UNITED STATES

PUBLIC FUND ADVISORY SERVICES POLICY UPDATES

2021 Policy Recommendations

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TABLE OF CONTENTS

Director Elections

Board Competence

Excessive Directorships

Current Public Fund Advisory Services Policy, incorporating changes:	New Public Fund Advisory Services Policy:
Public Fund Advisory Services Recommendation: Generally vote against or withhold votes from directors serving on an excessive number of boards. As a general rule, vote against or withhold from director nominees who are: ▪ CEOs of publicly-traded companies who serve on more than ~~two~~ one public board~~s~~ besides their own. NOTE: Public Fund Advisory Services will recommend a vote against or withhold from overboarded CEO directors only at their outside directorships[1] and not at the company in which they presently serve as CEO; or ▪ Non-CEO directors who serve on more than ~~five~~ four public company boards.	**Public Fund Advisory Services Recommendation:** Generally vote against or withhold votes from directors serving on an excessive number of boards. As a general rule, vote against or withhold from director nominees who are: ▪ CEOs of publicly-traded companies who serve on more than one public board besides their own. NOTE: Public Fund Advisory Services will recommend a vote against or withhold from overboarded CEO directors only at their outside directorships[1] and not at the company in which they presently serve as CEO; or ▪ Non-CEO directors who serve on more than four public company boards.

Rationale for Change:

Time Requirement and Expectations

While the time commitment associated with a directorship varies depending on the nature of the mandate, generally expectations and time committments have increased. According to surveys by the National Association of Corporate Directors, in 2005, the average annual time commitment for a directorship was 190 hours[2].By

[1] Although all of a CEO's subsidiary boards with publicly-traded common stock will be counted as separate boards, Public Fund Advisory Services will not recommend a withhold/against vote for the CEO of a parent company board or any of the controlled (>50 percent ownership) subsidiaries of that parent, but will do so at subsidiaries that are less than 50 percent controlled and boards outside the parent/subsidiary relationships.

[2] 2014-2015 Public Company Governance Survey, National Association of Corporate Directors (NACD), 2015

2018, the average had increased almost 30 percent to 245 hours[3]. This increase in time commitment is a reflection of heavier board workloads[4]. Thus, a CEO's outside directorships should be particularly scruntinized when considering the already busy executive schedule. Taking on an additional board seat means investing extra time that the CEO may not have. A heavy workload may raise investors' concerns about the director's oversight ability. In addition to the increase in time commitment, a director's responsibilities and expectations are more demanding than ever. Directors are now expected to oversee a wider variety of risks, including warding off cyber-risks, responding to a changing corporate culture, and preparing for other potential threats such as pandemics. Nowadays, boards have to manage increasingly encompassing threats that have varying degrees of impacts on the business model, markets and industries[4].

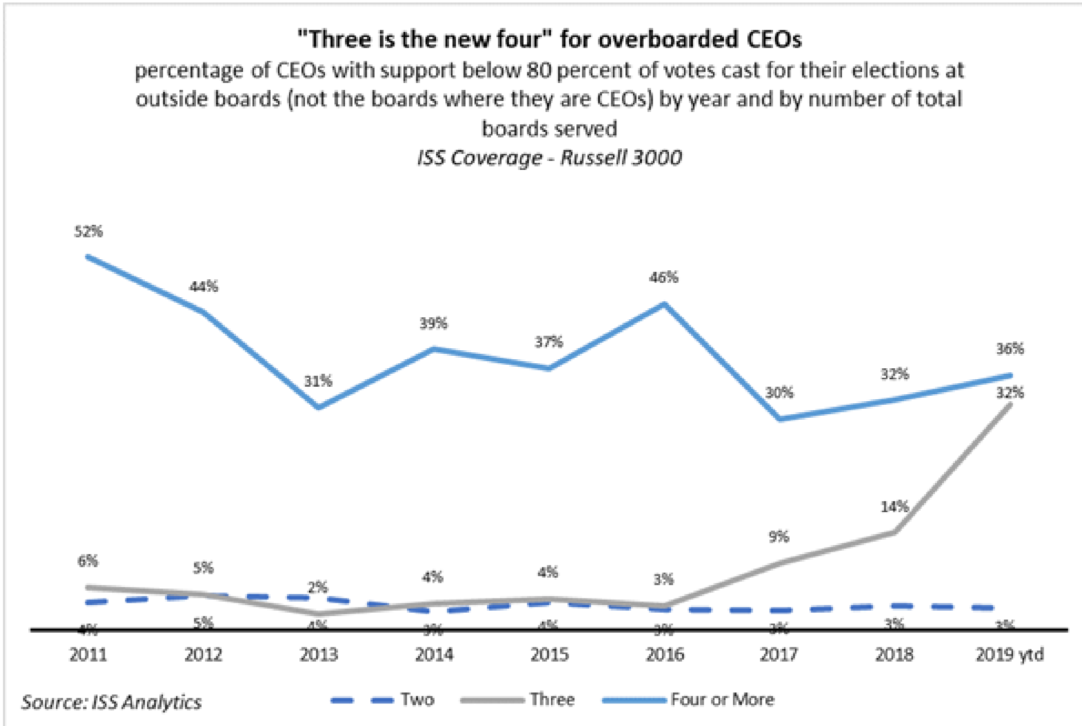
Shifting Perspectives on Acceptable Outside Directorship Limits

Directors are considered overboarded if they sit on a number of boards which could result in excessive time commitments and an inability to fulfill their duties[5].

While some countries' governance codes include limits on the number of outside mandates that can be held by a director, investors have taken it upon themselves in other markets to set acceptable thresholds for the number of directorships a director may responsibly hold. Over the past two years, a shift has been observed where the number of acceptable outside mandates has decreased. As shown in the figure below, the tightening of commitments may have resulted in an uptick in adverse vote results against those directors who investors consider overboarded[6]. In 2019, over 30 percent of nominations of outside CEOs who served on three boards received less than 80 percent support, compared to only 3 percent in 2016. Leading this change, large institutional investors such as Vanguard and Blackrock have adopted stricter guidelines for directors serving on outside boards. For CEO directors or full time executives, certain large institutional investors will only accept one additional directorship, lowering the CEO threshold from three total boards to two total boards.

Issuers have also set limits on directors' commitments. Among S&P 500 companies, 77 percent of issuers have set limits on their directors' outside commitments, with 27 percent having limits specifically for CEOs. Of those issuers who have set limits on their CEO's outside mandates, all of them have set limits of either two or three total boards.[7] In 2007, 55 percent of the S&P companies had self imposed some limit on their directors' outside commitements.[7] In 2017, CEOs had already significantly reduced their outside board commitmments. Only six percent of the S&P 500 CEOs served on more than two boards. A third had CEOs serving on only one outside board, compared to 55 percent in 2016.[8] Overall the percentage of CEOs serving on one or more outside board has decreased by 20 percent in the last five years, and 29 percent in the last decade.

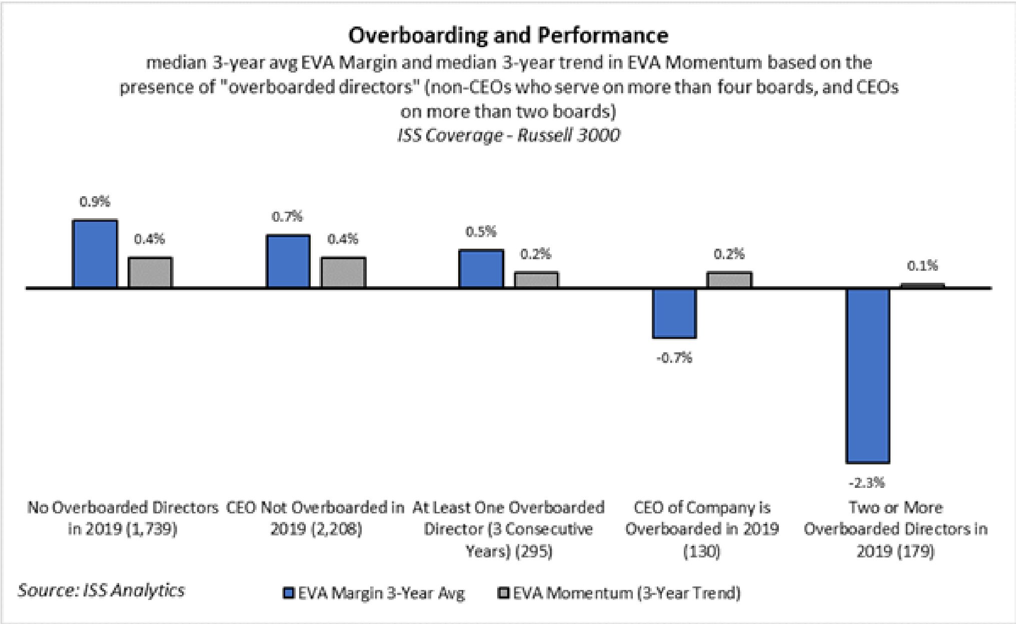
[3] 2018-2019 Public Company Governance Survey, National Association of Corporate Directors (NACD), 2019
[4] Three, Four, Five? How Many Board Seats Are Too Many? The Wall Street Journal, 2016
[5] The Debate About Directors With Too Many Board Commitments, Michael Peregrine, Forbes, 2019
[6] Director Overboarding: Global Trends, Definition and Impact, Governance Insights, ISS, 2019
[7] Spencer Stuart, U.S. Board Index 2017
[8] Time is Money, The Link Between Over-Boarded Directors and Portfolio Value, Governance Brief, State Board of Administration, 20



Company Performance

A 2018 Florida State Board of Administration study titled "Time Is Money" found that boards with above average levels of directorships exhibited lower average 5-year stock performance of approximately 140 basis points (1.4 percent).[8 Error! Bookmark not defined.]

As highlighted a correlation exists between company performance and overboarding. Various scenarios of director overboarding were evaluated against Economic Value Added's (EVA) Margin & Momentum, ISS' proprietary measures; and a correlation was found between overboarding and economic under performance. This correlation could signal that shareholders, investors and issuers may benefit from having directors on their boards that do not over-extend themselves.



"For the purposes of this analysis, our definition of "overboarded director" considered non-CEO directors who serve on more than four public company boards and CEOs (on the board of the company they manage or on an outside board) who serve on more than two boards."

Investor Sentiment

The concept of director overboarding and its link to effective director oversight of corporate governance risks dates back to the Sarbanes-Oxley era. Since then, investors have regarded directors' board commitments as a tenet of good corporate governance[9]. Issuers are also paying closer attention to the number of boards directors sit on[10]. Some large institutional investors have recently tightened their limits on a director's board commitments, presumably believing the time commitment required to be an effective board member at a public company has increased in recent years[11]. This change will align the Public Fund policy with the views of clients.

[9] Corporate Law & Governance Update -April 2019, McDermott Will & Emery, 2019
[10] 2018 United States Spencer Stuart Board Index, Spencer Stuart, 2018
[11] 2019 Proxy Season Takeaways, PJT Camberview, 2019

Results of Public Fund Advisory Services' 2020 Policy Survey as well as ISS' 2019 Global Proxy Survey indicate that a plurality of clients view a maximum of four total director appointments as an appropriate limit for non-CEO directors and two total director appointments for directors that are CEOs at outside companies.

Gender Diversity

Current Public Fund Advisory Services Policy, incorporating changes:	New Public Fund Advisory Services Policy:
Gender Diversity: For companies in the Russell 3000 or S&P 1500 indices, generally vote against or withhold from the chair of the nominating committee (or other directors on a case-by-case basis) at companies where there are no women on the company's board. An exception will be made if there was a woman on the board at the preceding annual meeting and the board makes a firm commitment to return to a gender-diverse status within a year. ~~Mitigating factors include:~~ ▪ ~~Until Feb. 1, 2021, a firm commitment, as stated in the proxy statement, to appoint at least one woman to the board within a year;~~ ▪ ~~The presence of a woman on the board at the preceding annual meeting and a firm commitment to appoint at least one woman to the board within a year.; or~~ ▪ ~~Other relevant factors as applicable~~.	**Gender Diversity:** For companies in the Russell 3000 or S&P 1500 indices, generally vote against or withhold from the chair of the nominating committee (or other directors on a case-by-case basis) at companies where there are no women on the company's board. An exception will be made if there was a woman on the board at the preceding annual meeting and the board makes a firm commitment to return to a gender-diverse status within a year.

Rationale for Change:

Under the 2019 announcement of the policy regarding board gender diversity on boards, a transitional year (2020) was provided so that a company that previously had not had a female director could make a commitment to add one by the following year. This transitional year has now passed, so the policy is being updated to remove it.

Starting in February 2021, the only exception to the adverse vote recommendations for companies with no women on their board will be if the board has temporarily lost its gender diversity: that is, if there was at least one woman on the board at the previous annual meeting, and the board commits to restoring its gender diversity by the next annual meeting.

Racial/Ethnic Diversity

Current Public Fund Advisory Services Policy, incorporating changes:	New Public Fund Advisory Services Policy:
Racial and/or Ethnic Diversity: For companies in the Russell 3000 or S&P 1500 indices, highlight boards with no apparent racial and/or ethnic diversity[12]. For companies in the Russell 3000 or S&P 1500 indices, effective for meetings on or after Feb. 1, 2022, 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. An exception will be made if there was racial and/or ethnic diversity on the board at the preceding annual meeting and the board makes a firm commitment to appoint at least one racial and/or ethnic diverse member within a year.	**Racial and/or Ethnic Diversity:** For companies in the Russell 3000 or S&P 1500 indices, highlight boards with no apparent racial and/or ethnic diversity[12]. For companies in the Russell 3000 or S&P 1500 indices, effective for meetings on or after Feb. 1, 2022, 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. An exception will be made if there was racial and/or ethnic diversity on the board at the preceding annual meeting and the board makes a firm commitment to appoint at least one racial and/or ethnic diverse member within a year.

Rationale for Change:

Recent social unrest has put racial and ethnic injustices and inequalities at the forefront of many investors' minds and many boards' deliberations. Many investors have expressed interest in seeing ethnic or racial diversity on boards, citing reasons of equality and good corporate governance.

ISS Policy survey results

In ISS' 2021 Global Policy Survey, when asking about the importance of ethnic and/or racial diversity on corporate boards, almost 60 percent of investors indicated that boards should aim to reflect the company's customer base and the broader societies in which they operate by including directors drawn from racial and ethnic minority groups. When asked about actions considered appropriate to increase the racial and ethnic make-up of the board, 86 percent of investor respondents and 92 percent of non-investor respondents indicated that it would be appropriate to engage with the company to encourage increased racial and ethnically diverse directors. Support of shareholder proposals on topics of workplace diversity disclosure and targets, and "Rooney rule" type shareholder proposals were the second and third most popular answer for both investors and non-investors. Notwithstanding, a majority of investors (57 percent) responded that they would consider voting against members of the nominating committee (or other directors) where board racial and ethnic diversity is lacking.

In 2021, the Public Fund Advisory Services research reports will highlight boards that lack racial and/or ethnic diversity to help investors identify companies with which to engage and will foster dialogue between investors and issuers on this topic. While the US Public Fund Advisory Services policy will not use any lack of racial and/or

[12] Aggregate diversity statistics provided by the board will only be considered if specific to racial and/or ethnic diversity.

ethnic diversity as a factor in its vote recommendations on directors in 2021, Public Fund Advisory Services will identify in its reports when a board lacks racial and ethnic diversity.

For 2022, Public Fund Advisory Services will issue adverse vote recommendations, generally voting 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 ethnically or racially diverse members.

A recruiting priority, legislation in California and SEC developments

Obstacles to increasing racial and ethnic representation on board are highlighted in the "Black Corporate Directors Time Capsule Project"[13], a survey conducted by seasoned retired corporate director Barry Lawson Williams. Recruiting through social networks has perhaps had the most negative effect of "perpetuating long-standing inequities". Another obstacle to achieving increased diversity on corporate boards is the recruiting pipeline, which itself is not conducive for diverse candidates to "feed into future CEO and board roles"[14]. A Korn Ferry study conducted for the Executive Leadership Council, which advocates for promotion of black executives into the top executive ranks and boardrooms, also came to a similar finding; African-American executives are disproportionately in support roles versus senior executives in so-called “profit and loss jobs"[15].

While great strides have been made to increase the gender diversity of boards, efforts to increase the racial and ethnic make-up of corporate boards has been slow[16] and even declining. Conversely, the 2019 U.S. Spencer Stuart Board Index[17] found that diversity is a priority for boards; of the 432 directors added to corporate boards of the S&P 500 index in 2019, 59 percent were women and/or minorities. Of the new directors, 23 percent were minorities (defined as African-American, Hispanic/Latino or Asian in the study). Minority women represented 10 percent of the incoming class, up slightly from 9 percent for director appointments in 2018. Minority men represented 13 percent of the new directors, an increase from 10 percent last year but still down from 14 percent two years ago. Moreover, according to a Bloomberg article, the "executive recruiting firm Spencer Stuart Inc., the firm says the percentage of Black executives joining boards in 2020 fell to 11% from 13% the year before"[18].

Interestingly, the study found that of the surveyed Nominating/Governance committee members, the highest priority board recruiting profiles in the next three years included recruiting minorities " Looking ahead, digital/social media experience, as well as minority status, will become more important qualities in recruiting profiles, replacing financial and operational skill sets in the top 5 priorities."[16]

[13] (https://barrylawsonwilliams.com/bcd-time-capsule)
[14] (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3587498).
[15] https://www.bloomberg.com/news/articles/2019-10-10/black-executives-hold-few-positions-that-lead-to-ceo-job
[16] (https://hbr.org/2020/08/why-do-boards-have-so-few-black-directors
[17] https://www.spencerstuart.com/-/media/2019/ssbi-2019/us_board_index_2019.pdf
[18] (https://www.bloombergquint.com/onweb/companies-seek-more-black-directors-after-adding-women

Furthermore, the state legislature in California has passed, and the Governor approved on Sept 30, 2020, a new bill, AB 979, to promote “underrepresented communities” on boards of directors.

Speaking at the CII conference on Sept. 22, 2020, Commissioner Allison Herren Lee noted the SEC could go farther by strengthening existing guidance on board candidate diversity characteristics. This year, the SEC adopted amendments to Regulation S-K[19], a regulation which governs the description of business, legal proceedings, and risk factor disclosure, to add human capital as a topic for disclosure. This amendment reflects a general trend that the SEC has slowly established regarding diversity disclosure. In 2009, the SEC demanded companies disclose how diversity was considered as a factor in the hiring process for directors. In 2018, the SEC issued guidance to "encourage the disclosure of self-identified characteristics of board candidates"[20].

Investor initiatives

Large institutional investors, such as Vanguard and State Street Global Advisors (SSGA), have traditionally focused more of their diversity efforts on gender. However, as awareness of the lack of minority representation on U.S. boards has drawn growing attention, there seems to be a shift by such institutional investors to focus on efforts regarding improving the number of racially diverse directors on corporate boards.

In its August 27, 2020 letter addressed to chairs of corporate boards, SSGA states "the lack of racial and ethnic diversity and inclusion poses risks to companies that senior managements and boards should understand and manage." SSGA "believes it is critical for boards and investors to have more robust information and data regarding the racial and ethnic workforce diversity of companies in their portfolios and to understand the steps they are taking to achieve relevant goals."

In August of the prior year, Vanguard put companies that it invests in on notice to seek greater diversity on their boards. According to its 2019 Investment Stewardship Annual Report, Vanguard stated:

> *We have long believed in the importance of diversity in the boardroom, and we have increasingly advocated for greater representation of women on corporate boards. We are expanding our focus to more explicitly urge boards to seek greater diversity across a wide range of personal characteristics, such as gender, race, ethnicity, national origin, and age.*

Vanguard requests companies to disclose their diversity policies and report on the race and ethnicity makeup of the board, at least on the aggregate level. Vanguard expects companies to make progress in boardroom diversity by encouraging companies to widen their search for director candidates.[21] Moreover, SSGA appeals for

[19] https://www.sec.gov/rules/final/2020/33-10825.pdf
[20] Speech at CII conference https://www.sec.gov/news/speech/lee-cii-2020-conference-20200922#_ftn28
[21] https://www.thecorporatecounsel.net/blog/2020/09/vanguards-expectations-for-board-diversity.html

companies to disclose racial and ethnic diversity at the board level and at the overall employee level. Engagement with the company is SSGA's main way of addressing racial and ethnic diversity, but they are prepared to use proxy voting as another means of holding companies accountable.[22]

In addition, a number of investor groups advocating for increased ethnic minority representation on corporate boards have come out with a plan to call out corporate America. Recently formed coalitions, The Board Diversity Action Alliance and The Board Challenge, have sprung into action with announcements in September 2020 regarding their efforts to increase the racial makeup of corporate boards in the US. The Board Diversity Action Alliance, founded by Teneo, the Ford Foundation, and The Executive Leadership Council, describes itself as a business-led initiative with a focus aimed at increasing the representation of racially and ethnically diverse directors on corporate boards beginning with Black directors, as well as an additional focus on disclosure[23]. The Board Challenge, a group comprised of 43 public and private companies and organizations, has launched a pledge for U.S. corporate board of directors to add a Black director within the next year. The Board Challenge has over 40 signatories and is aiming to grow to more than 400 signatories within the next year.[24] Meanwhile Latino Voices for Boardroom Equity, a new initiative led by Latino Corporate Directors Association (LCDA) in partnership with a number of civic and business leaders, aims to improve Latino boardroom representation. The main objectives are to: (1) triple Latino representation on public company boards by 2023; (2) act to target corporations with no Latino representation; and (3) track progress through publication of a quarterly scorecard.[25]

Despite obstacles, it remains clear that an increase in the racial and/or ethnic make-up of corporate boards is a priority for investors and society.

[22] https://www.thecorporatecounsel.net/blog/2020/08/dialed-in-ssga-letter-calls-for-diversity-disclosures.html
[23] https://boarddiversityactionalliance.com/
[24] https://theboardchallenge.org/
[25] https://latinocorporatedirectors.org/latino_voices_for_boardroom_eq.php

Board Accountability

Governance Failures: Material Environmental & Social Risk Oversight Failures

Current Public Fund Advisory Services Policy, incorporating changes:	New Public Fund Advisory Services Policy:
Public Fund Advisory Services Recommendation: Under extraordinary circumstances, vote against or withhold from directors individually, committee members, or the entire board, due to: ▪ The presence of problematic governance practices including interlocking directorships, multiple related-party transactions, excessive risk-taking, imprudent use of corporate assets, etc.; ▪ Inadequate CEO succession planning, including the absence of an emergency and non-emergency/orderly CEO succession plan; ▪ Material failures of governance, stewardship, risk oversight[26], or fiduciary responsibilities at the company, failure to replace management as appropriate, flagrant or egregious actions related to the 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; or ▪ Chapter 7 bankruptcy, Securities & Exchange Commission (SEC) violations or fines, and criminal investigations by the Department of Justice (DOJ), Government Accounting Office (GAO) or any other federal agency.	**Public Fund Advisory Services Recommendation:** Under extraordinary circumstances, vote against or withhold from directors individually, committee members, or the entire board, due to: ▪ The presence of problematic governance practices including interlocking directorships, multiple related-party transactions, excessive risk-taking, imprudent use of corporate assets, etc.; ▪ Inadequate CEO succession planning, including the absence of an emergency and non-emergency/orderly CEO succession plan; ▪ Material failures of governance, stewardship, risk oversight[26], or fiduciary responsibilities at the company, failure to replace management as appropriate, flagrant or egregious actions related to the 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; or ▪ Chapter 7 bankruptcy, Securities & Exchange Commission (SEC) violations or fines, and criminal investigations by the Department of Justice (DOJ), Government Accounting Office (GAO) or any other federal agency.

Rationale for Change:

While the specific language regarding the "Governance Failures" policy varies from market to market, every Public Fund Advisory Services policy guideline document in this region is being updated to include explicit references to poor risk oversight of environmental and social issues as examples of material failure that may result in adverse vote recommendations.

[26] 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 adverse legal judgments or settlements; or hedging of company stock.

Shareholder Rights Plan (i.e. Poison Pills)

Current Public Fund Advisory Services Policy, incorporating changes:	New Public Fund Advisory Services Policy:
Vote against or 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[27]. 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[28] or long-term, has a deadhand or slowhand feature.	Vote against or 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[27]. 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[28] or long-term, has a deadhand or slowhand feature.

Rationale for Change:

When Public Fund Advisory Services last updated its policy on poison pill adoption without a shareholder vote in 2017, there remained only a handful of companies with a deadhand or slowhand feature in their poison pills. All of them were long-term, non-shareholder approved pills, so Public Fund Advisory Services was already recommending against all nominees to their board, and therefore a separate bullet point on deadhand features was no longer deemed necessary. Unfortunately, the almost defunct deadhand feature has come back to life.

With the market volatility experienced during the COVID-19 pandemic, many companies rushed to implement short-term (one year or shorter) pills. Some companies included deadhand or slowhand features in these new short-term pills: American Finance Trust, Inc., Global Net Lease, Inc., New York City REIT, Inc., and Whitestone REIT.

A deadhand provision is generally phrased as a “continuing director (or trustee)” or “disinterested director” clause and restricts the board's ability to redeem or terminate the pill. Continuing directors are directors not associated with the acquiring person, and who were directors on the board prior to the adoption of the pill or

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

~~Redlined~~ = deleted; green = added

were nominated by a majority of such directors. The pill can only be redeemed if the board consists of a majority of continuing directors, so even if the board is replaced by shareholders in a proxy fight, the pill cannot be redeemed: the defunct board prevents that. A slowhand is where this redemption restriction applies only for a period of time (generally 180 days).

The adoption of a device like a deadhand poison pill or its variants (such as slowhand pills) is unjustifiable from a governance standpoint, as it is explicitly intended to thwart the will of shareholders in situations where they vote to replace the board in order to enable an offer to proceed. The policy for unilateral (without a shareholder vote) adoptions of pills is thus being updated to bring back the explicit referral to deadhand/slowhand features.

Because the unilateral adoption of a deadhand or slowhand pill is considered a material governance failure, the inclusion of such a feature in a poison pill may be grounds for adverse director recommendations at the next annual meeting, even if the pill itself has expired by the time of that meeting.

Other Board-Related Proposals

Board Refreshment

Current Public Fund Advisory Services Policy, incorporating changes:	New Public Fund Advisory Services Policy:
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. ~~**Limit Term of Office**~~ ~~Those who support term limits argue that this requirement would bring new ideas and approaches on to a board. While term of office limitations can rid the board of non-performing directors over time, it can also unfairly force experienced and effective directors off the board. When evaluating shareholder proposals on director term limits, consider whether the company's performance has been poor and whether problematic or entrenching governance provisions are in place at the company. Additionally, consider board independence, including whether the board chair is independent.~~ ~~**Public Fund Advisory Services Recommendation:** Generally vote against shareholder proposals to limit the tenure of outside directors.~~ **Term/Tenure Limits** **Public Fund Advisory Services 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.	**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** **Public Fund Advisory Services 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** **Public Fund Advisory Services 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.

~~Redlined~~ = deleted; green = added

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** **Public Fund Advisory Services 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.	

Rationale for Change:

With the growing emphasis on achieving board diversity, the issue of board refreshment mechanisms has been garnering more attention. Generally, board refreshment is best achieved through an ongoing program of individual director evaluations. However, many companies employ other methods to achieve board turnover, such as age limits or tenure limits. These can be problematic: age limits are arbitrary, imply an impairment to ability solely due to age, and have been used in the past to remove dissenting voices from the board. Term/tenure limits can be problematic if poorly designed, e.g., enforcing too short a limit and thus not allowing a range of director tenures to provide a balance of experience with new perspectives. Or, at companies with multiple company executives on the board, a quick turnover forced on only the independent directors further limits their power vis-à-vis that of the insiders.

Worse still is when the age or tenure limit is waived for one director but not another, lessening its credibility and creating unequal treatment of supposedly equal boardroom participants. Yet, they are quite common: ISS' data on companies in the current Governance QualityScore (GQS) universe of ~ 3,050 U.S. companies found 673 companies had director age limits: of these only 40 had a limit that was mandatory while 633 had limits that could be waived. Fewer companies had a director term/tenure limit: only 66, and for all of them, it could be waived.

Public Fund Advisory Services' policy has been to recommend against all director term or age limits, and the policy to generally recommend against age limits will continue. However, Public Fund Advisory Services policy will now take a case-by-case approach on term limits. For those, Public Fund Advisory Services will take a case-by-case approach looking for well-designed management proposals that provide appropriate balance. For shareholder proposals, in cases where there are problematic board issues/governance failures at the company where lack of board turnover appears to be contributing factor, Public Fund Advisory Services may support a shareholder proposal for director term limits.

Shareholder Rights

Advance Notice Requirements for Shareholder Proposals/Nominations

Current Public Fund Advisory Services Policy, incorporating changes:	New Public Fund Advisory Services Policy:
Public Fund Advisory Services 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 proposals/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.	**Public Fund Advisory Services 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 proposals/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.

Rationale for Change:

In recent years, it has become more common in the U.S. market for companies to set advance notice provisions that provide for shareholder notice of action (via director nomination or other business) 120 days prior to the meeting, allowing for at least a 30-day submittal period. This policy change recognizes the balance needed between allowing shareholder submissions sufficiently close to the meeting to account for developing issues, and still allowing sufficient time for shareholders to evaluate and vote the items on all the agenda items in the proxy.

Advance notice provisions do not apply to shareholder proposals submitted under SEC Rule 14a-8(e)(2), nor to director nominations submitted under proxy access provisions.

Virtual Shareholder Meetings

Current Public Fund Advisory Services Policy, incorporating changes:	New Public Fund Advisory Services Policy:
Public Fund Advisory Services 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[29] 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.	**Public Fund Advisory Services 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[29] 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.

Rationale for Change:

The COVID-19 global pandemic has significantly changed how shareholders' meetings are held due to the widespread use of virtual-only meeting formats in response to lockdowns and other social distancing requirements adopted in most markets. In the U.S., regulations regarding company meeting formats (virtual, in-person or hybrid) are determined at the state level. While some states already included virtual meetings as part of the pre-COVID-19 regulatory framework, others had to set rules for the adoption of virtual meeting formats expeditiously as the pandemic continued to expand. As a result, virtual-only and/or hybrid (combined on-line and physical) shareholders meetings are being considered by more companies for future meetings.

While there is a compelling rationale for restricting physical meetings during an unprecedented global pandemic, the potential long-term impacts of moving to virtual-only formats on the rights of shareholders is the subject of debate. While some express concerns over company abuses during shareholder meetings, others propose the format as beneficial to shareholders. In their paper, "Back to the Future? Reclaiming Shareholder Democracy Through Virtual Annual Meetings," authors Yaron Nili & Megan Wischmeier Shaner assert: "Virtual meetings allow shareholders to attend meetings at a low cost, holding the promise of re-engaging retail shareholders in corporate governance. If structured properly, virtual meetings can reinvigorate the annual meeting, reviving shareholder democracy while maintaining the efficiency benefits of proxy voting." However, in the same paper, it is noted that many large institutional shareholders and activist groups including CII, CalPERS, CalSTRS and the New York City Pension Funds have voiced opposition to virtual-only shareholders meetings, stating a preference for technology to supplement rather than supplant in-

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

person meetings. These types of investors have stated that they may oppose directors in elections held at virtual-only meetings. These opinions could shift depending on the evolving technological capability to provide a virtual meeting experience that sufficiently approximates the in-person meeting.

The US Public Fund Advisory Services policy currently does not have a stated policy for management proposals allowing for the convening of meetings by electronic means. This change is establishing a policy to generally recommend a 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 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. In addition, the policy establishes a case-by-case approach on potential shareholder proposals on shareholder meeting formats.

Corporate Responsibility & Accountability

Workplace Practices & Human Rights

Gender, Race/Ethnicity Pay Gaps

Current Public Fund Advisory Services Policy, incorporating changes:	New Public Fund Advisory Services Policy:
Public Fund Advisory Services Recommendation: ~~Generally support~~ Vote case-by-case on requests for reports on a company's pay data by gender, ~~race, or ethnicity~~ or race/ ethnicity, or a report on a company's policies and goals to reduce any gender~~, race, or ethnicity pay gap.~~ 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 on 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.	**Public Fund Advisory Services 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 on 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.

Rationale for Change:

Public Fund Advisory Services is updating the policy language to clarify how Public Fund Advisory Services evaluates a company's policies and practices compared to its peers. Public Fund Advisory Services also wants to highlight that some legal jurisdictions do not allow companies to categorize employees by race and/or ethnicity and that definitions of ethnic and/or racial minorities differ from country to country, so a global racial and/or ethnicity statistic would not necessarily be meaningful or possible to provide.

Mandatory Arbitration

Current Public Fund Advisory Services Policy, incorporating changes:	New Public Fund Advisory Services Policy:
Public Fund Advisory Services 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.	**Public Fund Advisory Services 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.

Rationale for Change:

A number of shareholder proposals on mandatory arbitration were filed in 2019 and 2020, and several of them have gone to a vote. The proposals have received increased support from shareholders, with one receiving majority support in 2020. Clients have expressed interest in a specific policy on this topic.

In recent years, with the rise in employment litigation, many employers have turned to mandatory arbitration agreements as a way to avoid lengthy and costly litigation processes, including class action lawsuits. They argue that arbitration is a quicker and more cost-efficient way of resolving employment disputes. In addition, since arbitrations are private, the proceedings and outcomes are confidential, which can conceal embarrassing matters from becoming public. They note that arbitration also helps relieve an overburdened court system.

On the other hand, those against the use of this practice argue that mandatory arbitration agreements preclude employees from suing in court for violations like wage theft, discrimination and sexual harassment, and which require them to submit to private arbitration. They point out that private arbitration has been found to favor companies and discourage claims. They also point to numerous legal developments, such as the bill to end mandatory arbitration of sexual harassment claims that passed in the U.S. House of Representatives in September 2019, California's ban on the practice of requiring arbitration agreements as a condition of employment and Washington State's law enacted in 2018 that invalidates contracts requiring arbitration of sexual harassment or assault claims. They argue that due to their private and contractual nature, arbitrating employment-related claims can allow a toxic culture to flourish, increasing the severity of eventual consequences and harming employee morale.

Sexual Harassment

Current Public Fund Advisory Services Policy, incorporating changes:	New Public Fund Advisory Services Policy:
Public Fund Advisory Services 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.	**Public Fund Advisory Services 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.

Rationale for Change:

Sexual harassment in the workplace is a serious form of employment discrimination with the potential for significant legal, human capital, and reputational costs to a company. Sexual harassment claims can damage a company's reputation, alienate its employees and customers, and can be a marker for poor corporate governance.

A number of shareholder proposals filed on this issue in 2019 and 2020, and several have gone to a vote. The topic is high profile in nature and has garnered media attention. The proposals on this issue have received increased support from shareholders. Clients have expressed interest in a specific policy on this topic. As a result, Public Fund Advisory Services is creating a new policy on this particular issue based off the existing global approach on E&S shareholder proposals.

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