disclosure on the feasibility of GE product labeling.

Generally vote FOR proposals seeking a report on the social, health, and environmental effects of genetically modified organism (GMOs).

Generally vote against proposals to eliminate GE ingredients from the company's products, or proposals asking for reports outlining the steps necessary to eliminate GE ingredients from the company's products. Such decisions are more appropriately made by management with consideration of current regulations.

Reports on Potentially Controversial Business/Financial Practices

Sustainability Policy Recommendation: Vote case-by-case on requests for reports on a company's potentially controversial business or financial practices or products, taking into account:

- Whether the company has adequately disclosed mechanisms in place to prevent abuses;
- Whether the company has adequately disclosed the financial risks of the products/practices in question;
- Whether the company has been subject to violations of related laws or serious controversies; and
- Peer companies' policies/practices in this area.

Consumer Lending

Sustainability Policy Recommendation: Vote case-by-case on requests for reports on the company's lending guidelines and procedures taking into account:

- Whether the company has adequately disclosed mechanisms in place to prevent abusive lending practices;
- Whether the company has adequately disclosed the financial risks of the lending products in question;
- Whether the company has been subject to violations of lending laws or serious lending controversies; and
- Peer companies' policies to prevent abusive lending practices.

Pharmaceutical Pricing, Access to Medicines, Product Reimportation and Health Pandemics

Sustainability Policy Recommendation: Generally vote against proposals requesting that companies implement specific price restraints on pharmaceutical products unless the company fails to adhere to legislative guidelines or industry norms in its product pricing practices.

Vote case-by-case on proposals requesting that a company report on its product pricing or access to medicine policies, considering:

- The potential for reputational, market, and regulatory risk exposure;
- Existing disclosure of relevant policies;
- Deviation from established industry norms;
- Relevant company initiatives to provide research and/or products to disadvantaged consumers;
- Whether the proposal focuses on specific products or geographic regions;
- The potential burden and scope of the requested report; and
- Recent significant controversies, litigation, or fines at the company.

Generally vote for proposals requesting that a company report on the financial and legal impact of its prescription drug reimportation policies unless such information is already publicly disclosed.

Generally vote against proposals requesting that companies adopt specific policies to encourage or constrain prescription drug reimportation. Such matters are more appropriately the province of legislative activity and may place the company at a competitive disadvantage relative to its peers.

Health Pandemics

Sustainability Policy Recommendation: Vote case-by-case on requests for reports outlining the impact of health pandemics (such as HIV/AIDS, malaria, tuberculosis, and avian flu) on the company's operations and how the company is responding to the situation, taking into account:

- The scope of the company's operations in the affected/relevant area(s);
- The company's existing healthcare policies, including benefits and healthcare access; and
- Company donations to relevant healthcare providers.

Vote against proposals asking companies to establish, implement, and report on a standard of response to health pandemics (such as HIV/AIDS, malaria, tuberculosis, and avian flu), unless the company has significant operations in the affected markets and has failed to adopt policies and/or procedures to address these issues comparable to those of industry peers.

Product Safety and Toxic/Hazardous Materials

Sustainability Policy Recommendation: Generally vote for proposals requesting that a company report on its policies, initiatives/procedures, and oversight mechanisms related to toxic/hazardous materials or product safety in its supply chain.

Generally vote for resolutions requesting that companies develop a feasibility assessment to phase-out of certain toxic/hazardous materials, or evaluate and disclose the potential financial and legal risks associated with utilizing certain materials.

Generally vote against resolutions requiring that a company reformulate its products.

Tobacco-Related Proposals

Sustainability Policy Recommendation: Vote case-by-case on resolutions regarding the advertisement of tobacco products, considering:

- Recent related fines, controversies, or significant litigation;
- Whether the company complies with relevant laws and regulations on the marketing of tobacco;
- Whether the company's advertising restrictions deviate from those of industry peers;
- Whether the company entered into the Master Settlement Agreement, which restricts marketing of tobacco to youth; and
- Whether restrictions on marketing to youth extend to foreign countries.

Vote case-by-case on proposals regarding second-hand smoke, considering;

- Whether the company complies with all laws and regulations;
- The degree that voluntary restrictions beyond those mandated by law might hurt the company's competitiveness; and
- The risk of any health-related liabilities.

Generally vote against resolutions to cease production of tobacco-related products, to avoid selling products to tobacco companies, to spin-off tobacco-related businesses, or prohibit investment in tobacco equities. Such business decisions are better left to company management or portfolio managers.

Generally vote against proposals regarding tobacco product warnings. Such decisions are better left to public health authorities.

Climate Change

Climate Change/Greenhouse Gas (GHG) Emissions

Climate change has emerged as the most significant environmental threat to the planet to date. Scientists agree that gases released by chemical reactions including the burning of fossil fuels contribute to a "greenhouse effect" that traps the planet's heat. Environmentalists claim that the greenhouse gases produced by the industrial age have caused recent weather crises such as heat waves, rainstorms, melting glaciers, rising sea levels and receding coastlines. With notable exceptions, business leaders have described the rise and fall of global temperatures as naturally occurring phenomena and depicted corporate impact on climate change as minimal. Shareholder proposals asking a company to issue a report to shareholders, "at reasonable cost and omitting proprietary information," on greenhouse gas emissions ask that the report include descriptions of efforts within companies to reduce emissions, their financial exposure and potential liability from operations that contribute to global warming, their direct or indirect efforts to promote the view that global warming is not a threat and their goals in reducing these emissions from their operations. Proponents argue that there is scientific proof that the burning of fossil fuels causes global warming, that future legislation may make companies financially liable for their contributions to global warming, and that a report on the company's role in global warming can be assembled at reasonable cost.

Sustainability Policy Recommendation:

- Vote for shareholder proposals seeking information on the financial, physical, or regulatory risks it faces related to climate change- on its operations and investments, or on how the company identifies, measures, and manage such risks.
- Vote for shareholder proposals calling for the reduction of GHG emissions.
- Vote for shareholder proposals seeking reports on responses to regulatory and public pressures surrounding climate change, and for disclosure of research that aided in setting company policies around climate change.

- Vote for shareholder proposals requesting a report/disclosure of goals on GHG emissions from company operations and/or products.

Say on Climate (SoC) Management Proposals

Sustainability Policy Recommendation: Vote case-by-case on management proposals that request shareholders to approve the company's climate transition action plan[21], taking into account the completeness and rigor of the plan. Information that will be considered where available includes the following:

- The extent to which the company's climate related disclosures are in line with TCFD recommendations and meet other market standards;
- Disclosure of its operational and supply chain GHG emissions (Scopes 1, 2, and 3);
- The completeness and rigor of company's short-, medium-, and long-term targets for reducing operational and supply chain GHG emissions (Scopes 1, 2, and 3 if relevant);
- Whether the company has sought and approved third-party approval that its targets are science-based;
- Whether the company has made a commitment to be "net zero" for operational and supply chain emissions (Scopes 1, 2, and 3) by 2050;
- Whether the company discloses a commitment to report on the implementation of its plan in subsequent years;
- Whether the company's climate data has received third-party assurance;
- Disclosure of how the company's lobbying activities and its capital expenditures align with company strategy;
- Whether there are specific industry decarbonization challenges; and
- The company's related commitment, disclosure, and performance compared to its industry peers.

Say on Climate (SoC) Shareholder Proposals

Sustainability Policy Recommendation: Vote case-by-case on shareholder proposals that request the company to disclose a report providing its GHG emissions levels and reduction targets and/or its upcoming/approved climate transition action plan and provide shareholders the opportunity to express approval or disapproval of its GHG emissions reduction plan, taking into account information such as the following:

- The completeness and rigor of the company's climate-related disclosure;
- The company's actual GHG emissions performance;
- Whether the company has been the subject of recent, significant violations, fines, litigation, or controversy related to its GHG emissions; and
- Whether the proposal's request is unduly burdensome (scope or timeframe) or overly prescriptive.

Energy Efficiency

Sustainability Policy Recommendation: Generally vote for proposals requesting that a company report on its energy efficiency policies.

Renewable Energy

Sustainability Policy Recommendation: Generally vote for requests for reports on the feasibility of developing renewable energy resources.

Generally vote for proposals requesting that the company invest in renewable energy resources.

[21] Variations of this request also include climate transition related ambitions, or commitment to reporting on the implementation of a climate plan.

Diversity

Board Diversity

Sustainability Policy Recommendation: Generally vote for requests for reports on a company's efforts to diversify the board, unless:

- The gender and racial minority representation of the company's board is reasonably inclusive in relation to companies of similar size and business; and
- The board already reports on its nominating procedures and gender and racial minority initiatives on the board and within the company.

Generally vote for shareholder proposals that ask the company to take reasonable steps to increase the levels of underrepresented gender identities and racial minorities on the board.

Equality of Opportunity

Sustainability Policy Recommendation: Generally vote for proposals requesting a company disclose its diversity policies or initiatives, or proposals requesting disclosure of a company's comprehensive workforce diversity data, including requests for EEO-1 data.

Generally vote for proposals seeking information on the diversity efforts of suppliers and service providers.

Gender Identity, Sexual Orientation, and Domestic Partner Benefits

Sustainability Policy Recommendation: Generally vote for proposals seeking to amend a company's EEO statement or diversity policies to prohibit discrimination based on sexual orientation and/or gender identity, unless the change would be unduly burdensome.

Generally vote for proposals to extend company benefits to domestic partners.

Gender, Race/Ethnicity Pay Gap

Sustainability Policy Recommendation: Vote case-by-case on requests for reports on a company's pay data by gender or race/ethnicity or a report on a company's policies and goals to reduce any gender or race/ethnicity pay gaps, taking into account:

- The company's current policies and disclosure related to both its diversity and inclusion policies and practices and its compensation philosophy and fair and equitable compensation practices;
- Whether the company has been the subject of recent controversy, litigation, or regulatory actions related to gender, race, or ethnicity pay gap issues;
- The company's disclosure regarding gender, race, or ethnicity pay gap policies or initiatives compared to its industry peers; and
- Local laws regarding categorization of race and/or ethnicity and definitions of ethnic and/or racial minorities.

Racial Equity and/or Civil Rights Audits

Sustainability Policy Recommendation: Generally vote for proposals requesting that a company conduct an independent racial equity and/or civil rights audit, considering company disclosures, policies, actions, and engagements.

Environment and Sustainability

Facility and Workplace Safety

Sustainability Policy Recommendation: Vote case-by-case on resolutions requesting that a company report on safety and/or security risks associated with its operations and/or facilities, considering:

- The company's compliance with applicable regulations and guidelines;
- The company's current level of disclosure regarding its security and safety policies, procedures, and compliance monitoring; and
- The existence of recent, significant violations, fines, or controversy regarding the safety and security of the company's operations and/or facilities.

Hydraulic Fracturing

Sustainability Policy Recommendation: Generally vote for proposals requesting greater disclosure of a company's (natural gas) hydraulic fracturing operations, including measures the company has taken to manage and mitigate the potential community and environmental impacts of those operations.

Operations in Protected Areas

Sustainability Policy Recommendation: Generally vote for requests for reports on potential environmental damage as a result of company operations in protected regions, unless:

- Operations in the specified regions are not permitted by current laws or regulations;
- The company does not currently have operations or plans to develop operations in these protected regions; or
- The company's disclosure of its operations and environmental policies in these regions is comparable to industry peers.

Recycling

Sustainability Policy Recommendation: Vote FOR proposals to adopt a comprehensive recycling strategy, taking into account:

- The nature of the company's business;
- The current level of disclosure of the company's existing related programs;
- The timetable and methods of program implementation prescribed by the proposal;
- The company's ability to address the issues raised in the proposal; and
- How the company's recycling programs compare to similar programs of its industry peers.

Sustainability Reporting

The concept of sustainability is commonly understood as meeting the needs of the present generation without compromising the ability of future generations to meet their own needs. Indeed, the term sustainability is complex and poses significant challenges for companies on many levels. Many in the investment community have termed this broader responsibility the "triple bottom line," referring to the triad of performance goals related to economic prosperity, social responsibility and environmental quality. In essence, the concept requires companies to balance the needs and interests of their various stakeholders while operating in a manner that sustains business growth for the long-term, supports local communities and protects the environment and natural capital for future generations.

Shareholders may request general environmental reports or reports on a specific location/operation, often requesting that the company detail the environmental risks and potential liabilities of a specific project. Companies have begun to report on environmental and sustainability issues using the Global Reporting Initiative (GRI) standards. The GRI was established in 1997 with the mission of developing globally applicable guidelines for reporting on economic, environmental, and social performance. The GRI was developed by Ceres (formerly known as the Coalition for Environmentally Responsible Economies, CERES) in partnership with the United Nations Environment Programme (UNEP).

Sustainability Policy Recommendation:

- Vote for shareholder proposals seeking greater disclosure on the company's environmental and social practices, and/or associated risks and liabilities.
- Vote for shareholder proposals asking companies to report in accordance with the Global Reporting Initiative (GRI).
- Vote for shareholder proposals to prepare a sustainability report.

Water Issues

Sustainability Policy Recommendation: Generally vote for on proposals requesting a company to report on, or to adopt a new policy on, water-related risks and concerns, taking into account:

- The company's current disclosure of relevant policies, initiatives, oversight mechanisms, and water usage metrics;
- Whether or not the company's existing water-related policies and practices are consistent with relevant internationally recognized standards and national/local regulations;
- The potential financial impact or risk to the company associated with water-related concerns or issues; and
- Recent, significant company controversies, fines, or litigation regarding water use by the company and its suppliers.

Equator Principles

The Equator Principles are the financial industry's benchmark for determining, assessing and managing social and environmental risk in project financing. First launched in June 2003, the Principles were ultimately adopted by over forty financial institutions over a three-year implementation period. Since its adoption, the Principles have undergone a number of revisions, expanding the use of performance standards and signatory banks' banks' commitments to social responsibility, including human rights, climate change, and transparency. The fourth iteration of the Principles was launched in November 2019, incorporating amendments and new commitment to human rights, climate change, Indigenous Peoples and biodiversity related topics. Financial institutions adopt these principles to ensure that the projects they finance are developed in a socially responsible manner and reflect sound environmental management practices. As of 2019, 101 financial institutions have officially adopted the Equator Principles.

Sustainability Policy Recommendation: Vote for shareholder proposals to study or implement the Equator Principles.

General Corporate Issues

Charitable Contributions

Sustainability Policy Recommendation: Vote against proposals restricting a company from making charitable contributions. Charitable contributions are generally useful for assisting worthwhile causes and for creating goodwill in the community. In the absence of bad faith, self-dealing, or gross negligence, management should determine which, and if, contributions are in the best interests of the company.

Data Security, Privacy, and Internet Issues

Sustainability Policy Recommendation: Vote case-by-case on proposals requesting the disclosure or implementation of data security, privacy, or information access and management policies and procedures, considering:

- The level of disclosure of company policies and procedures relating to data security, privacy, freedom of speech, information access and management, and Internet censorship;
- Engagement in dialogue with governments or relevant groups with respect to data security, privacy, or the free flow of information on the Internet;
- The scope of business involvement and of investment in countries whose governments censor or monitor the Internet and other telecommunications;
- Applicable market-specific laws or regulations that may be imposed on the company; and
- Controversies, fines, or litigation related to data security, privacy, freedom of speech, or Internet censorship.

Environmental, Social, and Governance (ESG) Compensation-Related Proposals

Sustainability Policy Recommendation: Generally vote for proposals to link, or report on linking, executive compensation to environmental and social criteria (such as corporate downsizings, customer or employee satisfaction, community involvement, human rights, environmental performance, or predatory lending).

Human Rights, Labor Issues, and International Operations

Investors, international human rights groups, and labor advocacy groups have long been making attempts to safeguard worker rights in the international marketplace. In instances where companies themselves operate factories in developing countries for example, these advocates have asked that the companies adopt global corporate human rights standards that guarantee sustainable wages and safe working conditions for their workers abroad. Companies that contract out portions of their manufacturing operations to foreign companies have been asked to ensure that the products they receive from those contractors have not been made using forced labor, child labor, or sweatshop labor. These companies are asked to adopt formal vendor standards that, among other things, include monitoring or auditing mechanisms. Globalization, relocation of production overseas, and widespread use of subcontractors and vendors, often make it difficult to obtain a complete picture of a company's labor practices in global markets. Many Investors believe that companies would benefit from adopting a human rights policy based on the Universal Declaration of Human Rights and the International Labor Organization's Core Labor Standards. Efforts that seek greater disclosure on a company's labor practices and that seek to establish minimum standards for a company's operations will be supported. In addition, requests for independent monitoring of overseas operations will be supported.

The Sustainability Policy generally supports proposals that call for the adoption and/or enforcement of principles or codes relating to countries in which there are systematic violations of human rights; such as the use of slave, child, or prison labor; a government that is illegitimate; or there is a call by human rights advocates, pro-democracy organizations, or legitimately-elected representatives for economic sanctions. The use of child, sweatshop, or forced labor is unethical and can damage corporate reputations. Poor labor practices can lead to litigation against the company, which can be costly and time consuming.

Human Rights Proposals

Sustainability Policy Recommendation:

- Generally vote for proposals requesting a report on company or company supplier labor and/or human rights standards and policies.
- Vote for shareholder proposals to implement human rights standards and workplace codes of conduct.
- Vote for shareholder proposals calling for the implementation and reporting on ILO codes of conduct, SA 8000 Standards, or the Global Sullivan Principles.

- Vote for shareholder proposals that call for the adoption and/or enforcement of principles or codes relating to countries in which there are systematic violations of human rights.
- Vote for shareholder proposals that call for independent monitoring programs in conjunction with local and respected religious and human rights groups to monitor supplier and licensee compliance with codes.
- Vote for shareholder proposals that seek publication of a "Code of Conduct" to the company's foreign suppliers and licensees, requiring they satisfy all applicable standards and laws protecting employees' wages, benefits, working conditions, freedom of association, and other rights.
- Vote for shareholder proposals seeking reports on, or the adoption of, vendor standards including: reporting on incentives to encourage suppliers to raise standards rather than terminate contracts and providing public disclosure of contract supplier reviews on a regular basis.
- Vote for shareholder proposals to adopt labor standards for foreign and domestic suppliers to ensure that the company will not do business with foreign suppliers that manufacture products for sale using forced labor, child labor, or that fail to comply with applicable laws protecting employee's wages and working conditions.
- Vote for proposals requesting that a company conduct an assessment of the human rights risks in its operations or in its supply chain, or report on its human rights risk assessment process.

Mandatory Arbitration

Sustainability Policy Recommendation: Vote case-by-case on requests for a report on a company's use of mandatory arbitration on employment-related claims, taking into account:

- The company's current policies and practices related to the use of mandatory arbitration agreements on workplace claims;
- Whether the company has been the subject of recent controversy, litigation, or regulatory actions related to the use of mandatory arbitration agreements on workplace claims; and
- The company's disclosure of its policies and practices related to the use of mandatory arbitration agreements compared to its peers.

MacBride Principles

These resolutions have called for the adoption of the MacBride Principles for operations located in Northern Ireland. They request companies operating abroad to support the equal employment opportunity policies that apply in facilities they operate domestically. The principles were established to address the sectarian hiring problems between Protestants and Catholics in Northern Ireland. It is well documented that Northern Ireland's Catholic community faced much higher unemployment figures than the Protestant community. In response to this problem, the U.K. government instituted the New Fair Employment Act of 1989 (and subsequent amendments) to address the sectarian hiring problems.

Many companies believe that the Act adequately addresses the problems and that further action, including adoption of the MacBride Principles, only duplicates the efforts already underway. In evaluating a proposal to adopt the MacBride Principles, shareholders must decide whether the principles will cause companies to divest, and therefore worsen the unemployment problem, or whether the principles will promote equal hiring practices. Proponents believe that the Fair Employment Act does not sufficiently address the sectarian hiring problems. They argue that the MacBride Principles serve to stabilize the situation and promote further investment.

Sustainability Policy Recommendation: Support the MacBride Principles for operations in Northern Ireland that request companies to abide by equal employment opportunity policies.

Community Social and Environmental Impact Assessments

Sustainability Policy Recommendation: Generally vote for requests for reports outlining policies and/or the potential (community) social and/or environmental impact of company operations considering:

- Current disclosure of applicable policies and risk assessment report(s) and risk management procedures;
- The impact of regulatory non-compliance, litigation, remediation, or reputational loss that may be associated with failure to manage the company's operations in question, including the management of relevant community and stakeholder relations;
- The nature, purpose, and scope of the company's operations in the specific region(s);
- The degree to which company policies and procedures are consistent with industry norms; and
- Scope of the resolution.

Operations in High Risk Markets

Sustainability Policy Recommendation: Vote case-by-case on requests for a report on a company's potential financial and reputational risks associated with operations in "high-risk" markets, such as a terrorism-sponsoring state or politically/socially unstable region, taking into account:

- The nature, purpose, and scope of the operations and business involved that could be affected by social or political disruption;
- Current disclosure of applicable risk assessment(s) and risk management procedures;
- Compliance with U.S. sanctions and laws;
- Consideration of other international policies, standards, and laws; and
- Whether the company has been recently involved in recent, significant controversies, fines or litigation related to its operations in "high-risk" markets.

Outsourcing/Offshoring

Sustainability Policy Recommendation: Vote case-by-case on proposals calling for companies to report on the risks associated with outsourcing/plant closures, considering:

- Controversies surrounding operations in the relevant market(s);
- The value of the requested report to shareholders;
- The company's current level of disclosure of relevant information on outsourcing and plant closure procedures; and
- The company's existing human rights standards relative to industry peers.

Sexual Harassment

Sustainability Policy Recommendation: Vote case-by-case on requests for a report on company actions taken to strengthen policies and oversight to prevent workplace sexual harassment, or a report on risks posed by a company's failure to prevent workplace sexual harassment, taking into account:

- The company's current policies, practices, oversight mechanisms related to preventing workplace sexual harassment;
- Whether the company has been the subject of recent controversy, litigation, or regulatory actions related to workplace sexual harassment issues; and
- The company's disclosure regarding workplace sexual harassment policies or initiatives compared to its industry peers.

Weapons and Military Sales

Sustainability Policy Recommendation: Vote against reports on foreign military sales or offsets. Such disclosures may involve sensitive and confidential information. Moreover, companies must comply with government controls and reporting on foreign military sales.

Generally vote against proposals asking a company to cease production or report on the risks associated with the use of depleted uranium munitions or nuclear weapons components and delivery systems, including disengaging from current and proposed contracts. Such contracts are monitored by government agencies, serve multiple military and non-military uses, and withdrawal from these contracts could have a negative impact on the company's business.

Political Activities

Lobbying

Sustainability Policy Recommendation: Vote case-by-case on proposals requesting information on a company's lobbying (including direct, indirect, and grassroots lobbying) activities, policies, or procedures, considering:

- The company's current disclosure of relevant lobbying policies, and management and board oversight;
- The company's disclosure regarding trade associations or other groups that it supports, or is a member of, that engage in lobbying activities; and
- Recent significant controversies, fines, or litigation regarding the company's lobbying-related activities.

Political Contributions

Sustainability Policy Recommendation: Generally vote for proposals requesting greater disclosure of a company's political contributions and trade association spending policies and activities, considering:

- The company's policies, and management and board oversight related to its direct political contributions and payments to trade associations or other groups that may be used for political purposes;
- The company's disclosure regarding its support of, and participation in, trade associations or other groups that may make political contributions; and
- Recent significant controversies, fines, or litigation related to the company's political contributions or political activities.

Vote against proposals barring a company from making political contributions. Businesses are affected by legislation at the federal, state, and local level; barring political contributions can put the company at a competitive disadvantage.

Vote against proposals to publish in newspapers and other media a company's political contributions. Such publications could present significant cost to the company without providing commensurate value to shareholders.

Political Ties

Sustainability Policy Recommendation: Generally vote against proposals asking a company to affirm political nonpartisanship in the workplace, so long as:

- There are no recent, significant controversies, fines, or litigation regarding the company's political contributions or trade association spending; and
- The company has procedures in place to ensure that employee contributions to company-sponsored political action committees (PACs) are strictly voluntary and prohibit coercion.

Vote against proposals asking for a list of company executives, directors, consultants, legal counsels, lobbyists, or investment bankers that have prior government service and whether such service had a bearing on the business of the company. Such a list would be burdensome to prepare without providing any meaningful information to shareholders.

7. Mutual Fund Proxies

Election of Directors

Sustainability Policy Recommendation: Vote case-by-case on the election of directors and trustees, following the same guidelines for uncontested directors for public company shareholder meetings. However, mutual fund boards do not usually have compensation committees, so do not withhold for the lack of this committee.

Closed End Funds- Unilateral Opt-In to Control Share Acquisition Statutes

Sustainability Policy Recommendation: For closed-end management investment companies (CEFs), vote against or withhold from nominating/governance committee members (or other directors on a case-by-case basis) at CEFs that have not provided a compelling rationale for opting-in to a Control Share Acquisition statute, nor submitted a by-law amendment to a shareholder vote.

Converting Closed-end Fund to Open-end Fund

Sustainability Policy Recommendation: Vote case-by-case on conversion proposals, considering the following factors:

- Past performance as a closed-end fund;
- Market in which the fund invests;
- Measures taken by the board to address the discount; and
- Past shareholder activism, board activity, and votes on related proposals.

Proxy Contests

Sustainability Policy Recommendation: Vote case-by-case on proxy contests, considering the following factors:

- Past performance relative to its peers;
- Market in which fund invests;
- Measures taken by the board to address the issues;
- Past shareholder activism, board activity, and votes on related proposals;
- Strategy of the incumbents versus the dissidents;
- Independence of directors;
- Experience and skills of director candidates;
- Governance profile of the company;
- Evidence of management entrenchment.

Investment Advisory Agreements

Sustainability Policy Recommendation: Vote case-by-case on investment advisory agreements, considering the following factors:

- Proposed and current fee schedules;
- Fund category/investment objective;
- Performance benchmarks;
- Share price performance as compared with peers;
- Resulting fees relative to peers;
- Assignments (where the advisor undergoes a change of control).

Approving New Classes or Series of Shares

Sustainability Policy Recommendation: Vote for the establishment of new classes or series of shares.

Preferred Stock Proposals

Sustainability Policy Recommendation: Vote case-by-case on the authorization for or increase in preferred shares, considering the following factors:

- Stated specific financing purpose;
- Possible dilution for common shares;
- Whether the shares can be used for antitakeover purposes.

1940 Act Policies

Sustainability Policy Recommendation: Vote case-by-case on policies under the Investment Advisor Act of 1940, considering the following factors:

- Potential competitiveness;
- Regulatory developments;
- Current and potential returns; and
- Current and potential risk.

Generally vote for these amendments as long as the proposed changes do not fundamentally alter the investment focus of the fund and do comply with the current SEC interpretation.

Changing a Fundamental Restriction to a Nonfundamental Restriction

Sustainability Policy Recommendation: Vote case-by-case on proposals to change a fundamental restriction to a non-fundamental restriction, considering the following factors:

- The fund's target investments;
- The reasons given by the fund for the change; and
- The projected impact of the change on the portfolio.

Change Fundamental Investment Objective to Nonfundamental

Sustainability Policy Recommendation: Vote against proposals to change a fund's fundamental investment objective to non-fundamental.

Name Change Proposals

Sustainability Policy Recommendation: Vote case-by-case on name change proposals, considering the following factors:

- Political/economic changes in the target market;
- Consolidation in the target market; and
- Current asset composition.

Change in Fund's Subclassification

Sustainability Policy Recommendation: Vote case-by-case on changes in a fund's sub-classification, considering the following factors:

- Potential competitiveness;
- Current and potential returns;
- Risk of concentration;
- Consolidation in target industry.

Business Development Companies—Authorization to Sell Shares of Common Stock at a Price below Net Asset Value

Sustainability Policy Recommendation: Vote for proposals authorizing the board to issue shares below Net Asset Value (NAV) if:

- The proposal to allow share issuances below NAV has an expiration date no more than one year from the date shareholders approve the underlying proposal, as required under the Investment Company Act of 1940;
- The sale is deemed to be in the best interests of shareholders by (1) a majority of the company's independent directors and (2) a majority of the company's directors who have no financial interest in the issuance; and
- The company has demonstrated responsible past use of share issuances by either:
  - Outperforming peers in its 8-digit GICS group as measured by one- and three-year median TSRs; or
  - Providing disclosure that its past share issuances were priced at levels that resulted in only small or moderate discounts to NAV and economic dilution to existing non-participating shareholders.

Disposition of Assets/Termination/Liquidation

Sustainability Policy Recommendation: Vote case-by-case on proposals to dispose of assets, to terminate or liquidate, considering the following factors:

- Strategies employed to salvage the company;
- The fund's past performance;
- The terms of the liquidation.

Changes to the Charter Document

Sustainability Policy Recommendation: Vote case-by-case on changes to the charter document, considering the following factors:

- The degree of change implied by the proposal;
- The efficiencies that could result;
- The state of incorporation;
- Regulatory standards and implications.

Vote against any of the following changes:

- Removal of shareholder approval requirement to reorganize or terminate the trust or any of its series;
- Removal of shareholder approval requirement for amendments to the new declaration of trust;
- Removal of shareholder approval requirement to amend the fund's management contract, allowing the contract to be modified by the investment manager and the trust management, as permitted by the 1940 Act;
- Allow the trustees to impose other fees in addition to sales charges on investment in a fund, such as deferred sales charges and redemption fees that may be imposed upon redemption of a fund's shares;
- Removal of shareholder approval requirement to engage in and terminate subadvisory arrangements;
- Removal of shareholder approval requirement to change the domicile of the fund.

Changing the Domicile of a Fund

Sustainability Policy Recommendation: Vote case-by-case on re-incorporations, considering the following factors:

- Regulations of both states;
- Required fundamental policies of both states;
- The increased flexibility available.

Authorizing the Board to Hire and Terminate Subadvisers Without Shareholder Approval

Sustainability Policy Recommendation: Vote against proposals authorizing the board to hire or terminate subadvisers without shareholder approval if the investment adviser currently employs only one subadviser.

Distribution Agreements

Sustainability Policy Recommendation: Vote case-by-case on distribution agreement proposals, considering the following factors:

- Fees charged to comparably sized funds with similar objectives;
- The proposed distributor's reputation and past performance;
- The competitiveness of the fund in the industry;
- The terms of the agreement.

Master-Feeder Structure

Sustainability Policy Recommendation: Vote for the establishment of a master-feeder structure.

Mergers

Sustainability Policy Recommendation: Vote case-by-case on merger proposals, considering the following factors:

- Resulting fee structure;
- Performance of both funds;
- Continuity of management personnel;
- Changes in corporate governance and their impact on shareholder rights.

Shareholder Proposals for Mutual Funds

Establish Director Ownership Requirement

Sustainability Policy Recommendation: Generally vote against shareholder proposals that mandate a specific minimum amount of stock that directors must own in order to qualify as a director or to remain on the board.

Reimburse Shareholder for Expenses Incurred

Sustainability Policy Recommendation: Vote case-by-case on shareholder proposals to reimburse proxy solicitation expenses. When supporting the dissidents, vote for the reimbursement of the proxy solicitation expenses.

Terminate the Investment Advisor

Sustainability Policy Recommendation: Vote case-by-case on proposals to terminate the investment advisor, considering the following factors:

- Performance of the fund's Net Asset Value (NAV);
- The fund's history of shareholder relations;
- The performance of other funds under the advisor's management.

8. Foreign Private Issuers Listed on U.S. Exchanges

Sustainability Policy Recommendation: Vote against (or withhold from) non-independent director nominees at companies which fail to meet the following criteria: a majority-independent board, and the presence of an audit, a compensation, and a nomination committee, each of which is entirely composed of independent directors.

Where the design and disclosure levels of equity compensation plans are comparable to those seen at U.S. companies, U.S. compensation policy will be used to evaluate the compensation plan proposals. Otherwise, they, and all other voting items, will be evaluated using the relevant regional or market approach under the Sustainability proxy voting guidelines.

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