United States

Sustainability Proxy Voting Guidelines Updates

2019 Policy Recommendations

Published January 28, 2019

TABLE OF CONTENTS

Board of Directors- Voting on Director Nominees in Uncontested Elections

Board Accountability – Director Performance Evaluation

Current Sustainability Advisory Services Policy, incorporating changes:	New Sustainability Advisory Services Policy:
Sustainability Advisory Services Recommendation: **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 five-year ~~and three-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 ~~five-year total shareholder return and~~ 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.	**Sustainability Advisory Services Recommendation:** **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 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.

Rationale for Change:

The Director Performance Evaluation policy is intended to identify companies that have a long-term underperformance and a significant number of board entrenchment features. Moving the five-year underperformance test to the initial screen, as opposed to as part of a secondary step in the evaluation, will reduce the number of companies that undergo scrutiny under this policy.

Board Accountability – Management Proposals to Ratify Existing Charter or Bylaw Provisions

Current Sustainability Advisory Services Policy, incorporating changes:	New Sustainability Advisory Services Policy:
Sustainability Advisory Services Recommendation: [no current policy] 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.	**Sustainability Advisory Services Recommendation:** 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.

Rationale for Change:

The use of board sponsored proposals to ratify existing charter or bylaw provisions increased significantly during the 2018 proxy season in response to guidance from the SEC staff that granted some companies' requests to grant no-action relief if companies sought to exclude shareholder proposals from their ballots by including a "conflicting" management-sponsored proposal to ratify one or more of their existing governance provision citing 14a-8(i)(9). Seven companies in 2018, for example, obtained no-action relief to exclude shareholder proposals to adopt or amend the right of shareholders to call a special meeting by seeking ratification of their current provision. Notably, none of these ratification proposals made material changes to the provisions that enhanced shareholders' rights to call special meetings.

These "ratification" proposals appear to have been offered by boards to block shareholder proposals that requested more shareholder-friendly governance provisions from appearing on ballots. Notably, shareholders on numerous occasions on a wide range of issues have demonstrated their ability to thoughtfully vote when both management and shareholder proposals on the same issue appear on the ballot.

Please see the related policy updates regarding Board Responsiveness – Ratification Proposals and Shareholder Rights: Management Proposals to Ratify Existing Charter or Bylaw Provisions.

Board Accountability - Environmental, Social and Governance (ESG) Failures

Current Sustainability Advisory Services Policy, incorporating changes:	New Sustainability Advisory Services Policy:
General Recommendation: ***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[4], or fiduciary responsibilities at the company, including failure to adequately ~~guard against or~~ manage or mitigate 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 environmental, social and governance (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.	**General Recommendation:** ***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[4], or fiduciary responsibilities at the company, including failure to adequately manage or mitigate 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 environmental, social and governance (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.

[4] Examples of failure of risk oversight include but are not limited to: bribery; large or serial fines or sanctions from regulatory bodies; 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.

Rationale for Change:

Three ISS Specialty Policies (the Sustainability Policy, the SRI Policy and the Catholic Policy) were developed to help investors incorporate ESG considerations into their proxy-voting guidelines. The Sustainability Policy helps signatories of the United Nations-sponsored Principles for Responsible Investment (PRI) incorporate ESG considerations into their proxy voting. The SRI and Catholic policies assist socially-responsible investors and faith-based investors, including PRI signatories, to integrate ESG criteria into their investment and proxy voting decisions.

Principle 3 of the PRI encourages investors to ask for: (1) standardized reporting on Environmental, Social and Governance (ESG) issues (such as proposed by the Global Reporting Initiative); (2) integration of ESG issues into annual financial reporting; and (3) disclosure of adoption of/adherence to relevant norms, standards, codes of conduct or international initiatives. The wide adoption of the PRI (as well as other sustainable and responsible investment standards) demonstrates the increased integration of ESG factors into the analyses and decision-making of investors and makes the case for comprehensive disclosure of sustainability metrics.

In instances where companies have been found to be implicated in severe controversies (violation of an international standard or norms regarding the environmental, human rights, labor rights, consumer protection, corruption, ethics & governance) or where the allegations and risks identified are credible and the companies have no sustainability reporting, the SRI Policy, the Sustainability Policy, and the Catholic Policy will determine that there is a failure to adequately manage or mitigate environmental, social and governance (ESG) risks and will recommend voting against responsible director/s.

Board Responsiveness – Ratification Proposals

Current Sustainability Advisory Services Policy, incorporating changes:	**New Sustainability Advisory Services Policy:**
Sustainability Advisory Services Recommendation: 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.	**Sustainability Advisory Services Recommendation:** 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.

Rationale for Change:

This policy update is being made in conjunction with the new policy (see above) that codifies Sustainability Advisory Services' approach for analyzing management-submitted ratification proposals of existing charter/bylaw provisions. The existing responsiveness policy is updated to reflect that the failure of a management proposal to ratify existing charter/bylaw provisions to receive majority support will trigger a board responsiveness analysis at the following annual meeting.

Board Composition - Attendance

Current Sustainability Advisory Services Policy, incorporating changes:	New Sustainability Advisory Services Policy:
Sustainability Advisory Services Recommendation: **Attendance at Board and Committee Meetings:** Generally, vote against or withhold from directors (except new nominees[1]) 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.	**Sustainability Advisory Services Recommendation:** **Attendance at Board and Committee Meetings:** Generally, vote against or withhold from directors (except new nominees[1]) 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.

Rationale for Change:

Sustainability Advisory Services is codifying the case-by-case approach taken when faced with situations of possible chronic poor attendance by directors. Sustainability Advisory Services defines "chronic poor attendance" as three or more consecutive years of poor attendance without reasonable explanation. The policy approach may also be applied in cases where there is a long-term pattern of absenteeism, such as poor attendance the previous year and three out of the four prior years.

Currently, the policy is generally applied as follows:

- After three years of poor attendance by a director, recommend withhold from the chair of the nominating or governance committee;
- After four years, recommend withhold from the full nominating or governance committee; and
- After five years, recommend withhold from all nominees.

---

[1] New nominees who served for only part of the fiscal year are generally exempted from the attendance policy.

When the director with chronic poor attendance is on the ballot, the recommendations at the chair or committee level will be directed towards the nominating committee for the continued nomination of the director, in spite of the poor attendance. When the director is not on the ballot, as in the case of a classified board, the recommendations will be directed towards the governance committee for maintaining a governance structure where the director is not directly accountable to shareholders on an annual basis.

Board Composition – Diversity

Current Sustainability Advisory Services Policy, incorporating changes:	New Sustainability Advisory Services Policy:
2. Composition ~~6.~~ **Diversity:** ~~Highlight boards with no gender diversity. However, no adverse vote recommendations will be made due to any lack of gender diversity.~~ Generally vote against or withhold from the chair of the nominating committee if there is not at least one woman on the board.	**2. Composition** **Diversity:** Generally vote against or withhold from the chair of the nominating committee if there is not at least one woman on the board.

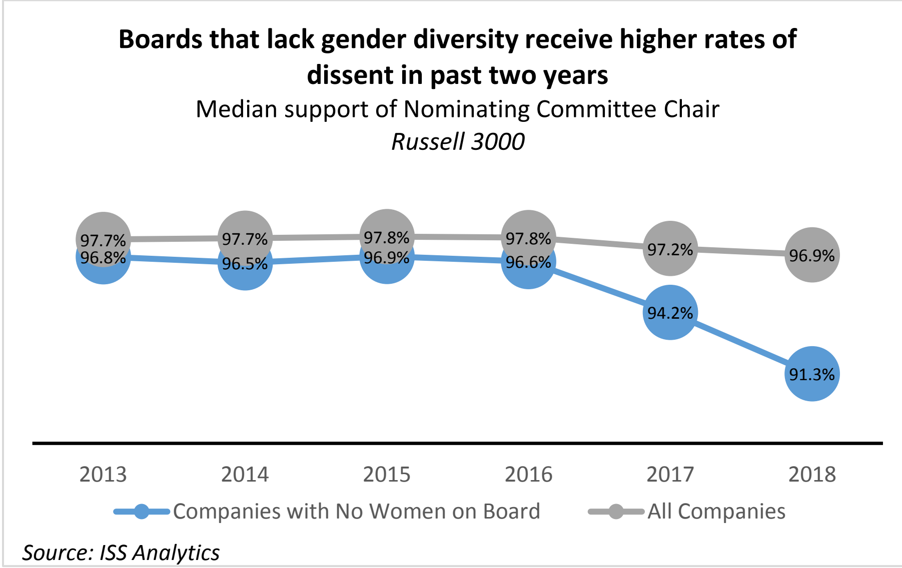
Rationale for Change:

ISS is updating the Sustainability policy to include adverse vote recommendations in case of a lack of gender diversity due to a number of developments.

1. Recent client feedback and investor voting behavior indicates a strong preference for holding the chair of the nomination committee responsible in case of a lack of gender diversity on the board.

Responses to the 2018 Sustainability policy survey issued to subscribers to the Sustainability specialty policies indicated strong support for holding issuers accountable in cases where there are no women on the board of directors. A majority of Sustainability survey respondents (58.3 percent) answered that the chair of the nominating committee should be held accountable when the board does not have at least one woman on the board. In addition, according to ISS' 2018 U.S. Proxy Season Review and as shown in the following figure, companies that lacked a gender diverse board were correlated with lower support levels for nominating committee chairs, which may be in part due to investors' focus on the issue[2]. This further illustrates that shareholders find it appropriate to hold the chair of the nomination committee accountable for a lack of gender diversity.

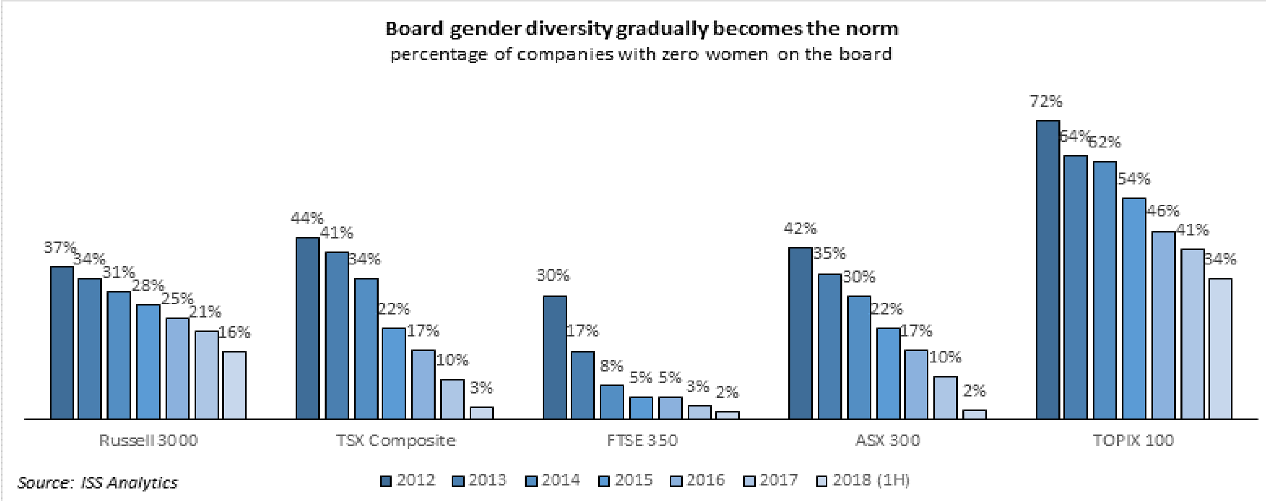
[2] United States: Uncontested Director Elections & Governance Proposals: 2018 Proxy Season Review.



Amending the Sustainability policy to reflect the opinions of our clients will increase the value of our research reports.

2. Gender diverse boards are the market norm in the United States and internationally.

According to the 2017 U.S. Board Study: Board Diversity Review, in 2017 and at the time of their annual meetings, 99 percent of the firms in the S&P 500, 90 percent of the S&P 400, 77 percent of the S&P 600, and 87 percent of the companies in the S&P 1500 had at least one woman on the board. As of Sept. 25, 2018, and according to ISS' DataDesk data, only three companies in the S&P 500 had no female directors. Boards with female representation far outnumber all-male boards in the Russell 3000 Index too where, according to ISS' Data Desk data, 84 percent of the companies have at least one female on the board. Female representation at the board level has thus become the norm at companies traditionally associated with having better governance practices in the U.S., as well as in other markets, as shown in the figure below.



Internationally, many countries (among others; Belgium, Canada, Finland, France, India, Israel, Italy, Kenya, The Netherlands, and Spain) have adopted legislative mandates or government- issued recommendations regarding board gender diversity. These mandates range from requiring at least one woman on the board to 50 percent gender diversity. Updating the Sustainability policy to require at least one woman on the board puts the policy in line with the market norm and increases alignment with internationally government mandated or recommended gender diversity quotas.

3. Board gender diversity has been positively correlated to better company performance in some studies.

Many investors view board gender diversity as good corporate governance in light of a series of studies that have found that board gender diversity is positively correlated to better company performance[3].

Looking beyond returns, recent ISS studies have identified additional benefits from boosting gender diversity in the boardroom. A recent ISS report[4] found that women directors are more likely to possess skillsets that are most sought after by boards. That study found that female nominees surpassed their male peers in the prevalence of skills related to audits, strategic planning, technology, sales, risk management, legal, government, CSR, and human resources. This indicates that encouraging gender diversity in the boardroom can be a driver for better company performance, thus assisting our clients in exercising their fiduciary responsibility.

---

[3] Conyon, Martin J. and He, Lerong, *Firm Performance and Boardroom Gender Diversity: A Quantile Regression Approach*, March 16, 2017; Deloitte, Global Center for Corporate Governance, Women in the boardroom: A global perspective, P. 3-4, Fifth Ed. (2017); PwC, Governance Insights Center, PwC's 2017 Annual Corporate Directors Survey, p. 11-12; Vivian Hunt, Dennis Layton and Sara Prince, McKinsey & Co., *Diversity Matters*, Feb. 2, 2015; Marcus Noland, Tyler Moran and Barbara Kotschwar, Peterson Institute for International Economics, *Is Gender Diversity Profitable?*, February 2016

4 Anthony Garcia, ISS Custom Research, *Director Skills: Diversity of Thought and Experience in the Boardroom*, Governance Insights, Sept. 14, 2018.

Board of Directors: Other Board-Related Proposals

Independent Board Chair

Current Sustainability Policy, incorporating changes:	New Sustainability Policy:
Independent Board Chair ~~(Separate Chair/CEO)~~ One of the principle 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 Advisory Services Recommendation:** Generally, support shareholder proposals that would require the board chair to be independent of management. ~~Sustainability Policy Recommendation: Generally vote for shareholder proposals requiring that the chairman's position be filled by an independent director, taking into consideration the following:~~ ~~› The scope of the proposal;~~ ~~› The company's current board leadership structure;~~ ~~› The company's governance structure and practices;~~ ~~› Company performance; and~~ ~~› Any other relevant factors that may be applicable.~~ ~~Regarding the scope of the proposal, consider whether the proposal is precatory or binding and whether the proposal is seeking an immediate change in the chairman role or the policy can be implemented at the next CEO transition.~~ ~~Under the review of the company's board leadership structure, Sustainability Advisory Services may support the proposal under the following scenarios absent a compelling rationale: the presence of an executive or non-independent chair in addition to the CEO; a recent recombination of the role of~~	**Independent Board Chair** One of the principle 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 Advisory Services Recommendation:** Generally, support shareholder proposals that would require the board chair to be independent of management.

~~CEO and chair; and/or departure from a structure with an independent chair. Sustainability Advisory Services will also consider any recent transitions in board leadership and the effect such transitions may have on independent board leadership as well as the designation of a lead director role.~~ ~~When considering the governance structure, Sustainability Advisory Services will consider the overall independence of the board, the independence of key committees, the establishment of governance guidelines, board tenure and its relationship to CEO tenure, and any other factors that may be relevant. Any concerns about a company's governance structure will weigh in favor of support for the proposal.~~ ~~The review of the company's governance practices may include, but is not limited to poor compensation practices, material failures of governance and risk oversight, related-party transactions or other issues putting director independence at risk, corporate or management scandals, and actions by management or the board with potential or realized negative impact on shareholders. Any such practices may suggest a need for more independent oversight at the company thus warranting support of the proposal.~~ ~~Sustainability Advisory Services' performance assessment will generally consider one-, three, and five-year TSR compared to the company's peers and the market as a whole. While poor performance will weigh in favor of the adoption of an independent chair policy, strong performance over the long-term will be considered a mitigating factor when determining whether the proposed leadership change warrants support.~~	

Rationale for Change:

Based on the 2018 ISS' Sustainability Policy Survey issued to subscribers of the Sustainability proxy-voting policy, a majority of institutional investors responded that they would always support shareholder proposals seeking an independent chair. Shareholder proposals requesting an independent board chair constituted almost half of all board-related proposal during the first half of 2018. ISS' Analytics data indicates there were 46 shareholder proposal requesting an independent board chair in between January and June 2018, up from 42 proposals during the same period in 2017. According to a Nov. 9, 2018 Governance insight piece entitled Independent Board Leadership Matters: Evidence from Governance Practices, there is a slow but steady trend towards an independent board leadership. The piece also found a direct correlation between the number of independent board directors and good governance practices. Additionally, “In relation to board composition, board refreshment and gender diversity improve as independent leadership on the board increases. In addition, shareholder rights and responsiveness to shareholders also improve with increased board leadership".

Shareholder Rights & Defenses

Management Proposals to Ratify Existing Charter or Bylaw Provisions

Current Sustainability Advisory Services Policy, incorporating changes:	New Sustainability Advisory Services Policy:
Sustainability Advisory Services Recommendation: [no current policy] 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.	**Sustainability Advisory Services 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.

Rationale for Change:

See Board Accountability – Management Proposals to Ratify Existing Charter or Bylaw Provisions.

Capital/Restructuring

Reverse Stock Splits

Current Sustainability Advisory Services Policy, incorporating changes:	New Sustainability Advisory Services Policy:
Sustainability Advisory Services Recommendation: Vote for management proposals to implement a reverse stock split if: › ~~whent~~The number of authorized shares will be proportionally reduced~~.~~; or › The effective increase in authorized shares is equal to or less than the allowable increase calculated in accordance with ISS' Common Stock Authorization policy. Vote ~~against~~ case-by-case on proposals ~~when there is not a proportionate reduction of authorized shares, unless~~ that do not meet either of the above conditions, taking into consideration the following factors: › ~~A~~ S~~s~~tock exchange ~~has provided notice~~ notification to the company of a potential delisting; ~~or~~ ~~› The effective increase in authorized shares is equal to or less than the allowable increase calculated in accordance with ISS' Common Stock Authorization policy.~~ › 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.	**Sustainability Advisory Services Recommendation:** Vote for management proposals to implement a reverse stock split if: › The number of authorized shares will be proportionally reduced; or › The effective increase in authorized shares is equal to or less than the allowable increase calculated in accordance with ISS' 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.

Rationale for Change:

The policy on reverse stock splits is being updated to codify the approach currently taken for companies that are not listed on major stock markets/exchanges and are not proportionately reducing their authorized shares. Delisting notices are not applicable to companies that do not trade on a major market/exchange. The policy is being broadened to include consideration of other critical factors for all companies, exchange-listed and non-exchange listed, where substantial risks exist - in particular, whether they will continue as going concerns.

Social and Environmental Issues

Global Approach

Current Sustainability Advisory Services Policy, incorporating changes:	New Sustainability Advisory Services Policy:
Sustainability Advisory Services 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; › What other companies have done in response to the issue addressed in the proposal; › Whether there are significant controversies, fines, penalties, or litigation associated with the company's environmental or social practices; › 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.	**Sustainability Advisory Services 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; › What other companies have done in response to the issue addressed in the proposal; › Whether there are significant controversies, fines, penalties, or litigation associated with the company's environmental or social practices; › 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.

Rationale for Change:

The update is being made to codify the factors that are already taken into consideration in Sustainability Advisory Services' analyses of Environmental and Sustainability (E&S) shareholder proposals. The update makes it more explicit that significant controversies, fines, penalties, or litigation are considered when evaluating E&S shareholder proposals.

The Global Leader In Corporate Governance

www.issgovernance.com