



Proxy Voting Guidelines

Approved by the Board of Trustees

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Contents

Preamble	3
1. Voting on Director Nominees in Uncontested Elections	3
Accountability	4
Responsiveness.....	6
Composition	7
Independence.....	8
Vote-No Campaigns	8
2. Classification/Declassification of the Board.....	8
3. Independent Chair (Separate Chair/CEO).....	8
4. Majority Vote Standard for the Election of Directors.....	9
5. Proxy Access.....	9
6. Proxy Contest.....	9
7. Shareholder Ability to Call Special Meetings.....	10
8. Supermajority Vote Requirements.....	10
9. Common Stock Authorization	10
10. Preferred Stock Authorization	11
11. Mergers and Acquisitions	11
12. Advisory Votes on Executive Compensation (Management Say-on-Pay)	12
13. Equity-Based and Other Incentive Plans	12
14. Social and Environmental Proposals	13
15. Climate Change/Greenhouse Gas (GHG) Emissions.....	13
16. Board Diversity.....	14

17. Sustainability Reporting.....	14
18. Political Activities.....	14
Appendix	15

Preamble

These Proxy Voting Guidelines ("Guidelines") set forth the District of Columbia Retirement Board's ("DCRB") policies for proxy voting at investment portfolio companies. Proxy voting, as with all stockholder rights, is a significant and valuable asset, which must be managed prudently for the exclusive benefit of the participants and beneficiaries. The two basic fiduciary requirements under common law are the duty of loyalty and the duty of care. In order to fulfill these requirements, in the context of proxy voting, fiduciaries must carefully consider the implications of proxy proposals, analyze the issues presented for shareholder vote and, ultimately, cast those votes in the best interest of plan participants and beneficiaries.

The Guidelines address many of the key areas of governance which are typically raised as voting items by management and shareholders. They are not, however, designed to be exhaustive or a substitute for the necessary careful evaluation of each proxy proposal. DCRB retains Institutional Shareholder Services ("ISS") to assist with proxy voting responsibilities. Issues not expressly addressed in these Guidelines will be reviewed in a manner consistent with the principles of protecting shareholder rights and maximizing value for plan participants and beneficiaries and in accordance with the Proxy Voting Agent's U.S. and international (non-U.S.) benchmark guidelines.

The Guidelines shall be applied to the greatest extent possible in non-U.S. markets, taking into account regulatory and legal regimes, local corporate governance codes, disclosure requirements, and market best practices. DCRB recognizes that a company's environmental, social and governance ("ESG") practices may have a significant impact on the value of the company and, therefore, these factors and DCRB's ESG Policy Statement are additional inputs taken into consideration when voting.

DCRB has delegated to its external investment managers ("Managers") the authority to execute and vote all proxies. Managers are to review all proxy issues on a case-by-case basis and vote all proxies according to the Guidelines. The Guidelines are intended to direct Managers in proxy voting as to exercise shareholder rights in the best interests of DCRB plan participants and beneficiaries.

1. Voting on Director Nominees in Uncontested Elections

Four fundamental principles apply when determining votes on director nominees:

Accountability: Boards should be sufficiently accountable to shareholders, including through transparency of the company's governance practices and regular board elections, by the provision of sufficient information for shareholders to be able to assess directors and board composition, and through the ability of shareholders to remove directors.

Responsiveness: Directors should respond to investor input, such as that expressed through significant opposition to management proposals, significant support for shareholder proposals (whether binding or non-binding), and tender offers where a majority of shares are tendered.

Composition: Companies should ensure that directors add value to the board through their specific skills and expertise and by having sufficient time and commitment to serve effectively. Boards should be of a size appropriate to accommodate diversity, expertise, and independence, while ensuring active and collaborative participation by all members.

Independence: Boards should be sufficiently independent from management (and significant shareholders) so as to ensure that they are able and motivated to effectively supervise management's performance for the benefit of all shareholders, including in setting and monitoring the execution of corporate strategy, with

appropriate use of shareholder capital, and in setting and monitoring executive compensation programs that support that strategy. The chair of the board should ideally be an independent director, and all boards should have an independent leadership position or a similar role in order to help provide appropriate counterbalance to executive management, as well as having sufficiently independent committees that focus on key governance concerns such as audit, compensation, and nomination of directors.

Generally vote for director nominees, except under the following circumstances:

Accountability

Vote against or withhold from the entire board of directors (except new nominees, who should be considered case-by-case) for the following:

Problematic Takeover Defenses

Classified Board Structure:

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

Director Performance Evaluation:

- The board lacks accountability and oversight, coupled with sustained poor performance relative to peers. Sustained poor performance is measured by one- and three-year total shareholder returns in the bottom half of a company's four-digit GICS industry group (Russell 3000 companies only). Take into consideration the company's five-year total shareholder return and operational metrics. Problematic provisions include but are not limited to:
 - A classified board structure;
 - A supermajority vote requirement;
 - Either a plurality vote standard in uncontested director elections or a majority vote standard with no plurality carve-out for contested elections;
 - The inability of shareholders to call special meetings;
 - The inability of shareholders to act by written consent;
 - A dual-class capital structure; and/or
 - A non-shareholder-approved poison pill.

Poison Pills:

- The company's poison pill has a "dead-hand" or "modified dead-hand" feature. Vote against or withhold from nominees every year until this feature is removed;
- The board adopts a poison pill with a term of more than 12 months ("long-term pill"), or renews any existing pill, including any "short-term" pill (12 months or less), without shareholder approval. A commitment or policy that puts a newly adopted pill to a binding shareholder vote may potentially offset an adverse vote. Review such companies with classified boards every year, and such companies with annually elected boards at least once every three years, and vote against or withhold votes from all nominees if the company still maintains a non-shareholder-approved poison pill; or
- The board makes a material adverse change to an existing poison pill without shareholder approval.

Vote case-by-case on all nominees if:

- The board adopts a poison pill with a term of 12 months or less ("short-term pill") without shareholder approval, taking into account the following factors:

- The date of the pill’s adoption relative to the date of the next meeting of shareholders— i.e., whether the company had time to put the pill on the ballot for shareholder ratification given the circumstances;
- The issuer’s rationale;
- The issuer’s governance structure and practices; and
- The issuer’s track record of accountability to shareholders.

Problematic Audit-Related Practices

Generally vote against or withhold from the members of the Audit Committee if:

- The non-audit fees paid to the auditor are excessive;
- The company receives an adverse opinion on the company’s financial statements from its auditor; or
- There is persuasive evidence that the Audit Committee entered into an inappropriate indemnification agreement with its auditor that limits the ability of the company, or its shareholders, to pursue legitimate legal recourse against the audit firm.

Vote case-by-case on members of the Audit Committee and potentially the full board if:

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

Problematic Compensation Practices/Pay for Performance Misalignment

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

- There is a significant misalignment between CEO pay and company performance (pay for performance);
- The company maintains significant problematic pay practices;
- The board exhibits a significant level of poor communication and responsiveness to shareholders;
- The company fails to submit one-time transfers of stock options to a shareholder vote; or
- The company fails to fulfill the terms of a burn rate commitment made to shareholders.

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

- The company’s previous say-on-pay received the support of less than 70 percent of votes cast, taking into account:
 - The company's response, including:
 - Disclosure of engagement efforts with major institutional investors regarding the issues that contributed to the low level of support;
 - Specific actions taken to address the issues that contributed to the low level of support;
 - Other recent compensation actions taken by the company;
 - Whether the issues raised are recurring or isolated;
 - The company's ownership structure; and
 - Whether the support level was less than 50 percent, which would warrant the highest degree of responsiveness.

Unilateral Bylaw/Charter Amendments

- Generally vote against or withhold from directors individually, committee members, or the entire board (except new nominees, who should be considered case-by-case) if the board amends the company's bylaws or charter without shareholder approval in a manner that materially diminishes shareholders' rights or that could adversely impact shareholders, considering the following factors, as applicable:
 - The board's rationale for adopting the bylaw/charter amendment without shareholder ratification;
 - Disclosure by the company of any significant engagement with shareholders regarding the amendment;
 - The level of impairment of shareholders' rights caused by the board's unilateral amendment to the bylaws/charter;
 - The board's track record with regard to unilateral board action on bylaw/charter amendments or other entrenchment provisions;
 - The company's ownership structure;
 - The company's existing governance provisions;
 - Whether the amendment was made prior to or in connection with the company's initial public offering;
 - The timing of the board's amendment to the bylaws/charter in connection with a significant business development; and
 - Other factors, as deemed appropriate, that may be relevant to determine the impact of the amendment on shareholders.

Governance Failures

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

- Material failures of governance, stewardship, risk oversight¹, or fiduciary responsibilities at the company;
- Failure to replace management as appropriate; or
- Egregious actions related to a director's service on other boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company.

Responsiveness

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

- The board failed to act on a shareholder proposal that received the support of a majority of the shares cast in the previous year. Factors that will be considered are:
 - Disclosed outreach efforts by the board to shareholders in the wake of the vote;
 - Rationale provided in the proxy statement for the level of implementation;
 - The subject matter of the proposal;
 - The level of support for and opposition to the resolution in past meetings;

¹ Examples of failure of risk oversight include, but are not limited to: bribery; large or serial fines or sanctions from regulatory bodies; significant adverse legal judgments or settlements; hedging of company stock; or significant pledging of company stock,

- Actions taken by the board in response to the majority vote and its engagement with shareholders;
 - The continuation of the underlying issue as a voting item on the ballot (as either shareholder or management proposals); and
 - Other factors as appropriate.
- The board failed to act on takeover offers where the majority of shares are tendered;
 - At the previous board election, any director received more than 50 percent withhold/against votes of the shares cast and the company has failed to address the issue(s) that caused the high withhold/against vote;
 - The board implements an advisory vote on executive compensation on a less frequent basis than the frequency that received the majority of votes cast at the most recent shareholder meeting at which shareholders voted on the say-on-pay frequency; or
 - The board implements an advisory vote on executive compensation on a less frequent basis than the frequency that received a plurality, but not a majority, of the votes cast at the most recent shareholder meeting at which shareholders voted on the say-on-pay frequency, taking into account:
 - The board's rationale for selecting a frequency that is different from the frequency that received a plurality;
 - The company's ownership structure and vote results;
 - Analysis of whether there are compensation concerns or a history of problematic compensation practices; and
 - The previous year's support level on the company's say-on-pay proposal.

Composition

Attendance at Board and Committee Meetings:

Generally vote against or withhold from directors (except new nominees, who should be considered case-by-case) who attend less than 75 percent of the aggregate of their board and committee meetings for the period for which they served, unless an acceptable reason for absences is disclosed in the proxy or another SEC filing. Acceptable reasons for director absences are generally limited to the following:

- Medical issues/illness;
- Family emergencies; and
- Missing only one meeting (when the total of all meetings is three or fewer).

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

Overboarded Directors:

Vote against or withhold from individual directors who:

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

Board Diversity:

Vote against or withhold from individual directors (except new nominees) who serve as members of the nominating committee and have failed to establish sufficient² gender or racial diversity on the board. If the board does not have a formal nominating committee, vote against or withhold from the entire board of directors (except new nominees).

Independence

Vote against or withhold from Inside Directors and Affiliated Outside Directors (per the Categorization of Directors in Appendix) when:

- The inside or affiliated outside director serves on any of the three key committees: audit, compensation, or nominating;
- The company lacks an audit, compensation, or nominating committee so that the full board functions as that committee;
- The company lacks a formal nominating committee, even if the board attests that the independent directors fulfill the functions of such a committee; or
- Independent directors make up less than a majority of the directors.

Vote-No Campaigns

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

2. Classification/Declassification of the Board

Vote against proposals to classify (stagger) the board.

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

3. Independent Chair (Separate Chair/CEO)

Generally vote for shareholder proposals requiring that the chairman's position be filled by an independent director, taking into consideration the following:

- The scope of the proposal;
- The company's current board leadership structure;
- The company's governance structure and practices;
- Company performance; and
- Any other relevant factors that may be applicable.

²² Boards should have a minimum of two directors that are either female or racial minorities.

4. Majority Vote Standard for the Election of Directors

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

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

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

5. Proxy Access

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

- Ownership threshold: maximum requirement not more than three percent (3%) of the voting power;
- Ownership duration: maximum requirement not longer than three (3) years of continuous ownership for each member of the nominating group;
- Aggregation: minimal or no limits on the number of shareholders permitted to form a nominating group;
- Cap: cap on nominees of generally twenty-five percent (25%) of the board; minimum of 2 nominees
- Freeze out concept: no minimum threshold of votes required to be nominated in subsequent years

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

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

6. Proxy Contest

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

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

When the addition of shareholder nominees to the management card ("proxy access nominees") results in a number of nominees on the management card which exceeds the number of seats available for election, vote case-by-case considering the same factors listed above.

7. Shareholder Ability to Call Special Meetings

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

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

- Shareholders' current right to call special meetings;
- Minimum ownership threshold necessary to call special meetings (10% preferred);
- The inclusion of exclusionary or prohibitive language;
- Investor ownership structure; and
- Shareholder support of, and management's response to, previous shareholder proposals.

8. Supermajority Vote Requirements

Vote against proposals to require a supermajority shareholder vote.

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

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

9. Common Stock Authorization

Vote for proposals to increase the number of authorized common shares where the primary purpose of the increase is to issue shares in connection with a transaction on the same ballot that warrants support.

Vote against proposals at companies with more than one class of common stock to increase the number of authorized shares of the class of common stock that has superior voting rights.

Vote against proposals to increase the number of authorized common shares if a vote for a reverse stock split on the same ballot is warranted despite the fact that the authorized shares would not be reduced proportionally.

Vote case-by-case on all other proposals to increase the number of shares of common stock authorized for issuance. Take into account company-specific factors that include, at a minimum, the following:

- Past Board Performance:
 - The company's use of authorized shares during the last three years
- The Current Request:
 - Disclosure in the proxy statement of the specific purposes of the proposed increase;
 - Disclosure in the proxy statement of specific and severe risks to shareholders of not approving the request; and
 - The dilutive impact of the request as determined by an allowable increase calculation (typically 100 percent of existing authorized shares) that reflects the company's need for shares and total shareholder returns.

10. Preferred Stock Authorization

Vote for proposals to increase the number of authorized preferred shares where the primary purpose of the increase is to issue shares in connection with a transaction on the same ballot that warrants support.

Vote against proposals at companies with more than one class or series of preferred stock to increase the number of authorized shares of the class or series of preferred stock that has superior voting rights.

Vote case-by-case on all other proposals to increase the number of shares of preferred stock authorized for issuance. Take into account company-specific factors that include, at a minimum, the following:

- Past Board Performance:
 - The company's use of authorized preferred shares during the last three years;
- The Current Request:
 - Disclosure in the proxy statement of the specific purposes for the proposed increase;
 - Disclosure in the proxy statement of specific and severe risks to shareholders of not approving the request;
 - In cases where the company has existing authorized preferred stock, the dilutive impact of the request as determined by an allowable increase (typically 100 percent of existing authorized shares) that reflects the company's need for shares and total shareholder returns; and
 - Whether the shares requested are blank check preferred shares that can be used for antitakeover purposes.

11. Mergers and Acquisitions

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

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

to change for the worse, the burden is on the company to prove that other issues (such as valuation) outweigh any deterioration in governance.

12. Advisory Votes on Executive Compensation (Management Say-on-Pay)

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

Vote against Advisory Votes on Executive Compensation (Management Say-on-Pay—MSOP) if:

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

Vote against or withhold from the members of the Compensation Committee and potentially the full board if:

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

13. Equity-Based and Other Incentive Plans

Vote case-by-case on certain equity-based compensation plans³ depending on a combination of certain plan features and equity grant practices, where positive factors may counterbalance negative factors, and vice versa, as evaluated using an "equity plan scorecard" (EPSC) approach with three pillars:

- *Plan Cost:* The total estimated cost of the company's equity plans relative to industry/market cap peers, measured by the company's estimated Shareholder Value Transfer (SVT) in relation to peers and considering both:
 - SVT based on new shares requested plus shares remaining for future grants, plus outstanding unvested/unexercised grants; and
 - SVT based only on new shares requested plus shares remaining for future grants.
- *Plan Features:*
 - Automatic single-triggered award vesting upon a change in control (CIC);
 - Discretionary vesting authority;
 - Liberal share recycling on various award types;
 - Lack of minimum vesting period for grants made under the plan.
- *Grant Practices:*
 - The company's three year burn rate relative to its industry/market cap peers;
 - Vesting requirements in most recent CEO equity grants (3-year look-back);

³ Proposals evaluated under the EPSC policy generally include those to approve or amend (1) stock option plans for employees and/or employees and directors, (2) restricted stock plans for employees and/or employees and directors, and (3) omnibus stock incentive plans for employees and/or employees and directors.

- The estimated duration of the plan (based on the sum of shares remaining available and the new shares requested, divided by the average annual shares granted in the prior three years);
- The proportion of the CEO's most recent equity grants/awards subject to performance conditions;
- Whether the company maintains a claw-back policy;
- Whether the company has established post exercise/vesting share-holding requirements.

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

- Awards may vest in connection with a liberal change-of-control definition;
- The plan would permit repricing or cash buyout of underwater options without shareholder approval (either by expressly permitting it – for NYSE and Nasdaq listed companies -- or by prohibiting it when the company has a history of repricing – for non-listed companies);
- The plan is a vehicle for problematic pay practices or a significant pay-for-performance disconnect under certain circumstances; or
- Any other plan features are determined to have a significant negative impact on shareholder interests.

14. Social and Environmental Proposals

General Recommendation: Generally vote case-by-case, taking into consideration whether implementation of the proposal is likely to enhance or protect shareholder value, and in addition the following will also be considered:

- If the issues presented in the proposal are more appropriately or effectively dealt with through legislation or government regulation;
- If the company has already responded in an appropriate and sufficient manner to the issue(s) raised in the proposal;
- Whether the proposal's request is unduly burdensome (scope or timeframe) or overly prescriptive;
- The company's approach compared with any industry standard practices for addressing the issue(s) raised by the proposal;
- If the proposal requests increased disclosure or greater transparency, whether or not reasonable and sufficient information is currently available to shareholders from the company or from other publicly available sources; and
- If the proposal requests increased disclosure or greater transparency, whether or not implementation would reveal proprietary or confidential information that could place the company at a competitive disadvantage.

15. Climate Change/Greenhouse Gas (GHG) Emissions

- Vote for shareholder proposals seeking disclosure of liabilities or preparation of reports pertaining to global warming and climate change risk.
- Vote for shareholder proposals calling for the reduction of GHG or adoption of GHG goals in products and operations.
- Vote for shareholder proposals seeking reports on responses to regulatory and public pressures surrounding climate change, and for disclosure of research that aided in setting company policies around climate change.

- Vote for shareholder proposals requesting reports on greenhouse gas emissions from companies' operations and/or products.

16. Board Diversity

- Vote for shareholder proposals that ask the company to take steps to nominate more women and racial minorities to the board.
- Vote for shareholder proposals asking for reports on board diversity.
- Vote for shareholder proposals asking companies to adopt nomination charters or amend existing charters to include reasonable language addressing diversity.

17. Sustainability Reporting

- Vote for shareholder proposals seeking greater disclosure on the company's environmental and social practices, and/or associated risks and liabilities.
- Vote for shareholder proposals asking companies to report in accordance with the Global Reporting Initiative (GRI).
- Vote for shareholder proposals seeking the preparation of sustainability reports.
- Vote for shareholder proposals to study or implement the CERES principles.
- Vote for shareholder proposals to study or implement the Equator Principles.

18. Political Activities

- Vote for shareholder proposals asking companies to review and report on their lobbying activities, including efforts to challenge scientific research and influence governmental legislation.
- Vote for proposals requesting information on a company's lobbying (including direct, indirect, and grassroots lobbying) activities, policies, or procedures.
- Vote for proposals calling for a company to disclose political and trade association contributions, unless the terms of the proposal are unduly restrictive.
- Vote for proposals calling for a company to maintain a policy of political non-partisanship.
- Vote against proposals asking a company to refrain from making any political contributions.

Appendix

Categorization of Directors

1. **Inside Director (I)**

- 1.1. Current employee or current officer^[1] of the company or one of its affiliates^[2].
- 1.2. Beneficial owner of more than 50 percent of the company's voting power (this may be aggregated if voting power is distributed among more than one member of a group).
- 1.3. Director named in the Summary Compensation Table (excluding former interim officers).

2. **Affiliated Outside Director (AO)**

Board Attestation

- 2.1. Board attestation that an outside director is not independent.

Former CEO/Interim Officer

- 2.2. Former CEO of the company.^{[3],[4]}
- 2.3. Former CEO of an acquired company within the past five years^[4].
- 2.4. Former interim officer if the service was longer than 18 months. If the service was between 12 and 18 months an assessment of the interim officer's employment agreement will be made.^[5]

Non-CEO Executives

- 2.5. Former officer^[1] of the company, an affiliate^[2] or an acquired firm within the past five years.
- 2.6. Officer^[1] of a former parent or predecessor firm at the time the company was sold or split off from the parent/predecessor within the past five years.
- 2.7. Officer^[1], former officer, or general or limited partner of a joint venture or partnership with the company.

Family Members

- 2.8. Immediate family member^[6] of a current or former officer^[1] of the company or its affiliates^[2] within the last five years.
- 2.9. Immediate family member^[6] of a current employee of company or its affiliates^[2] where additional factors raise concern (which may include, but are not limited to, the following: a director related to numerous employees; the company or its affiliates employ relatives of numerous board members; or a non-Section 16 officer in a key strategic role).

Transactional, Professional, Financial, and Charitable Relationships

- 2.10. Currently provides (or an immediate family member^[6] provides) professional services^[7] to the company, to an affiliate^[2] of the company or an individual officer of the company or one of its affiliates in excess of \$10,000 per year.
- 2.11. Is (or an immediate family member^[6] is) a partner in, or a controlling shareholder or an employee of, an organization which provides professional services^[7] to the company, to an affiliate^[2] of the company, or an individual officer of the company or one of its affiliates in excess of \$10,000 per year.

- 2.12. Has (or an immediate family member^[6] has) any material transactional relationship^[8] with the company or its affiliates^[2] (excluding investments in the company through a private placement).
- 2.13. Is (or an immediate family member^[6] is) a partner in, or a controlling shareholder or an executive officer of, an organization which has any material transactional relationship^[8] with the company or its affiliates^[2] (excluding investments in the company through a private placement).
- 2.14. Is (or an immediate family member^[6] is) a trustee, director, or employee of a charitable or non-profit organization that receives material grants or endowments^[8] from the company or its affiliates^[2].

Other Relationships

- 2.15. Party to a voting agreement^[9] to vote in line with management on proposals being brought to shareholder vote.
- 2.16. Has (or an immediate family member^[6] has) an interlocking relationship as defined by the SEC involving members of the board of directors or its Compensation Committee^[10].
- 2.17. Founder^[11] of the company but not currently an employee.
- 2.18. Any material^[12] relationship with the company.

3. Independent Outside Director (IO)

- 3.1. No material^[12] connection to the company other than a board seat.

Footnotes:

^[1]The definition of officer will generally follow that of a “Section 16 officer” (officers subject to Section 16 of the Securities and Exchange Act of 1934) and includes the chief executive, operating, financial, legal, technology, and accounting officers of a company (including the president, treasurer, secretary, controller, or any vice president in charge of a principal business unit, division, or policy function). Current interim officers are included in this category. For private companies, the equivalent positions are applicable. A non-employee director serving as an officer due to statutory requirements (e.g. corporate secretary) will be classified as an Affiliated Outsider under 2.18: “Any material relationship with the company.” However, if the company provides explicit disclosure that the director is not receiving additional compensation in excess of \$10,000 per year for serving in that capacity, then the director will be classified as an Independent Outsider.

^[2] “Affiliate” includes a subsidiary, sibling company, or parent company. DCRB uses 50 percent control ownership by the parent company as the standard for applying its affiliate designation.

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

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

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

¹⁶¹ “Immediate family member” follows the SEC’s definition of such and covers spouses, parents, children, step-parents, step-children, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.

¹⁷¹ Professional services can be characterized as advisory in nature, generally involve access to sensitive company information or to strategic decision-making, and typically have a commission- or fee-based payment structure. Professional services generally include, but are not limited to the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; legal services; property management services; realtor services; lobbying services; executive search services; and IT consulting services. The following would generally be considered transactional relationships and not professional services: deposit services; IT tech support services; educational services; and construction services. The case of participation in a banking syndicate by a non-lead bank should be considered a transactional (and hence subject to the associated materiality test) rather than a professional relationship. “Of Counsel” relationships are only considered immaterial if the individual does not receive any form of compensation (in excess of \$10,000 per year) from, or is a retired partner of, the firm providing the professional service. The case of a company providing a professional service to one of its directors or to an entity with which one of its directors is affiliated, will be considered a transactional rather than a professional relationship. Insurance services and marketing services are assumed to be professional services unless the company explains why such services are not advisory.

¹⁸¹ A material transactional relationship, including grants to non-profit organizations, exists if the company makes annual payments to, or receives annual payments from, another entity exceeding the greater of \$200,000 or 5 percent of the recipient’s gross revenues, in the case of a company which follows NASDAQ listing standards; or the greater of \$1,000,000 or 2 percent of the recipient’s gross revenues, in the case of a company which follows NYSE/Amex listing standards. In the case of a company which follows neither of the preceding standards, DCRB will apply the NASDAQ-based materiality test. (The recipient is the party receiving the financial proceeds from the transaction).

¹⁹¹ Dissident directors who are parties to a voting agreement pursuant to a settlement arrangement, will generally be classified as independent unless determined otherwise taking into account the following factors: the terms of the agreement; the duration of the standstill provision in the agreement; the limitations and requirements of actions that are agreed upon; if the dissident director nominee(s) is subject to the standstill; and if there any conflicting relationships or related party transactions.

¹¹⁰¹ Interlocks include: executive officers serving as directors on each other’s compensation or similar committees (or, in the absence of such a committee, on the board); or executive officers sitting on each other’s boards and at least one serves on the other’s compensation or similar committees (or, in the absence of such a committee, on the board).

¹¹¹¹ The operating involvement of the founder with the company will be considered. Little to no operating involvement ever may cause DCRB to deem the founder as an independent outsider.

¹¹²¹ For purposes of DCRB’s director independence classification, “material” will be defined as a standard of relationship (financial, personal or otherwise) that a reasonable person might conclude could potentially influence one’s objectivity in the boardroom in a manner that would have a meaningful impact on an individual’s ability to satisfy requisite fiduciary standards on behalf of shareholders.