

# PROXY VOTING GUIDELINES: 2023

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## OVERVIEW

First Affirmative recognizes that socially and environmentally conscious investors have dual objectives. In addition to economic gain, First Affirmative clients are concerned with good corporate governance, the ethical behavior of corporations, and the impact of corporate actions on a healthy society and the natural environment that supports it. First Affirmative believes that companies implementing best practices with regard to social, environmental and corporate governance (ESG) issues enhance their ability to maximize shareholder value. We also believe that companies that take actions contrary to sound best practices with regard to ESG issues may contribute to systematic risks and associated costs that may adversely impact our clients' portfolio performance.

First Affirmative has therefore developed Proxy Voting Guidelines ("the Guidelines") to 1) support the implementation of best corporate practices that are grounded in ESG principles and 2) discourage corporate behavior that may result in financial gain for a company by the improper transfer of cost and risk to the detriment of society, the broad economy, and our client portfolios.

These Guidelines provide an overview of how First Affirmative votes on behalf of clients. As they are guidelines, not absolute instructions, there may be instances when the final vote cast on a particular issue varies from the Guidelines due to judgments made by First Affirmative after thorough examination of the merits of the proposal and consideration of company-specific information.

For accounts where the client has authorized First Affirmative to vote proxies, we engage Institutional Shareholder Services (ISS), a governance analysis and proxy voting firm, to vote ballots in accordance with these guidelines for all qualifying securities. ISS provides First Affirmative with proxy analysis and voting recommendations, vote execution services, and reports indicating how individual votes have been cast. If First Affirmative determines that it may have a conflict of interest regarding a particular security, the ISS' recommendations will apply for that meeting.

## CAUTION: NON-U.S. COMPANIES

Although the following Guidelines generally reflect the principles applied to management and shareholder proposals at both U.S. and non-U.S. companies, we note that specific votes may vary for companies domiciled outside of the United States. Many of the basic governance concepts and social objectives transcend national boundaries, but differences in corporate governance standards, shareholder rights, and legal restrictions necessitate a more customized approach to voting in non-U.S. markets. In many countries, the requirements for filing shareholder proposals are prohibitive, resulting in a much lower number of shareholder proposals. Differences in compensation practices, board structures, and capital structures can necessitate a customized approach to evaluating proposals in different countries.

Shareholders are sometimes required to approve certain management proposals that do not require shareholder approval in the U.S. Mechanisms such as restricted voting rights, “share-blocking,” a mechanism that requires investors who intend to vote their shares to surrender the right to dispose of their shares during the blocking period, and requirements to be represented in person at meetings complicate the voting process. Finally, lower levels of disclosure in non-U.S. markets often make it difficult to apply the same policy that would apply to U.S. companies. In instances where companies fail to provide sufficient information to make a complete evaluation of a proposal, First Affirmative will abstain from voting on that proposal.

## THE GUIDELINES

First Affirmative updates these Guidelines annually to take into account new social issues and the latest trends in corporate governance. The Guidelines are divided into two categories:

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Management Proposals and Shareholder Proposals. For management proposals, First Affirmative will vote according to ISS recommendations when this document does not provide specific direction. For shareholder proposals that do not have specific direction outlined in these Guidelines, First Affirmative will review each proposal on a case-by-case basis.

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## MANAGEMENT PROPOSALS

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### DIRECTOR-RELATED ISSUES

*Including Director Elections, Classified Boards, Majority Voting, Cumulative Voting, and Board Size*  
As the board has a fiduciary responsibility to shareholders and other stakeholders to provide effective corporate governance and make strategic policy decisions, director elections is one of the most important voting decisions made by shareholders. Board composition should reflect the diversity of thought and perspective necessary for long-term focused oversight of the Company's policies, practices and products that includes due consideration of systemic risks and externalized social and environmental costs. To encourage board nomination policies and oversight practices that meet our criteria:

- We *oppose* slates of director nominees that are not comprised of a significant majority of independent directors.
- We *oppose* inside and/or affiliated directors where more than one-third of the members are not independent.
- We *withhold* votes from non-independent directors who sit on key board committees.
- We *withhold* votes for members of the Nomination Committee when the board is not comprised of at least 40 percent underrepresented gender identities
- We *withhold* votes for members of the Nomination Committee when the board lacks racial diversity, defined as at least 20%
- We *withhold* votes for members of the Compensation Committee if we vote against the annual "say on pay" proposal.
- We *oppose* the election of directors who serve on the compensation committee who also serve as CEO of any public company.
- We *oppose* the election of directors who have failed to attend a minimum of 75% of board meetings held during the year, unless there is a valid reason for the absence.
- We *oppose* the election of directors who serve as a named executive officer of any public company while serving on more than two other public company boards. This clause does not apply at the public company where the director is a named executive officer.
- We *oppose* the election of directors who serve on more than three other public company boards.
- We *oppose* directors who fail to adequately respond to shareholder proposals that receive majority shareholder support. In addition, an evaluation of board response to shareholder

proposals that receive 30% or more support will be conducted to determine if the board responded appropriately following the vote.

- We *oppose* relevant directors at all companies with unequal voting rights
- We *support* management proposals to declassify the board and adopt majority voting, with a plurality carve-out for contested elections.
- We *oppose* efforts to classify the board or eliminate cumulative voting.
- We vote *case-by-case* on proposals that seek to change the size or range of the board.
- We *support* management proposals to fix the size of the board at a specific number. We *oppose* management proposals that give management the ability to alter the size of the board without shareholder approval.
- We *support* management proposals to adopt majority voting unless they are poorly constructed, such as applying majority voting to both contested and uncontested elections.
- We *oppose* a director who is also the CEO of a company where a serious and material restatement has occurred after the CEO had previously certified the pre-restatement financial statements.
- We *oppose* the election of directors if the board lacks accountability and oversight, coupled with sustained poor performance relative to peers.

#### CLIMATE ACCOUNTABILITY

The physical and financial risks posed by climate change are systemic, portfolio-wide, and not diversifiable. Company action, or failure to act, that directly or indirectly impacts climate outcomes pose risks to the financial system as a whole, and to our entire portfolio. We may therefore oppose the election of directors responsible for the oversight of climate risk.

Our evaluation will prioritize portfolio companies in sectors with the most significant impact by utilizing the [Climate Action 100+](#) list of 167 focus companies that account for over 80 percent of corporate industrial greenhouse gas emissions and banking institutions financing fossil fuels. Directors responsible for climate oversight that do not rapidly adopt and, more importantly, implement a transition plan to align corporate targets with limiting warming to 1.5 degrees C will be held accountable .

Our criteria will strengthen over time. Expectations are now shifting from the adoption of appropriate targets to effective strategy implementation and progress towards the targets. .

Factors will include:

- Quality of disclosure, aligning with Task Force on Climate Related Disclosures Guidance
- Setting science-based corporate targets aligned with the goal of limiting warming to 1.5°C over preindustrial levels by 2050
- Setting interim short- and medium-term goals that ensure a pathway to meeting the 2050 goal
- Disclosure and alignment of capital expenditure plans with corporate targets
- Disclosure and alignment of public policy influence activities with corporate targets
- Compensation incentives that support successful implementation of corporate targets

Our evaluation may extend to other sectors over time as appropriate data and assessment tools become available.

## AUDITORS

Annual election of the outside accountants is standard practice. While we recognize that the company is in the best position to evaluate the competence of its outside accountants, we believe that outside accountants must ultimately be accountable to shareholders. First Affirmative will *oppose* the ratification of an auditor in cases where non-audit fees represent more than 25% of the total fees paid to that auditor in the previous year or the auditor requires the company to sign an arbitration agreement.

## TAKEOVER DEFENSES

As owners of the company, shareholders should be given the opportunity to decide on the merits of takeover offers. Further, takeover devices can be used to entrench a board that is unresponsive to shareholders on both governance and corporate social responsibility issues. However, we recognize that there are certain instances when these provisions can be protective of shareholder rights. Specifically:

- We *oppose* eliminating or reducing the supermajority voting threshold if it would enhance the rights of a controlling or significant shareholder (generally 30% or greater) to the detriment of minority shareholders.
- We *support* Directors and Officers liability and indemnification provisions where the changes are being made to conform with state law.

## MISCELLANEOUS GOVERNANCE PROVISIONS

We evaluate proposals that address governance issues not specifically included above on a *case-by-case* basis, taking into account their impact on shareholder rights.

## CAPITAL STRUCTURES

*Including the Issuance of Additional Shares of Authorized Stock, Stock Splits and Reverse Stock Splits, Blank Check Preferred Stock, Dual-Class Stock, Debt Restructurings, and Share Repurchase Plans*

- We *support* a one-share, one-vote policy, and *oppose* mechanisms that skew voting rights.
- We *support* capital requests that provide companies with adequate financing flexibility while protecting shareholders from excessive dilution of their economic and voting interests.
- Proposals to increase common stock are evaluated on a *case-by-case* basis, taking into account the size and purpose of the increase, the company's need for additional shares, and the company's past use of share authorizations.
- We vote case-by-case on share repurchase programs.

## EXECUTIVE AND DIRECTOR COMPENSATION

*Including "Say on Pay" proposals, Stock-Based Incentive Plans, Employee Stock Purchase Plans, Outside Director Option Plans, and Cash and Cash and Stock Based Awards*

Although shareholder action such as “Say-on-Pay” proposal campaigns was intended to reign in excessive executive compensation, executive compensation remains a sensitive and visible corporate governance issue. Mainstream evaluation of executive pay by corporations and investors is focused on “pay for performance” metrics with heavy emphasis on comparison to self-selected peers and relatively short time periods. As You Sow conducts an annual analysis, *The 100 Most Overpaid CEOs*, that highlights the limitations of current analytical approaches and the consequences of our over reliance on narrowly focused performance metrics. Say on Pay votes also fail to address related issues such as gender inequality in executive pay, extreme pay disparities within companies, and growing income inequality.

Until alternative research is readily available, we continue to rely on existing quantitative methods for evaluation along with qualitative judgment to make our voting decisions, but the thresholds we have set are intended to support only those companies with exemplary compensation practices based on the metrics provided by ISS and informed by As You Sow and other executive compensation research.

First Affirmative will *oppose* Management Say-on-Pay (MSOP) proposals if:

- There is a misalignment between CEO pay and long-term company performance.
- The company maintains problematic pay practices without clear rationale CEO pay is excessive based on evaluation of peer and named executive officer compensation and median household income.
- The board exhibits a significant level of poor communication and responsiveness to shareholder concerns.

Executive and director compensation proposals are evaluated on a *case-by-case* basis taking into account cost/dilution levels and specific plan features. For example, we *oppose* proposals that allow for the re-pricing of stock options without shareholder approval. In addition, any recent controversies surrounding a company’s pay practices are also factored into the analysis of compensation proposals.

- We *oppose* such proposals when compensation plans are poorly designed, implemented or managed; and where there is insufficient or unclear disclosure regarding the overall compensation structure and/or the company engages in other egregious compensation practices.
- We vote *case-by-case* on incentive plans after assessing the company’s entire compensation program and determining whether such plans appropriately tie executive compensation to company performance.
- We generally *support* Employee Stock Purchase Plans (ESPP) because they encourage savings and investment and allow employees to become shareholders in the company.
- We evaluate and vote *case-by-case* on incentive stock plans based on a quantitative analysis of the plan’s cost compared with the business’s operating metrics.
- We *oppose* plans that allow for egregious compensation practices such as option re-pricing.
- Management requests for option exchanges or re-pricings are analyzed on a *case-by-case*

basis, and generally will only be supported if they exclude executive officers and directors, result in an equal or lesser value than the options being replaced, and contain features designed to enhance employee retention, such as extended vesting periods. Because shareholders do not have the ability to re-price or exchange their investment during stock price declines, any requests to re-price stock options should be backed by a compelling shareholder value argument and should be subject to a separate shareholder vote.

- Proposals requesting shareholders to ratify executive compensation and related disclosures are voted on a *case-by-case* basis taking into account compensation and performance at the company relative to peers.

## MERGERS AND CORPORATE RESTRUCTURINGS

Mergers, leveraged buyouts, acquisitions, spin-offs, re-incorporations, tax inversions, and other corporate restructuring plans are evaluated on a *case-by-case* basis, given the potential for significant impacts on shareholder value and on shareholders' economic interests. In addition, these corporate actions can have important effects on a company's workforce and community stakeholders, including but not limited to job loss, community lending, equal opportunity, and environmental impacts. Advisory votes on "Golden Parachutes" in an acquisition, merger, consolidation, or proposed sale will be voted *case-by-case*, with due consideration given to inappropriate windfalls and inappropriate coverage of tax liabilities for executive officers.

## EXCLUSIVE FORUM PROVISIONS

First Affirmative believes that charter or bylaw provisions limiting a shareholder's choice of legal venue are not in the best interests of shareholders. Such clauses may effectively discourage the use of shareholder derivative claims by increasing their associated costs and making them more difficult to pursue.

- We *oppose* any bylaw or charter amendment seeking to adopt an exclusive forum provision.
- In the event a board seeks shareholder approval of a forum selection clause pursuant to a bundled bylaw amendment rather than as a separate proposal, we weigh the importance of the other bundled provisions and vote on a *case-by-case* basis on such proposals.

## MUTUAL FUND PROXIES

There are a number of proposals that are specific to mutual fund proxies. We evaluate these proposals on a *case-by-case* basis in conjunction with recent trends and best practices at other mutual fund companies.

## CLIMATE

- We vote *case-by-case* on proposals that request shareholders to approve the company's climate transition action plan, taking into account the completeness and rigor of the plan.

# SHAREHOLDER PROPOSALS

## CORPORATE GOVERNANCE

### *Including Board Accountability Takeover Defenses, and Executive Compensation*

Each year shareholders or their advocates file numerous proposals that focus on key issues regarding corporate governance and executive compensation. We *support* the adoption of best corporate practices that are grounded in ESG principles. We generally:

- *Support* proposals that seek to improve a board's accountability to its shareholders and other stakeholders.
- *Support* initiatives that seek to strengthen the link between executive pay and long-term performance, including performance issues related to corporate social responsibility and the environment.

## BOARD COMPOSITION AND ACCOUNTABILITY

- We *support* proposals providing shareholders with the ability to nominate board candidates.
- We *support* proposals seeking the establishment of a majority vote standard in the election of directors.
- We *support* proposals requesting adoption of the SEC vote-counting standard used for establishing eligibility for resubmitting shareholder-sponsored proposals (votes cast FOR, divided by the FOR plus AGAINST votes) for all matters voted upon by shareholders.
- We *support* proposals requesting the separation of the chair and CEO.
- We *support* proposals to appoint a lead director.
- We vote *case-by-case* on proposals seeking to limit the tenure of non-employee directors.
- We vote *case-by-case* on proposals to increase board or committee independence.
- We *support* proposals requesting that the company rotate auditors every five years or more.
- We *support* proposals allowing shareholders to be reimbursed for solicitation expenses including legal fees when proposal receives approval by majority votes cast.
- We vote *case-by-case* on CEO succession policy.
- We vote *case-by-case* on proxy access proposals where adoption of this provision allows for improved shareholder rights and ensures that shareholders who maintain a long-term interest in the target company have an ability to nominate candidates for the board.
- We vote *case-by-case* on proposals requiring senior executives to hold company shares until retirement.
- We vote *case-by-case* on proposals requesting the nomination of an employee representative to the board.



## TAKE-OVER DEFENSES

- We *support* proposals to declassify the board.
- We *support* proposals providing for cumulative voting.
- We *support* proposals making it easier for shareholders to act by written consent if they contain appropriate thresholds.
- We *support* proposals providing shareholders with the ability to call special meetings if they contain appropriate thresholds.
- We *support* proposals allowing shareholders to amend the company’s bylaws by majority vote.
- We vote *case-by-case* on proposals reducing or eliminating supermajority voting.
- We *support* the elimination of dual-class stock with unequal voting rights.
- We *support* proposals to put poison pills to a shareholder vote or redeem them.
- We *support* proposals to eliminate fair price or control share provisions.
- We *support* proposals to adopt anti-greenmail provisions.
- We vote *case-by-case* on proposals to consider strategic alternatives to maximize value.
- We *support* proposals to establish reasonable advance notice provisions for shareholder proposals or director nominations to be presented at the annual meeting (no more than 90 days before the annual meeting).

## COMPENSATION

- We *support* proposals asking companies to disclose the salaries of top management beyond those the SEC requires in the proxy statement.
- We *support* proposals seeking an annual advisory vote on executive compensation, sometimes known as “say on pay” proposals.
- We *support* proposals asking for disclosure of the compensation consultant’s relationships with the company and management, or to adopt or disclose a policy on consultant’s services.
- We vote *case-by-case* proposals to prohibit compensation consultants from performing other services for the company.
- We *support* proposals requesting the establishment of fixed option grant dates.
- We *support* proposals to limit change-in-control payments through the use of double-triggers. We vote *case-by-case* on proposals seeking a shareholder vote on Severance or Supplemental Executive Retirement Plan (SERP) payments.
- We vote *case-by-case* on proposals that will alter compensation practices, establish stock holding/retention requirements, establish pay caps, or abolish stock options.
- We vote *case-by-case* on proposals seeking to limit the term of executive employment agreements, limit tax gross-ups or consider internal pay equity in setting CEO pay.
- We *support* proposals to eliminate or require shareholder approval of death benefits (“golden

coffins”), which provide for payments and/or benefits to an executive’s beneficiaries following death.

- We vote *case-by-case* on proposals to adopt a policy to recoup unearned executive bonuses or incentive pay when performance targets have not been met as a result of a financial restatement.
- We vote *case-by-case* on proposals to establish a “pay-for-superior-performance” standard for executive pay—we support these proposals when CEO or executive pay is excessive and it is unclear how pay is linked to meaningful performance targets.
- We vote *case-by-case* on proposals to prohibit executives from selling stock during buy-back periods or to adopt policies to prevent abuses of pre-arranged stock sale plans.
- We *oppose* proposals seeking to impose, or vote on, specific terms of a SERP, but support proposals requesting better or more specific disclosure of executive pension benefits.
- We *support* proposals to limit hedging or prohibit executives from hedging the value of their stock.
- We *vote case-by-case* on proposals calling for linkage of executive pay to non-financial factors including performance against social and environmental goals.
- We vote *case-by-case* on other proposals seeking greater disclosure of compensation.

## SOCIAL RESPONSIBILITY ISSUES

*Including consumer issues, corporate accountability, diversity issues, environment, affordable healthcare, global labor practices, and military involvement*

Social responsibility proposals are receiving higher levels of support as institutional investors recognize that such proposals have tangible connections to shareholder value. In our view, companies that embrace corporate social responsibility best practices are better positioned for long-term success.

- We believe that corporations should be accountable and transparent to their shareholders and stakeholders. We generally *support* proposals that seek disclosure of or enhancement to a company’s sustainability policies and practices, including workplace practices, human rights, environmental performance, and community impact.
- We review and vote *case-by-case* on proposals that request that the company cease certain actions that the proponent believes are harmful to particular populations or environments,

taking into account the company's legal and ethical obligations, its ability to remain profitable, and any potential negative publicity or reputational risk if the company fails to honor the request.

## CONSUMER ISSUES

### Adult Entertainment

- We *support* proposals requesting that the company report on its involvement in the pornography industry and assess potential associated risks.

### Animal Welfare

- We *support* proposals seeking to limit animal testing where alternative testing methods are feasible or where not required by law.
- We *support* proposals asking the company to adopt and/or report on animal welfare standards used in company laboratories or contract laboratories.
- We *support* proposals asking the company to report on or require animal welfare standards applied to laboratories in the supply chain.
- We *support* proposals asking the company to report on or require animal welfare standards applied to producers in the food and other animal product supply chains.
- We *support* proposals asking the company to report on the feasibility of utilizing more humane ways of animal slaughter.

### Genetic Engineering

- We *support* proposals asking the company to report on the use of Genetic Engineering “GE” organisms in its products, and/or the potential adverse impacts associated with GE organisms.
- We *support* proposals calling on the company to label GE products.
- We vote *case-by-case* on proposals asking the company to adopt a policy to phase out GE products.

### Lending Practices

- We *support* proposals asking companies to undertake specific actions to guard against predatory lending practices or redlining, and/or report on lending practices to vulnerable groups, such as minorities.
- We *support* proposals asking for disclosure on lending practices in developing countries, unless the company has clearly demonstrated a proactive record on the issue.
- We vote *case-by case* proposals to restructure the terms of appropriate non-performing loans.
- We review and vote *case-by-case* on proposals calling on banks to forgive loans made to developing countries.
- We *support* proposals to disclose off-balance sheet liabilities, including structured investment vehicles, structured securities and conduits or to disclose mortgage practices and risks,

including exposure to subprime loans.

- We vote *case-by-case* on proposals to establish board compliance committees.
- We *support* proposals requesting an assessment of a lending institution's exposure to climate change risk in lending, investing, and financing activities.

#### Tobacco

- We *support* proposals seeking to limit the sale of tobacco products to children.
- We *support* proposals requesting companies do more to apprise consumers of the health risks of smoking and vaping.
- We *support* proposals asking restaurants to make their facilities smoke-free.
- We *support* proposals calling on companies to sell, phase out, or divest of all production and marketing of tobacco products.
- We *support* proposals asking producers of cigarette components to halt sales to tobacco companies, or to prepare a report on the potential risks and liabilities of supplying these components.

#### Toxic Chemicals and Product Safety

- We *support* proposals requesting disclosure of the company's chemical risk management policies.
- We *support* proposals seeking greater disclosure of the potential financial and legal risks associated with the usage of certain chemicals.
- We *support* proposals requesting a report on the feasibility of phasing out or reformulating certain products.
- We *support* proposals requesting companies phase out the use of certain chemicals when safer alternatives are available or reformulate their products to meet stricter toxic chemical standards used in certain other jurisdictions.

## CORPORATE INFLUENCE AND ACCOUNTABILITY

#### Charitable Contributions

- We vote *case-by-case* on proposals seeking to require shareholder ratification of charitable grants or the imposition of grant criteria.
- We vote *case-by-case* on proposals calling on a company to produce a report disclosing charitable contributions.

#### Political Contributions and Trade Organizations

- We *support* proposals calling for a company to maintain a policy of non-partisanship.
- We *support* proposals calling for the company to produce and publish a report disclosing its political contributions and its policies and procedures governing those contributions.
- We *oppose* proposals calling for the company to publish its political contributions in newspapers.

- We *support* proposals requesting disclosure of trade organization dues and/or clarification of company positions that differ from the positions taken by trade organizations of which the company is a member.
- We vote *case-by-case* on proposals requesting companies to refrain from using corporate funds for political purposes.

#### Lobbying Activities

- We *support* proposals calling for the company to produce and publish a report disclosing its lobbying expenditures and its policies and procedures governing those expenditures.
- We *support* proposals requesting disclosure of payments to trade organizations that support that organization's lobbying activities and /or clarification of company positions that differ from the positions taken by trade organizations of which the company is a member.
- We *support* proposals that request disclosure of participation in organizations that draft and support model legislation.
- We *support* proposals that request to report on direct and indirect lobbying alignment with the Paris Climate Agreement's goal of limiting average global warming to well below 2 degrees Celsius.

#### Prior Government Service

- We *support* proposals calling for the disclosure of prior government service of the company's key executives.

## DIVERSITY ISSUES

#### Board Diversity

- We *support* proposals asking the board to take additional measures to ensure that more women and minorities are considered for nomination, or to otherwise commit to a policy of board inclusiveness.
- We *support* proposals requesting that a company endorse and/or implement the "Women's Empowerment Principles," which have been developed by the United Nations Development Fund for Women and the United Nations Global Compact.
- We are highly supportive of diversified boards but will *oppose* proposals that impose unreasonable quotas.

#### Equal Employment Opportunity

- We *support* proposals asking for the company to report on its efforts to promote diversity in the workplace and marketplace.
- We *support* requests for reports on a company's pay data by gender, or a report on a company's policies and goals to reduce any gender pay gap.
- We *support* proposals requesting the disclosure of EEO-1 data.
- We *support* proposals asking the company to how the company is working to eliminate "glass ceilings" for women and minorities, take additional action on equal employment

opportunity or prevent or eliminate discrimination in wages and employee benefits.

### Sexual Orientation

- We *support* proposals asking companies to explicitly prohibit discrimination based on sexual orientation and gender identity in their written employment policy, including proposals that call for the adoption of the “Equality Principles.”
- We *support* proposals seeking reports on a company’s initiatives to create a workplace free of discrimination on the basis of sexual orientation and gender identity.
- We *oppose* proposals requesting that companies remove sexual orientation and gender identity anti-discrimination policies.

## CLIMATE AND ENVIRONMENT ISSUES

### Climate Change and Greenhouse Gas Emissions

- We *support* proposals requesting reports, or the disclosure of liabilities, relating to the company’s response to rising regulatory, competitive, and public pressures surrounding climate change and/or greenhouse gas emissions and energy efficiency.
- We *support* proposals requesting reports on strategy to address the risk of stranded assets presented by global climate change and associated demand reductions for oil and gas including proposals asking for scenario analysis consistent with carbon restrictions and related rules or commitments adopted by governments consistent with the globally agreed upon 1.5°C degree target.
- We *support* proposals calling for setting goals related to the reduction of greenhouse gas emissions from company operations, supply chains, and/or products.
- We *support* proposals requesting a report on the company’s efforts to develop renewable energy and to establish renewable energy goals.
- We generally *support* proposals calling for increased investment in alternative energy sources, except in cases where the terms of the request are excessive.
- We take a *case-by-case* approach to proposals requesting a report on the scientific evidence underlying a company’s policy position on climate change, greenhouse gas emissions and/or energy efficiency, evaluating the relevancy of the requested report to the company’s business model and operations.
- We *support* proposals requesting an assessment of exposure to climate change risk in investing, financing, and insuring activities.
- We *support* proposals requesting that financial institutions review and report on inconsistencies between publicly stated climate positions and their proxy voting record on climate related shareholder proposals.
- We vote case-by-case for proposals that request that management submit “say on climate” proposals that report GHG emissions levels and reduction targets and/or its climate transition action plan and provide shareholders the opportunity to express approval or disapproval.

## Environmental Risks and Sustainability Issues

- We *support* proposals asking companies to comply with Task Force on Climate Related Disclosures (TCFD) and/or Sustainability Accounting Standards Board (SASB) guidance.
- We *support* proposals asking companies to produce a sustainability report.
- We *support* proposals asking companies to provide additional information about the risks and liabilities associated with the company's environmental practices.
- We *support* proposals requesting disclosure of known and potential environmental and community impacts of hydraulic fracturing operations and/or policy options for the company to adopt, to reduce, or to eliminate hazards to air, water, and soil quality.
- We *support* proposals requesting disclosure on environmental damage that would result from oil sands operations, including oil sands product transportation (e.g. pipeline, road, and sea transport).
- We *support* proposals requesting reports on the use of pesticides, antibiotics and other chemical inputs in food production, including proposals calling for setting goals related to the reduction of pesticides, antibiotics and chemical use.
- We *support* proposals that seek to encourage companies to source products from environmentally sustainable operations, including with respect to fisheries, lumber, and agricultural products (e.g., palm oil, coffee).
- We *support* proposals asking companies to report on operations in, or to adopt policies not to mine, drill, or log in environmentally sensitive areas such as the Arctic National Wildlife Refuge.
- We *support* proposals requesting a report on the risks related to the company's use of water in regions of water scarcity or conflict.
- We *support* proposals—including bylaw amendments—to appoint a director with environmental expertise, to retain an environmental sustainability expert who reports directly to the board, and/or to establish a board-level committee on environmental responsibility.

## Nuclear Energy

- We *support* proposals requesting companies reassess their involvement in nuclear power or to report on operational issues related to nuclear power generation.
- We *support* proposals requesting that the company cease development of and financing of new nuclear power projects.

## Recycling

- We *support* proposals urging companies to take responsibility for recycling or safe disposal for the products they manufacture, including take back programs and industry supported recycling programs.
- We *support* proposals urging companies to reduce packaging and to increase the recycled content of materials and products produced by the companies or sourced through their

supply chains.

- We *support* proposals requesting companies to adopt policies and practices that reduce the environmental, occupational and community health hazards from manufacturing and recycling batteries.

#### Environmental Justice and Community Accountability

- We *support* disclosure proposals requesting information on how the company seeks to mitigate the health and environmental hazards of its operations on local communities.
- We *support* proposals requesting a report on how the company ensures that it is accountable for its environmental impact on local communities.
- We *support* proposals asking companies to adopt a plan to reduce toxic emissions, including proposals that request companies take responsibility for toxic cleanup.

### HEALTH RELATED ISSUES

#### Access to Healthcare and Drug Pricing

- We *support* proposals calling for a report on how the company is addressing rising healthcare costs as a public policy issue; review on a *case-by-case* basis any proposal that calls for specific actions.
- We *support* proposals requesting that the board consider the feasibility of providing paid sick leave as a standard employee benefit, including proposals requesting that sick leave policies adopted to address the Covid 19 epidemic be made permanent.
- We *support* proposals requesting that the board adopt a conflict-of-interest policy involving directors with health industry affiliations, requiring their recusal from involvement in discussions on public policy issues that may relate to the board member's health industry affiliations.
- We *support* proposals asking pharmaceutical companies to review and report on their price restraint policies, including proposals that request companies implement a formal policy on drug pricing.
- We *abstain* on proposals that address abortion issues.

#### Health Pandemics

- We *support* proposals asking pharmaceutical companies to develop policies to provide COVID-19, HIV/AIDS, TB, malaria, and other drug treatments that are affordable to the affected populations.
- We *support* proposals seeking reports on the impact of and responses to health pandemics on company business operations.

### HUMAN RIGHTS AND LABOR PRACTICES

- We *support* proposals asking for a report and/or review of the company's code of conduct with respect to workplace practices and human rights.



- We *support* proposals asking companies to adopt codes of conduct addressing global labor and human rights practices, to establish credible monitoring programs, and to publicly report on these efforts.
- We *support* proposals asking companies to embrace the “Guiding Principles on Business and Human Rights” as a framework for preventing human rights abuses, providing greater transparency and accountability around human rights issues that might affect the company, and mitigating adverse human rights impacts.
- We *support* proposals asking companies to adopt supply chain and vendor codes of conduct that incorporate recognized international standards of worker’s rights, including proposals that request the company take steps to ensure compliance and credible monitoring.
- We *support* proposals asking the company to report on and/or investigate particular human rights challenges it faces, including proposals that request the adoption of specific principles or codes relating to the issue.
- We *support* by-law amendments to establish a board-level committee on human rights.
- We *support* proposals requesting that companies adopt principles for minimum wage reform.
- We *support* proposals asking companies to report on operations or investments in countries with a history of human rights concerns and/or conflict and the cost associated with this business.
- We vote *case-by-case* on proposals requesting that the company cease specific investments or operations in the country of concern or to suspend product or services sales to that country.
- We vote *case-by-case* on proposals asking companies to endorse principles for business conduct in a specified country or territory.

#### Indigenous Rights

- We *support* proposals asking companies to report on the impact of their operations on indigenous communities, and/or to take steps to ensure that they respect the rights of such communities.
- We *support* proposals asking companies to consider the impacts and to provide an opportunity for free, prior, and informed consent regarding planned development and operations that may impact indigenous communities.

#### Digital Rights and Responsibilities

- We *support* proposals asking the company to establish a set of standards to enforce policies to protect privacy and freedom of access to the Internet.
- We vote *case-by-case* on other proposals addressing the emerging implications of digital proliferation.

## MILITARY INVOLVEMENT AND VIOLENCE

#### Depleted Uranium

- We *support* proposals asking companies to report on their involvement in the manufacture of depleted uranium munitions.

## Foreign Military Sales

- We *support* proposals asking the company to report on its foreign military sales.
- We *support* proposals asking the company to review and/or amplify the company’s ethical criteria for military contracts.
- We vote *case-by-case* on proposals that call for restrictions on foreign military sales.

## Firearms

- We *support* proposals requesting companies report on efforts to promote firearm safety or prevent gun violence.

We *support* proposals asking the company to end the sale and/or financing of firearms and related ammunition to individuals.

## Anti-ESG

- We oppose “anti-ESG” shareholder proposals that request a company to **refrain** from disclosing material ESG information or that are used to block valid shareholder proposal.

## Glossary of Terms

**Classified Board:** Governance practice in which only a fraction (typically a third) of the members of the board of directors is elected each year.

**Cumulative Voting:** Each voter is allowed as many votes as there are candidates and may allocate more than one vote to one or more candidates.

**Double-Trigger:** A requirement that the acceleration of the vesting of named executive stock or stock options only be allowed after two defined events. Typically employed after the sale of the company, acceleration may be triggered only by the sale of the company combined with employment termination within a specified time period.

**Golden Parachute:** Guaranteed financial compensation to a company executive in the event of being dismissed after a merger.

- **Problematic Pay Practices:** Practices that are contrary to a performance-based pay philosophy, defined annually by ISS. Examples include employment contracts containing multi-year salary increase guarantees, non-performance-based bonuses, excessive perquisites, tax reimbursements, lack of disclosure or implementation of compensation incentives based on performance on environmental and social factors, particularly in high exposure industries.

**Proxy Contest:** An unfriendly contest for the control over an organization. The event usually occurs when a corporation's stockholders develop opposition to some aspect of the corporate governance, often focusing on directorial and management positions.

**Say on Pay:** The right of shareholders to vote on the remuneration of executives.

**Share Blocking:** A mechanism that requires investors who intend to vote their shares to surrender the right to dispose of their shares during a disclosed time period.

**Takeover Defenses:** Strategies utilized to prevent a hostile (unsolicited) takeover of a company:

- **Control Share Provision:** takeover defense that prevents a bidding company from purchasing shares in a company in excess of a specified percentage without shareholder approval.
- **Fair Price Provision:** Takeover defense that requires approval of a merger proposal in the event of a two-tiered tender offer (different prices offered to different shareholders) for the company's shares.
- **Poison Pills:** A takeover defense to force a bidding company to negotiate price with the board of directors instead of directly with shareholders.

**Structured Investment Vehicle (SIV):** A pool of investment assets that attempts to profit from credit spreads between short-term debt and long-term structured finance products.

**Structured Investment Products:** A type of investment specifically designed to meet an investor's financial needs by customizing the product mix to adhere to the investor's risk tolerance. SIPs are generally created by varying the amount of exposure to risky investments and often include the use of various derivatives.

*The views expressed in these Proxy Voting Guidelines are those of First Affirmative Financial Network, LLC and guide how we vote client proxies, when authorized to do so.*

*These Guidelines may not be consistent with the views of individual investment advisors or Broker-Dealers or RIA firms doing business with First Affirmative, and they may not be consistent with the views of certain clients on certain issues. Clients always have the right to vote their own proxies.*

*Mention of specific companies or securities should not be considered a recommendation to buy or sell that security. For information regarding the suitability of any investment opportunity or strategy, investors should consult with a qualified financial advisor.*

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