PENSION RESERVES INVESTMENT MANAGEMENT BOARD – PROXY VOTING GUIDELINES – 2025

Effective March 1, 2025

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Introduction

The mission of the Pension Reserves Investment Management ("MassPRIM") Board is to maximize the return on investment within acceptable levels of risk by broadly diversifying its investment portfolio, capitalizing on economies of scale to achieve cost-effective operations, and providing access to high quality, innovative investment management firms, all under the management of a professional staff and members of the MassPRIM Board. The MassPRIM Board's customized guidelines for proxy voting focus on twelve key areas including:

A. Governance
    1. Board of Directors
    2. Executive Compensation
B. Social/Environmental
    3. Consumer Lending
    4. Board Diversity
    5. Equal Employment Opportunity
    6. Sustainability & Climate Change
    7. Renewable Energy
    8. Tobacco Advertising
    9. Recycling
    10. Linking Executive Compensation to Non-Financial Factors
    11. Labor and Human Rights Standards and Human Rights Risk Assessment
    12. Harassment Training

These issues are the most important and scrutinized corporate governance topics among institutional investors.

The MassPRIM Board is committed to improving corporate governance across companies in which it invests. Sound corporate governance policies and practices play a significant factor in protecting economic value and fostering maximized returns on its investments, while enhancing value for long-term plan participants and beneficiaries. The MassPRIM Board's internal guidelines on corporate governance practices address the key areas of governance that merit greatest focus to ensure that shareholders have sufficient protection on their investments, and that boards operate in the best interests of shareholders. To this end, the MassPRIM Board believes that directors, who serve as representatives of shareholders, embody a crucial avenue of ongoing influence on management. Directors are entrusted with the responsibility of providing leadership and oversight of corporate operations, while managing risk exposure that may be associated with activities in the course of business.

Director accountability and competence have become issues of great importance given the failings in oversight exposed by the global financial crisis. Unmistakably, voting on directors and board-related issues continues to be the most important use of the shareholder franchise. As such, considering whether an individual is fit for a directorship role, and able to serve shareholders' best interests, is a significant voting decision that must be evaluated prudently. The MassPRIM Board takes into account any circumstances that raise substantial doubt about a board of directors' ability to serve as an effective monitor of management and in the best interests of plan participants and beneficiaries, focusing on board independence, board diversity and minority representation, evidence of disconnect between pay and performance, poor pay practices, etc. Corporate boards are expected to have a significant majority of directors entirely independent of management so that they may effectively scrutinize company strategy and performance. Because the board's ultimate responsibility is to ensure that the corporation is managed in the best long-term economic interests of plan participants and beneficiaries, companies should seek a diverse board of directors who can add value to board deliberations through specific skills, expertise and/or perspectives.

Similarly, there is also increased concern and scrutiny over executive compensation practices that are being implemented in the boardroom. The MassPRIM Board supports compensation practices that motivate corporate executives to focus on long-term shareholder value and returns, and more closely align their interests with those of

shareholders. In essence, the advisory vote on compensation (management say-on-pay, "MSOP") is the primary focus for voting on executive pay practices. It allows shareholders to express approval or dissatisfaction with compensation practices at a company. The MassPRIM Board is highly in favor of an annual MSOP vote, pursuant to the Dodd-Frank Act, as it creates consistent, meaningful and coherent communication that the votes are intended to provide. Further, the MassPRIM Board believes that advisory votes on golden parachute compensation, another mandate brought forth by the Dodd-Frank Act, should be closely scrutinized to promote pay practices that are fair and reasonable. Severance compensation packages that provide for change-in-control payouts if they are single-triggered, i.e. no loss of job or substantial diminution of job responsibilities as a result of a change-in-control, are not supportable. Similarly, the MassPRIM Board believes that the prevalence of tax-gross ups in employment agreements, accelerated vesting of equity awards in the event of a change-in-control, potentially excessive severance payments, are all considered to be poor pay practices that represent misuse of shareholder funds.

In the wake of the controversy surrounding predatory lending practices associated with the mortgage industry, the necessity to employ checks and balances to sufficiently safeguard a corporation against such practices becomes an essential tool for reputation and risk management, as a growing body of empirical studies have demonstrated a link between such factors with corporate performance. Parallel with the increased demand for corporate transparency, there is greater pressure for companies to adopt practices that enhance their brand image, being that consumers and investors are often attracted to companies with solid brand reputation. In effect, companies benefit from this increased ability to attract capital, which is vital to long-term corporate success and economic interest of shareholders.

The MassPRIM Board also believes that corporate success is derived from a diverse group of employees, whose unique ideas and perspectives may foster creativity and innovation, the essential elements of corporate growth. The need to promote equal employment opportunities and prohibit discriminatory practices within a corporation is paramount to the success of a company, and the MassPRIM Board is highly supportive of a work environment where individuals are treated equally with respect and dignity. A commitment to firm EEO standards and practices has a direct impact on better hiring decisions, improved employee and knowledge retention, a more productive workplace, and increased productivity, all of which are in the best long-term economic interest of shareholders.

In addition, MassPRIM recognizes the growing view among investment professionals that sustainability or environmental, social and governance (ESG) factors could present material risks to portfolio investments. Greater numbers of investment professionals are incorporating ESG performance into their investment making decisions in order to have a more comprehensive understanding of the overall risk profile of the companies in which they invest to ensure sustainable long-term profitability for their beneficiaries.

Climate change has emerged as a significant environmental threat to the planet. Scientists agree that gases released by chemical reactions including the burning of fossil fuels contribute to a "greenhouse effect" that traps planet's heat. Several shareholder initiatives request companies to provide reporting on greenhouse gas emissions (including descriptions of efforts within companies to reduce emissions), as well as their financial exposure and potential liability from operations that contribute to global warming.

MassPRIM favors a reporting and compliance environment that advances positive corporate ESG actions that promote practices that present new opportunities or mitigate related financial and reputational risks. To that end, MassPRIM supports shareholder initiatives that seek for enhanced disclosure and transparency as well as the adoption of, or adherence to, relevant norms, standards or codes of conduct with respect to sustainability and climate change issues.

Based on these aforementioned principles, the MassPRIM Board has tailored its proxy voting guidelines around issues that are central to our mission of enhancing value for our plan participants and beneficiaries.

PENSION RESERVES INVESTMENT MANAGEMENT BOARD – UNITED STATES PROXY VOTING GUIDELINES – 2025

General Business

MassPRIM will generally look to maintain the ability of shareholders to engage and provide input to management, particularly in annual and special meetings. Routine business proposals generally do not impact shareholder rights, while proposals to adjourn meetings and lower quorum requirements have the potential to limit the ability of shareholders to provide input.

Adjourn Meeting

MassPRIM will generally vote AGAINST proposals to provide management with the authority to adjourn an annual or special meeting absent compelling reasons to support the proposal.

MassPRIM will generally vote FOR proposals that relate specifically to soliciting votes for a merger or **transaction** if supporting that merger or transaction MassPRIM will generally vote AGAINST proposals if the wording is too vague or if the proposal includes "other business."

Amend Quorum Requirements

MassPRIM will vote CASE-BY-CASE on management or shareholder proposals to reduce quorum requirements for shareholder meetings below a majority of the shares outstanding, taking into consideration:

- The new quorum threshold requested;
- The rationale presented for the reduction;
- The market capitalization of the company (size, inclusion in indices);
- The company's ownership structure;
- Previous voter turnout or attempts to achieve quorum;
- Any provisions or commitments to restore quorum to a majority of shares outstanding, should voter turnout improve sufficiently; and
- Other factors as appropriate.

In general, a quorum threshold kept as close to a majority of shares outstanding as is achievable is preferred.

MassPRIM will vote CASE-BY-CASE on directors who unilaterally lower the quorum requirements below a majority of the shares outstanding, taking into consideration the factors listed above.

Amend Minor Bylaws

MassPRIM will generally vote FOR bylaw or charter changes that are of a housekeeping nature (updates or corrections).

Change Company Name

MassPRIM will generally vote FOR proposals to change the corporate name.

Change Date, Time, or Location of Annual Meeting

MassPRIM will generally vote FOR management proposals to change the date, time, and/or location of the annual meeting unless the proposed change is unreasonable.

MassPRIM will generally vote AGAINST shareholder proposals to change the date, time, and/or location of the annual meeting unless the current scheduling or location is unreasonable.

Other Business

MassPRIM will generally vote AGAINST proposals to approve other business when it appears as voting item.

Audit-Related

Auditor independence is critical to enable boards to provide effective oversight over companies' financial reporting. Factors such as auditor tenure, non-audit fees and auditor indemnification agreements may limit the auditor's ability to objectively evaluate companies' finances and controls.

Auditor Indemnification and Limitation of Liability

The issue of auditor indemnification and limitation of liability shall be evaluated taking the following factors into account:

- The terms of the auditor agreement- the degree to which these agreements impact shareholders' rights;
- Motivation and rationale for establishing the agreements;
- Quality of disclosure; and
- Historical practices in the audit area.

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

Auditor Ratification

MassPRIM will generally vote FOR proposals to ratify auditors, unless any of the following apply:

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

Non-audit fees will be considered excessive if they exceed 25% of the total fees paid to the auditor.

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

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

Shareholder Proposals Limiting Non-Audit Services

Excessive non-audit fees or tenure have the potential to compromise auditor independence and hamper the operating performance of the company.

Shareholder proposals asking companies to prohibit or limit their auditors from engaging in non-audit services shall be evaluated based on their individual merits.

Shareholder Proposals on Audit Firm Rotation

Shareholder proposals asking for audit firm rotation are evaluated by considering:

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

Board of Directors

Voting on Director Nominees in Uncontested Elections

A well-functioning corporate board exercises thoughtful oversight over the company's management, strategic direction and as such has an important role to position the company for long-term value creation. Boards also play an important role as fiduciaries to shareholders. Votes on director nominees should be evaluated by taking the following four fundamental principles into account:

1. **Board Accountability:** Practices that promote accountability and reduce the opportunity for management entrenchment such as transparency into a company's governance practices; annual board elections; and providing shareholders the ability to remove problematic directors and to vote on takeover defenses or other charter/bylaw amendments.
2. **Board Responsiveness:** Directors should be responsive to shareholders, particularly in regard to shareholder proposals that receive a majority vote and to tender offers where a majority of shares are tendered. Furthermore, shareholders should expect directors to devote sufficient time and resources to oversight of the company.
3. **Director Independence:** Without independence from management, the board may be unwilling or unable to effectively set company strategy and scrutinize performance or executive compensation.
4. **Director Competence:** Companies should seek a diverse board of directors who can add value to the board through specific skills or expertise and who can devote sufficient time and commitment to serve effectively. While directors should not be constrained by arbitrary limits such as age or term limits, directors who are unable to attend board and committee meetings and/or who are overextended (i.e. serving on too many boards) raise concern on the director's ability to effectively serve in shareholders' best interests.

Board accountability for climate change (All markets)- Management resolution

Climate change, and particularly climate transition risk is a high-priority material issue for carbon-intensive companies. At a minimum, investors expect boards of the companies in question to ensure that the companies are actively engaging with investors and providing financially relevant climate change disclosure, including a climate transition plan that is aligned with the goal of achieving Net Zero by 2050, which reflects the scientific consensus of what it needed to limit global temperature rise to 1.5C.

MassPRIM will generally:

- Vote AGAINST or WITHOLD votes from the entire board in high carbon emitting companies where the company has not adequately disclosed its climate change performance using the Taskforce on Climate Related Financial Disclosure (TCFD) guidelines.
- Vote CASE-BY-CASE against directors, such as the board chair or chair of relevant committees in boards of high emitting companies when they have failed to disclose an operationally and financially credible climate transition plan that puts the enterprise on a path to achieve net zero emissions by 2050.

Problematic Takeover Defenses

Certain governance features have the potential to limit the ability of shareholders to hold directors accountable for corporate strategy and performance. While these may be used to protect management from undue outside influence during a company's early stages or turbulent market conditions, they can serve to entrench management and undermine shareholder rights if left in place indefinitely. MassPRIM will generally take the following actions when encountering each of these takeover defenses:

Classified board structure:

1.1. MassPRIM will generally vote AGAINST any or all appropriate incumbent nominees when the board is classified, and a continuing director responsible for a problematic governance issue at the board/committee level that would warrant a withhold/against vote recommendation is not up for election;

Director Performance Evaluation:

1.2. MassPRIM will generally withhold support from responsible directors when the board lacks mechanisms to promote 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). MassPRIM will take into consideration the company's five-year total shareholder return, five-year operational metrics and other factors as warranted. Problematic provisions include but are not limited to:

- A classified board structure;
- A supermajority vote requirement;
- Majority vote standard for director elections with no carve out for contested elections;
- The inability for shareholders to call special meetings;
- The inability for shareholders to act by written consent;
- A dual-class structure; and/or
- A non-shareholder approved poison pill.

Poison Pills:

1.3. MassPRIM will generally vote AGAINST or withhold from all nominees (except new nominees, who should be considered case-by-case) if:

- The company has a poison pill with a deadhand or slowhand feature[1];
- 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 company has a long-term poison pill (with a term of over one year) that was not approved by the public shareholders[2].

1.4. MassPRIM understands there are specific situations where short-term pills may be warranted, and accordingly will vote CASE-BY-CASE on all nominees if the board adopts an initial short-term pill (with a term of one year or less) without shareholder approval, taking into consideration:

- The disclosed rationale for the adoption;
- The trigger threshold and other terms of the pill;
- The context within which the pill was adopted (e.g. factors such as the company's size and stage of development; sudden changes in market capitalization, and extraordinary industry wide or macroeconomic events)
- A commitment to put any renewal to a shareholder vote;
- The company's overall track record on corporate governance and responsiveness to shareholders; and
- Other factors as relevant.

1 If a short-term pill with a deadhand or slowhand feature is enacted but expires before the next shareholder vote, MassPRIM will generally still recommend withhold/against nominees at the next shareholder meeting following its adoption.

2 Approval prior to, or in connection, with a company's becoming publicly-traded, or in connection with a de-SPAC transaction, is insufficient.

Restricting Binding Shareholder Proposals:

MassPRIM will generally vote AGAINST or withhold from members of the governance committee if:

1.5. The company's charter imposes undue restrictions on shareholders' ability to amend the bylaws. Such restrictions include but are not limited to: outright prohibition on the submission of binding shareholder proposals, or share ownership requirements or time holding requirements in excess of SEC Rule 14a-8.

Problematic Capital Structure

MassPRIM will generally vote withhold or against directors individually, committee members, or the entire board (except new nominees, who should be considered case-by-case), if the company employs a common stock structure with unequal voting rights[3].

1.6. Exceptions to this policy will generally be limited to:
- Newly-public companies[4] with a sunset provision of no more than seven years from the date of going public;
- Limited Partnerships and the Operating Partnership (OP) unit structure of REITs;
- Situations where the super-voting shares represent less than 5% of total voting power and therefore considered to be de minimis; or
- The company provides sufficient protections for minority shareholders, such as allowing minority shareholders a regular binding vote on whether the capital structure should be maintained.

Problematic Governance Structure

For companies that hold or held their first annual meeting of public shareholders after Feb. 1, 2015, MassPRIM will generally vote AGAINST or withhold from directors individually, committee members, or the entire board (except new nominees, who should be considered case-by-case) if, prior to or in connection with the company's public offering, the company or its board adopted the following bylaw or charter provisions that are considered to be materially adverse to shareholder rights:

1.7. Supermajority vote requirements to amend the bylaws or charter;
1.8. A classified board structure; or
1.9. Other egregious provisions.

A provision which specifies that the problematic structure(s) will be sunset within seven years of the date of going public will be considered a mitigating factor.

Unless the adverse provision is reversed or removed, MassPRIM will vote CASE-BY-CASE on director nominees in subsequent years.

3 This generally includes classes of common stock that have additional votes per share than other shares; classes of shares that are not entitled to vote on all the same ballot items or nominees; or stock with time-phased voting rights ("loyalty shares").
4 Newly-public companies generally include companies that emerge from bankruptcy, SPAC transactions, spin-offs, direct listings, and those who complete a traditional initial public offering.

Problematic Audit-Related Practices

MassPRIM will generally, vote AGAINST or WITHHOLD from the members of the Audit Committee if:

1.1. The non-audit fees paid to the auditor are excessive (see discussion under "Auditor Ratification");
1.2. The company receives an adverse opinion on the company's financial statements from its auditor; or
1.3. 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.

Members of the Audit Committee and/or the full board shall be evaluated based on individual circumstances if:

1.4. 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

MassPRIM may vote AGAINST or withhold from the members of the Compensation Committee and potentially the full board where compensation concerns are heightened and communication beyond the Advisory Vote on Executive Compensation is warranted. Such situations may include the following.

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

MassPRIM will generally vote AGAINST or withhold from the Compensation Committee chair, other committee members, or potentially the full board if:

- The company fails to include a Say on Pay ballot item when required under SEC provisions, or under the company's declared frequency of say on pay; or
- The company fails to include a Frequency of Say on Pay ballot item when required under SEC provisions.

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

Governance Failures

Under extraordinary circumstances, MassPRIM will vote AGAINST or WITHHOLD from directors individually, committee members, or the entire board, due to:

- Material failures of governance, stewardship, risk oversight[5], or fiduciary responsibilities at the company;
- Failure to replace management as appropriate; 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.

[5] 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.

Unilateral Bylaw/Charter Amendments

MassPRIM will generally vote AGAINST or withhold from directors individually, committee members, or the entire board (except new nominees, who should be considered case-by-case) if the board amends the company's bylaws or charter without shareholder approval in a manner that materially diminishes shareholders' rights or that could adversely impact shareholders, considering the following factors:

- The board's rationale for adopting the bylaw/charter amendment without shareholder ratification;
- Disclosure by the company of any significant engagement with shareholders regarding the amendment;
- The level of impairment of shareholders' rights caused by the board's unilateral amendment to the bylaws/charter;
- The board's track record with regard to unilateral board action on bylaw/charter amendments or other entrenchment provisions;
- The company's ownership structure;
- The company's existing governance provisions;
- The timing of the board's amendment to the bylaws/charter in connection with a significant business development; and,
- Other factors, as deemed appropriate, that may be relevant to determine the impact of the amendment on shareholders.

Unless the adverse amendment is reversed or submitted to a binding shareholder vote, in subsequent years vote CASE-BY-CASE on director nominees. MassPRIM will generally vote AGAINST (except new nominees, who should be considered case-by-case) if the directors:

- Classified the board;
- Adopted supermajority vote requirements to amend the bylaws or charter; or
- Eliminated shareholders' ability to amend bylaws.
- Adopted a fee-shifting provision; or
- Adopted another provision deemed egregious

For newly public companies, MassPRIM will generally vote AGAINST or withhold from directors individually, committee members, or the entire board (except new nominees, who should be considered case-by-case) if, prior to or in connection with the company's public offering, the company or its board adopts bylaw or charter provisions adverse to shareholders' rights, or implemented a multi-class capital structure in which the classes have unequal voting rights considering the following factors:

- The level of impairment of shareholders' rights;
- The company’s or the board's rationale;
- The provision's impact on the ability to change the governance structure (e.g., limitations on shareholder right to amend the bylaws or charter, or supermajority vote requirements to amend the bylaws or charter);
- The ability of shareholders to hold directors accountable through annual director elections, or whether the company has a classified board structure;
- Any reasonable sunset provision; and
- Other relevant factors.

Unless the adverse provision is reversed or submitted to a vote of public shareholders, vote CASE-BY-CASE on director nominees in subsequent years.

Board Responsiveness

MassPRIM will 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;
- 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;

MassPRIM will generally vote AGAINST or WITHHOLD from the entire board of directors (except new nominees, who should be considered CASE-BY-CASE) if:

- 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.

MassPRIM will vote CASE-BY-CASE on the entire board if:

- 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;
  - The 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.

MassPRIM will generally vote on a CASE-BY-CASE basis 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 proposal 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.

Director Independence

An independent board is better positioned to objectively evaluate the operations of the company. Board committees especially should be free of any insider input, as they take on specialized roles to review and evaluate management performance.

MassPRIM will generally vote WITHHOLD/AGAINST Inside Directors and Affiliated Outside Directors (per the Categorization of Directors) 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
- The full board is less than two-thirds (67 percent) majority independent.

Board Diversity

Research has demonstrated that diverse Boards that are able to draw on a wide range of viewpoints, skills and experiences are able to demonstrate future financial performance and higher stock return. To this end, MassPRIM encourages all companies to disclose a Board Qualifications Matrix that highlights the skills, experiences and demographic attributes of each Board member.

Boards that reflect a range of demographic characteristics, such as gender, race and ethnicity, allow for the exchange and consideration of diverse perspectives, experiences and backgrounds in boardroom deliberations. This, in turn, increases the likelihood of high-performance boardroom discussions and decision making.

MassPRIM will generally:

- Vote AGAINST all incumbent board members at companies with no women on the board or no directors identifying as a member of a racial or ethnic minority group.
- Vote AGAINST all incumbent Nominating Committee members when the board is less than 35% diverse in terms of gender or race.

If no member of a nominating committee is up for election, MassPRIM will generally vote AGAINST/ WITHOLD from the Chairperson. If the Chairperson is also not on the ballot; MassPRIM will generally vote AGAINST/ WITHOLD from the most senior Director up for election.

In casting the votes above, MassPRIM will consider if:

- Such a vote would negatively impact the overall diversity composition of the board or performance of the company.
- The Board explicitly considers demographic diversity in all director searches as a means to capture the widest pool of qualified candidates.

Director attendance and overboarded directors

Directors need sufficient time and energy in order to be effective representatives of shareholders' interests. Directors' responsibilities are increasingly complex as board and key committee memberships demand greater time commitments. There is a need to balance the additional insight gained by directors' participation on different boards with the need to limit the number of commitments so as to allow directors sufficient time for the preparation, attendance and participation at board and committee meetings.

MassPRIM will generally vote AGAINST or withhold from directors (except new nominees[6]) 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;

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

- 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, MassPRIM will generally vote AGAINST or withhold from the director(s) in question.

MassPRIM will generally vote AGAINST or WITHHOLD from individual directors who:

- Are not CEOs of public companies and sit on more than four public company boards.
- 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.

Classification of Directors

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

1. **Non-Independent Non-Executive Director**

Board Identification

2.1. Director identified as not independent by the board.

Controlling/Significant Shareholder

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

Former CEO/Interim Officer

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

2.4. Former CEO of an acquired company within the past five years.[4]

2.5. 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

2.6. Former officer[1] of the company, an affiliate[2], or an acquired firm within the past five years.

2.7. 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.

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

Family Members

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

2.10. 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

2.11. 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.

2.12. 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.

2.13. 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).

2.14. 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).

2.15. 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

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

2.17. 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]

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

2.19. Any material[12] relationship with the company.

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

Footnotes:

[1] The definition of officer will generally follow that of a "Section 16 officer" (officers subject to Section 16 of the Securities and Exchange Act of 1934) and includes the chief executive, operating, financial, legal, technology, and accounting officers of a company (including the president, treasurer, secretary, controller, or any vice president in charge of a principal business unit, division, or policy function). Current interim officers are included in this category. For private companies, the equivalent positions are applicable. A non-employee director serving as an officer due to statutory requirements (e.g. corporate secretary) will generally be classified as a Non-Independent Non-Executive Director under 2.19: "Any material relationship with the company." However, if the company provides explicit disclosure that the director is not receiving additional compensation exceeding $10,000 per year for serving in that capacity, then the director will be classified as an Independent Director.

[2] "Affiliate" includes a subsidiary, sibling company, or parent company. The MassPRIM Board 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, the MassPRIM Board 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] The MassPRIM Board 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. The MassPRIM Board will also consider if a formal search process was under way for a full-time officer at the time.

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

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

[8] A material transactional relationship, including grants to non-profit organizations, exists if the company makes annual payments to, or receives annual payments from, another entity exceeding the greater of $200,000 or 5 percent of the recipient's gross revenues, in the case of a company which follows NASDAQ listing standards; or the greater of $1,000,000 or 2 percent of the recipient's gross revenues, in the case of a company which follows NYSE/Amex listing standards. In the case of a

company which follows neither of the preceding standards, the MassPRIM Board will apply the NASDAQ-based materiality test. (The recipient is the party receiving the financial proceeds from the transaction).

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

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

[11] The operating involvement of the founder with the company will be considered; if the founder was never employed by the company, the MassPRIM Board may deem him or her an Independent Director.

[12] For purposes of the MassPRIM Board '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.

Board-Related Management Proposals

Declassifying the board, enabling shareholders to remove directors or elect directors to fill vacancies, requiring shareholder input for significant changes to the board structure and establishing a majority vote FOR director elections are practices that improve shareholder rights and promote board accountability.

Establishing term and age limits may restrict boards' ability to nominate qualified directors to serve.

Age Limits

MassPRIM will generally vote AGAINST management proposal to limit the tenure of outside directors through mandatory retirement ages.

Board Size

MassPRIM will generally:

Vote FOR proposals seeking to fix the board size or designate a range for the board size.

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

Classification/Declassification of the Board

MassPRIM will generally vote AGAINST proposals to classify (stagger) the board.

MassPRIM will generally vote FOR proposals to repeal classified boards and to elect all directors annually.

Cumulative Voting

MassPRIM will generally vote AGAINST management proposals to eliminate cumulative voting.

Director and Officer Indemnification and Liability Protection

MassPRIM will vote CASE-BY-CASE on proposals on director and officer indemnification, liability protection, and exculpation.

In making these determinations, MassPRIM will consider the stated rationale for the proposed change. It will also consider, among other factors, the extent to which the proposal would:

- Eliminate directors' and officers' liability for monetary damages for violating the duty of care.
- Eliminate directors' and officers' liability for monetary damages for violating the duty of loyalty.
- Expand coverage beyond just legal expenses to liability for acts that are more serious violations of fiduciary obligation than mere carelessness.
- Expand the scope of indemnification to provide for mandatory indemnification of company officials in connection with acts that previously the company was permitted to provide indemnification for, at the discretion of the company's board (i.e., "permissive indemnification"), but that previously the company was not required to indemnify.

MassPRIM will generally vote FOR those proposals providing such expanded coverage in cases when a director's or officer's legal defense was unsuccessful if both of the following apply:

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

Establish/Amend Nominee Qualifications

MassPRIM will vote CASE-BY-CASE on proposals that establish or amend director qualifications based on how reasonable the criteria are and to what degree they may preclude dissident nominees from joining the board.

Filling Vacancies/Removal of Directors

MassPRIM will generally vote AGAINST proposals that provide that directors may be removed only for cause.

MassPRIM will generally vote FOR proposals to restore shareholders' ability to remove directors with or without cause.

MassPRIM will generally vote AGAINST proposals that provide that only continuing directors may elect replacements to fill board vacancies.

MassPRIM will generally vote FOR proposals that permit shareholders to elect directors to fill board vacancies.

Majority Vote Threshold for Director Elections

MassPRIM will generally vote FOR management proposals to adopt a "majority of votes cast" standard for directors in uncontested elections.

MassPRIM will generally vote AGAINST management proposals to adopt a "majority of votes cast" standard if no carve-out for plurality in contested elections is included.

Term Limits

MassPRIM will generally vote AGAINST management proposals to limit the tenure of outside directors through term limits. However, scrutinize boards where the average tenure of all directors exceeds 15 years for independence from management and for sufficient turnover to ensure that new perspectives are being added to the board.

Board-Related Shareholder Proposals/Initiatives

Age Limits

Companies with diverse boards tend to perform better and feature more perspectives on company strategy. Companies will benefit by having directors from a wide range of age groups on the board, including directors with long-term experience who can provide valuable insight for the company.

MassPRIM will generally vote AGAINST shareholder proposals to limit the tenure of outside directors through mandatory retirement ages.

Annual Election (Declassification) of the Board

Declassified board s ensure that all directors are accountable to shareholders for performance and are considered a best practice in corporate governance.

MassPRIM will generally vote FOR shareholder proposals to repeal classified (staggered) boards, and to elect all directors annually.

CEO Succession Planning

Increased transparency on CEO succession planning promotes continuity and stability within the company.

MassPRIM will generally vote FOR proposals seeking disclosure on a CEO succession planning policy, considering at a minimum, the following factors:

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

Cumulative Voting

Cumulative voting increases minority shareholder representation on the board by allowing shareholders to allocate all of their shares to a single director.

MassPRIM will generally vote FOR shareholder proposals to restore or provide for cumulative voting unless:

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

MassPRIM will generally vote FOR proposals for cumulative voting at controlled companies (where insider voting power is greater than 50%).

Board Diversity

Reflecting the research demonstrating that companies with more diverse boards tend to outperform their peers on a range of financial considerations, board diversification shareholder proposals ask companies to put systems in place to increase the representation of women, racial minorities, union members or other underrepresented minority groups on boards of directors.

MassPRIM will generally:

- Vote FOR shareholder proposals asking the company to take steps to nominate more women or racial minorities to the board when the board is less than 35% diverse in terms of gender, race or ethnicity.
- Vote FOR shareholder proposals calling on the company to produce reports on their efforts to diversify the board unless that information is provided in other sources.
- Vote FOR shareholder proposals calling for the company to adopt a policy requiring that women or members of racial or ethnic minority groups be added to an initial list of qualified candidates for every open board seat.
- Vote FOR shareholder proposals calling for the disclosure of the gender, race/ ethnicity of individual board members in the company's next proxy statement.

Establish/Amend Nominee Qualifications

MassPRIM will consider proposals seeking to establish or amend director qualifications are considered based on the reasonableness of the criteria and to what degree they may preclude dissident nominees from joining the board.

Shareholder resolutions seeking a director nominee candidate who possesses a particular subject matter expertise are evaluated considering:

- The company's board committee structure, existing subject matter expertise, and board nomination provisions relative to that of its peers;
- The company's existing board and management oversight mechanisms regarding the issue for which board oversight is sought;
- The company disclosure and performance relating to the issue for which board oversight is sought and any significant related controversies; and
- The scope and structure of the proposal.

Establishment of Formal Board Oversight on Material Issues

Where issues are seen as material to corporate performance and strategy, investors are looking for boards to formalize their oversight on these issues, to move from episodic to systematic consideration of these issues at the board level.

MassPRIM will generally vote FOR shareholder proposals to establish a new board committee or otherwise formalize Board Oversight on issues seen as material to corporate long-term performance. Formal oversight could provide a forum for ongoing dialogue and could be a potentially effective method of protecting or enhancing shareholder value.

In evaluating such proposals, the following factors will be considered;

- Existing oversight mechanisms (including current committee structure) regarding the issue for which board oversight is sought.
- Level of corporate disclosure regarding the issue for which board oversight is sought, including whether the company has identified the issue as a risk factor.
- Company performance related to the issue for which board oversight is sought.
- Board committee structure compared to that of other companies in its industry sector.
- The scope and structure of the proposal.

- Research on the impact on long-term value creation

Establishment of Board Policy on Shareholder Engagement

Established processes and structures that allows the board to systematically engage with shareholders enables effective communication between the board and investors, allowing shareholders to engage with the board and have a clearer understanding of the board's approach to governance.

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

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

Filling Vacancies/Removal of Directors

Enabling shareholders to remove directors and fill vacancies improves overall board stability and allows them to hold underperforming directors accountable.

MassPRIM will generally vote AGAINST proposals that provide that directors may be removed only for cause.

MassPRIM will generally vote FOR proposals to restore shareholders' ability to remove directors with or without cause.

MassPRIM will generally vote AGAINST proposals that provide that only continuing directors may elect replacements to fill board vacancies.

MassPRIM will generally vote FOR proposals that permit shareholders to elect directors to fill board vacancies.

Independent Chair (Separate Chair/CEO)

Separating the CEO and chair roles has the potential to improve the decision-making, risk management and overall functioning of the board by providing additional oversight of the CEO during board meetings.

MassPRIM will generally vote FOR shareholder proposals requiring that the chairman's position be filled by an independent director, taking into consideration the following:

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

Regarding the scope of the proposal, MassPRIM will consider whether the proposal is precatory or binding and whether the proposal is seeking an immediate change in the chairman role or the policy can be implemented at the next CEO transition.

Under the review of the company's board leadership structure, MassPRIM may support the proposal under the following scenarios absent a compelling rationale: the presence of an executive or non-independent chair in addition to the CEO; a recent recombination of the role of CEO and chair; and/or departure from a structure with an independent chair. MassPRIM will also consider any recent transitions in board leadership and the effect such transitions may have on independent board leadership as well as the designation of a lead director role.

When considering the governance structure, MassPRIM will consider the overall independence of the board, the independence of key committees, the establishment of governance guidelines, board tenure and its relationship to CEO tenure, and any other factors that may be relevant. Any concerns about a company's governance structure will weigh in favor of support for the proposal.

The review of the company's governance practices may include, but is not limited to poor compensation practices, material failures of governance and risk oversight, related-party transactions or other issues putting director independence at risk, corporate or management scandals, and actions by management or the board with potential or realized negative impact on shareholders. Any such practices may suggest a need for more independent oversight at the company thus warranting support of the proposal.

The performance assessment will generally consider one-, three, and five-year TSR compared to the company's peers and the market as a whole. While poor performance will weigh in favor of the adoption of an independent chair policy, strong performance over the long-term will be considered a mitigating factor when determining whether the proposed leadership change warrants support.

Majority of Independent Directors/Establishment of Independent Committees

A majority independent board is more likely to ensure the board has appropriate oversight, implement proper controls and provide accountability to the shareholders.

MassPRIM will generally vote FOR shareholder proposals asking that a majority or more of directors be independent unless the board composition already meets the proposed threshold by the MassPRIM Board's definition of independent outsider. (See Categorization of Directors.)

MassPRIM will generally vote FOR shareholder proposals asking that board audit, compensation, and/or nominating committees be composed exclusively of independent directors if they currently do not meet that standard.

Majority Vote Shareholder Proposals

Requiring a majority vote to elect directors could increase shareholder representation on the board.

MassPRIM will generally vote FOR precatory and binding 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.

Open Access (Proxy Access)

Proxy access proposals allow shareholders to nominate candidates for director elections in the proxy materials. These proposals enable shareholders to facilitate change in the company without taking on the expense of a proxy contest.

PRIM will vote on a CASE-BY-CASE basis on proposals to enact proxy access, taking into account, among other factors:

- Company-specific factors; and
- Proposal-specific factors, including:
  - The ownership thresholds proposed in the resolution (i.e., percentage and duration);
  - The maximum proportion of directors that shareholders may nominate each year; and
  - The method of determining which nominations should appear on the ballot if multiple shareholders submit nominations.

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

MassPRIM will 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 contested election;
- 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); and
- Stock ownership positions.

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

Require More Nominees than Open Seats

More established methods for effecting board change at underperforming companies, such as through engagement, proxy access and proxy contests, are preferable to multi-candidate director elections, which are uncommon in the United States.

MassPRIM will generally vote AGAINST shareholder proposals that would require a company to nominate more candidates than the number of open board seats.

Term Limits

Board refreshment is an important process to ensure that directors with new skills are added to the board, However, mandatory term limits can often restrict boards' abilities to retain directors with long-term experience and institutional expertise.

MassPRIM will generally vote AGAINST shareholder proposals to limit the tenure of outside directors through term limits. However, MassPRIM will scrutinize boards where the average tenure of all directors exceeds 15 years for independence from management and for sufficient turnover to ensure that new perspectives are being added to the board.

Vote No Campaigns

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

Shareholder Rights & Defenses

MassPRIM will generally be supportive of management or shareholder efforts that are aimed at protecting and/or maintaining the ability to shareholders to file proposals or otherwise exercise their rights and responsibilities as active owners engaging in efforts that are intended to generate long-term value creation.

Advance Notice Requirements for Shareholder Proposals/Nominations

Advance notice proposals are determined based on whether the proposal allows 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 not be more than 60 days prior to the meeting, with a submittal window of at least 30 days prior to the deadline. The submittal window is the period under which a shareholder must file his proposal/nominations prior to the deadline. In general, MassPRIM will support additional efforts by companies to ensure full disclosure regarding a proponent's economic and voting position in the company so long as the informational requirements are reasonable and aimed at providing shareholders with the necessary information to review such proposals.

Amend Bylaws without Shareholder Consent

Allowing shareholders to consent to bylaw amendments provides shareholders with more oversight to review whether new amendments serve in their best interests.

MassPRIM will generally vote AGAINST management or shareholder proposals giving the board exclusive authority to amend the bylaws.

MassPRIM will generally vote FOR management or shareholder proposals giving the board the ability to amend the bylaws in addition to shareholders.

Confidential Voting

Confidential voting removes pressure on investors to vote with management in situations where management may be able to determine how the investor voted. Confidential voting allows shareholders to engage with boards without their vote record impeding this process.

MassPRIM will generally vote FOR shareholder proposals requesting that corporations adopt confidential voting, use independent vote tabulators, and use independent inspectors of election, as long as the proposal includes a provision for proxy contests as follows: In the case of a contested election, management should be permitted to request that the dissident group honor its confidential voting policy. If the dissidents agree, the policy remains in place. If the dissidents will not agree, the confidential voting policy is waived.

MassPRIM will generally vote FOR management proposals to adopt confidential voting.

Proxy Voting Disclosure, Confidentiality, and Tabulation

Proposals on proxy voting disclosure, confidentiality, and tabulation typically call for a company to adopt a specific system of vote tabulation. These proposals should ensure a fair process for both management and shareholder proponents.

MassPRIM will vote CASE-BY-CASE on management or shareholder proposals regarding proxy voting mechanics, taking into consideration whether implementation of the proposal is likely to enhance or protect shareholder rights. Specific issues covered as "proxy voting mechanics" include, but are not limited to, confidential voting of individual proxies and ballots, confidentiality of running vote tallies, and the treatment of abstentions and/or broker non-votes in the company's vote-counting methodology.

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

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

Control Share Acquisition Provisions

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

MassPRIM will generally vote FOR proposals to opt out of control share acquisition statutes unless doing so would enable the completion of a takeover that would be detrimental to shareholders.

MassPRIM will generally vote AGAINST proposals to amend the charter to include control share acquisition provisions.

MassPRIM will generally vote FOR proposals to restore voting rights to the control shares.

Control Share Cash-Out Provisions

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

MassPRIM will generally vote FOR proposals to opt out of control share cash-out statutes.

Disgorgement Provisions

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

MassPRIM will generally vote FOR proposals to opt out of state disgorgement provisions.

Fair Price Provisions

Proposals to adopt fair price provisions (provisions that stipulate that an acquirer must pay the same price to acquire all shares as it paid to acquire the control shares) are examined based on factors such as the vote required to approve the proposed acquisition, the vote required to repeal the fair price provision, and the mechanism for determining the fair price.

MassPRIM will generally vote AGAINST fair price provisions with shareholder vote requirements greater than a majority of disinterested shares.

Freeze-Out Provisions

Freeze-out provisions force an investor who surpasses a certain ownership threshold in a company to wait a specified period of time before gaining control of the company.

MassPRIM will generally vote FOR proposals to opt out of state freeze-out provisions.

Greenmail

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

MassPRIM will generally vote FOR proposals to adopt anti-greenmail charter or bylaw amendments or otherwise restrict a company's ability to make greenmail payments.

Anti-greenmail proposals that are bundled with other charter or bylaw amendments will be evaluated based on the long-term economic interest of the company.

Litigation Rights (including Exclusive Venue and Fee-Shifting Bylaw Provisions)

Bylaw provisions impacting shareholders' ability to bring suit against the company may include exclusive venue provisions, which provide that the state of incorporation shall be the sole venue for certain types of litigation, and fee-shifting provisions that require a shareholder who sues a company unsuccessfully to pay all litigation expenses of the defendant corporation.

MassPRIM will vote CASE-BY-CASE on bylaws which impact shareholders' litigation rights, taking into account factors such as:

- The company's stated rationale for adopting such a provision;
- Disclosure of past harm from shareholder lawsuits in which plaintiffs were unsuccessful or shareholder lawsuits outside the jurisdiction of incorporation;
- The breadth of application of the bylaw, including the types of lawsuits to which it would apply and the definition of key terms; and
- Governance features such as shareholders' ability to repeal the provision at a later date (including the vote standard applied when shareholders attempt to amend the bylaws) and their ability to hold directors accountable through annual director elections and a majority vote standard in uncontested elections.
- MassPRIM will generally vote AGAINST bylaws that mandate fee-shifting whenever plaintiffs are not completely successful on the merits (i.e., in cases where the plaintiffs are partially successful).

MassPRIM will generally vote AGAINST bylaws that mandate fee-shifting whenever plaintiffs are not completely successful on the merits (i.e., in cases where the plaintiffs are partially successful).

Unilateral adoption by the board of bylaw provisions which affect shareholders' litigation rights will be evaluated under ISS' policy on Unilateral Bylaw/Charter Amendments.

Net Operating Loss (NOL) Protective Amendments

These proposals seek shareholder approval for the adoption, renewal or amendment of NOL Rights Plans. NOL rights plans are used as an anti-takeover defense and allow shareholders to buy existing shares of a company at a discounted price. These plans trigger when an investor buys shares above a certain ownership threshold, and are established to prevent the individual from owning a significant stake in the company. While plans with appropriate protective mechanisms and a reasonable sunset period may prevent a hostile takeover at a price below fair value, these plans also dilute the share value of the stock and can potentially result in board entrenchment.

MassPRIM will generally vote AGAINST proposals to adopt a protective amendment for the stated purpose of protecting a company's net operating losses ("NOLs") if the effective term of the protective amendment would exceed the shorter of three years and the exhaustion of the NOL.

Management proposals to adopt an NOL protective amendment that would remain in effect for the shorter of three years (or less) and the exhaustion of the NOL are considered based on the following factors:

- The ownership threshold (NOL protective amendments generally prohibit stock ownership transfers that would result in a new 5-percent holder or increase the stock ownership percentage of an existing 5-percent holder);
- The value of the NOLs;
- Shareholder protection mechanisms (sunset provision or commitment to cause expiration of the protective amendment upon exhaustion or expiration of the NOL);
- The company's existing governance structure including: board independence, existing takeover defenses, track record of responsiveness to shareholders, and any other problematic governance concerns; and
- Any other factors that may be applicable.

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

A "poison pill policy" allows existing shareholders to buy up large amounts of its stock at a discounted price with the intention of preventing the accumulation of outstanding shares. While poison pills can serve as a strategy to protect the company from hostile takeovers, they can also harm shareholders by protecting underperforming boards and reducing the company's stock price.

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

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

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

Poison Pills- Management Proposals to Ratify Poison Pill

Management proposals on poison pill ratification are evaluated by the features of the shareholder rights plan. Rights plans should contain the following attributes:

- No lower than a 20% trigger, flip-in or flip-over;

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

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

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

MassPRIM will generally vote AGAINST proposals to adopt a poison pill for the stated purpose of protecting a company's net operating losses ("NOLs") if the term of the pill would exceed the shorter of three years and the exhaustion of the NOL.

Management proposals seeking to ratify a poison pill whose term would be the shorter of three years (or less) and the exhaustion of the NOL are considered by the following factors:

- The ownership threshold to transfer (NOL pills generally have a trigger slightly below 5 percent);
- The value of the NOLs;
- Shareholder protection mechanisms (sunset provision, or commitment to cause expiration of the pill upon exhaustion or expiration of NOLs);
- The company's existing governance structure including: board independence, existing takeover defenses, track record of responsiveness to shareholders, and any other problematic governance concerns; and
- Any other factors that may be applicable.

Reimbursing Proxy Solicitation Expenses

Proposals to reimburse proxy solicitation expenses are determined on whether or not there is support for the dissident slate. When voting in conjunction with support of a dissident slate, MassPRIM will generally vote FOR the reimbursement of all appropriate proxy solicitation expenses associated with the election.

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

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

Reincorporation Proposals

Management or shareholder proposals to change a company's state of incorporation should be evaluated after giving consideration to both financial and corporate governance concerns including the following:

- Reasons for reincorporation;
- Comparison of company's governance practices and provisions prior to and following the reincorporation; and
- Comparison of corporation laws of original state and destination state.

MassPRIM will generally vote FOR reincorporation when the economic factors outweigh any neutral or negative governance changes.

Shareholder Ability to Act by Written Consent

Proposals of this type allow shareholders to act with a written consent resolution. Consent resolutions can allow shareholders to take action more quickly than they would be able to in a meeting.

MassPRIM will generally vote AGAINST management and shareholder proposals to restrict or prohibit shareholders' ability to act by written consent.

MassPRIM will generally vote FOR management and shareholder proposals that provide shareholders with the ability to act by written consent, taking into account the following factors:

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

In addition to the considerations above, further examination is merited for shareholder proposals if the company has the following governance and antitakeover provisions:

- An unfettered[7] right for shareholders to call special meetings at a 10 percent threshold;
- A majority vote standard in uncontested director elections;
- No non-shareholder-approved pill; and
- An annually elected board.

Shareholder Ability to Call Special Meetings

These proposals provide shareholders the ability to call special meetings, which allow them to vote on resolutions and accelerate change without needing to wait for an annual meeting.

MassPRIM will generally vote AGAINST management or shareholder proposals to restrict or prohibit shareholders' ability to call special meetings.

MassPRIM will 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.

Stakeholder Provisions

These proposals typically call for the board to evaluate company decisions based on the impact they may have on non-shareholder groups, rather than considering shareholder value as the top priority for decision-making.

MassPRIM will generally vote AGAINST shareholder proposals that ask the board to consider non-shareholder constituencies or other non-financial effects when evaluating a merger or business combination, as these provisions do not typically add shareholder value.

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

State Antitakeover Statutes

Proposals to opt in or out of state takeover statutes (including fair price provisions, stakeholder laws, poison pill endorsements, severance pay and labor contract provisions, and anti-greenmail provisions) are considered based on the long-term economic interest of the company.

Supermajority Vote Requirements

Supermajority vote requirements adversely impact shareholder rights and limit board accountability.

MassPRIM will generally vote AGAINST management proposals to require a supermajority shareholder vote.

MassPRIM will generally vote FOR management or shareholder proposals to reduce supermajority vote requirements. However, for companies with shareholder(s) who have significant ownership levels, the proposal shall be further examined, taking into account:

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

Exclusive Venue Proposals:

These are management proposals seeking an exclusive jurisdiction as a forum for resolution of shareholder disputes

MassPRIM will generally vote on a CASE-BY-CASE basis on exclusive venue proposals, taking into account:

- Whether the company has been materially harmed by shareholder litigation outside its jurisdiction of incorporation, based on disclosure in the company's proxy statement; and
- Whether the company has the following good governance features:
  - An annually elected board;
  - A majority vote standard in uncontested director elections; and
  - The absence of a poison pill, unless the pill was approved by shareholders.

CAPITAL/RESTRUCTURING

Capital

Boards are responsible for ensuring companies have appropriate access to capital in order to finance their ongoing investments and drive growth. MassPRIM evaluates these proposals based on the long-term value they create for shareholders. Having the ability to issue new stock, or new classes of stock, allows companies to access funding outside of debt markets, but at the cost of dilution to existing shareholders. Companies in financial distress may need immediate access to additional funding and have a need to restructure their debt and equity obligations. In addition to having a clear rationale for why the capitalization/restructuring change is needed, these proposals should maintain provisions that safeguard shareholders rights, are not used for anti-takeover purposes, and do not result in excessive dilution.

Capital Adjustments to Par Value of Common Stock

MassPRIM will generally vote FOR management proposals to reduce the par value of common stock.

Common Stock Authorization

Vote CASE-BY-CASE on management proposals to increase the number of authorized shares of common stock that are to be used for general corporate purposes:

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

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

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

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

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

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

Issue Stock for Use with Rights Plan

MassPRIM will generally vote AGAINST management proposals that increase authorized common stock for the explicit purpose of implementing a non-shareholder- approved shareholder rights plan (poison pill).

Preemptive Rights

Pre-emptive rights refer to the rights of shareholders of a corporation to purchase newly issues shares before it is offered to others. These rights are intended to protect shareholders from dilution in value or control.

MassPRIM will vote CASE-BY-CASE on shareholder proposals that seek preemptive rights based on factors including: the size of a company, the characteristics of its shareholder base, and the liquidity of the stock.

Preferred Stock Authorization

General Authorization Requests

General Recommendation: Vote CASE-BY-CASE on management proposals to increase the number of authorized shares of common stock that are to be used for general corporate purposes:

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

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

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

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

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

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

Recapitalization

Recapitalizations (reclassifications of securities) shall be evaluated by taking into account the following:

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

Reverse Stock Splits

MassPRIM will generally vote FOR management proposals to implement a reverse stock split when the number of authorized shares will be proportionately reduced.

MassPRIM will generally vote AGAINST management proposals when there is not a proportionate reduction of authorized shares, unless:

- A stock exchange has provided notice to the company of a potential delisting; or
- The effective increase in authorized shares is equal to or less than the allowable increase calculated in accordance with ISS' Common Stock Authorization policy.

Share Issuance Mandates at U.S. Domestic Issuers Incorporated Outside the U.S.

For U.S. domestic issuers incorporated outside the U.S. and listed solely on a U.S. exchange, MassPRIM will generally vote FOR resolutions to authorize the issuance of common shares up to 20 percent of currently issued common share capital, where not tied to a specific transaction or financing proposal.

For pre-revenue or other early-stage companies that are heavily reliant on periodic equity financing, MassPRIM will generally vote FOR resolutions to authorize the issuance of common shares up to 50 percent of currently issued common share capital. The burden of proof will be on the company to establish that it has a need for the higher limit.

Renewal of such mandates should be sought at each year's annual meeting.

Vote CASE-BY-CASE on share issuances for a specific transaction or financing proposal.

Share Repurchase Programs

By reducing the number of outstanding shares, share repurchase programs increase earnings per share and are typically seen as adding shareholder value.

MassPRIM will generally vote FOR management proposals to institute open-market share repurchase plans in which all shareholders may participate on equal terms.

Stock Distributions: Splits and Dividends

MassPRIM will generally vote FOR management proposals to increase the common share authorization for a stock split or share dividend, provided that the increase in authorized shares would not result in an excessive number of shares available for issuance.

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

MassPRIM will generally vote FOR management proposals authorizing the board to issue shares below Net Asset Value (NAV) if:

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

Multimanaged Funds/Subadvisers: Authorize the Board to Hire and Terminate Subadvisers without Shareholder Approval

MassPRIM will generally vote AGAINST management proposals authorizing the board to hire or terminate subadvisers without shareholder approval if the investment adviser currently employs only one subadviser.

Tracking Stock

The creation of tracking stock shall be considered by weighing the strategic value of the transaction against such factors as:

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

Restructuring

Appraisal Rights

Appraisal rights give shareholders the right to receive an independent valuation of a company's fair value stock price from a court during a merger or asset transaction, and to have the company purchase shares of the stock at this price. These rights allow shareholders recourse if they believe the price they received from the deal was under fair value. Shareholders may earn statutory interest on the award between the merger and the date the appraisal price is paid.

MassPRIM will generally vote FOR management or shareholder proposals to restore or provide shareholders with rights of appraisal.

Asset Purchases

Asset purchase proposals shall be evaluated based on the long-term economic interests of the company, taking the following factors into consideration:

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

Asset Sales

Asset sales shall be evaluated based on the long-term economic interests of the company, taking the following factors into consideration:

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

Bundled Proposals

Bundled or "conditional" proxy proposals shall be evaluated based on their aggregate merit on the long-term economic interests of the company. In the case of items that are conditioned upon each other, examine the benefits and costs of the packaged items. In instances when the joint effect of the conditioned items is not in shareholders' best interests, MassPRIM will generally vote AGAINST the proposals. If the combined effect is positive, support such proposals.

Conversion of Securities

Proposals regarding conversion of securities shall be evaluated based on the long-term economic interests of the company. When evaluating these proposals the investor should review the dilution to existing shareholders, the conversion price relative to market value, financial issues, control issues, termination penalties, and conflicts of interest.

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

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

Proposals to increase common and/or preferred shares and to issue shares as part of a debt restructuring plan shall be evaluated based on the long-term economic interests of the company, taking into consideration the following:

- Dilution to existing shareholders' position;
- Terms of the offer;
- Financial issues;
- Management's efforts to pursue other alternatives;
- Control issues; and
- Conflicts of interest.

MassPRIM will generally vote FOR the debt restructuring if it is expected that the company will file for bankruptcy if the transaction is not approved.

Formation of Holding Company

Proposals regarding the formation of a holding company are evaluated based on the long-term economic interests of the company, taking into consideration the following:

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

Absent compelling financial reasons to recommend the transaction, MassPRIM will generally vote AGAINST the formation of a holding company if the transaction would include either of the following:

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

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

Going private transactions shall be evaluated based on the long-term economic interests of the company, taking into account the following:

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

Going dark transactions are evaluated by determining whether the transaction enhances shareholder value after taking the following into consideration:

- Whether the company has attained benefits from being publicly-traded (examination of trading volume, liquidity, and market research of the stock);
- Balanced interests of continuing vs. cashed-out shareholders, taking into account the following:
  - Are all shareholders able to participate in the transaction?
  - Will there be a liquid market for remaining shareholders following the transaction?
  - Does the company have strong corporate governance?
  - Will insiders reap the gains of control following the proposed transaction?
  - Does the state of incorporation have laws requiring continued reporting that may benefit shareholders?

Joint Ventures

Proposals to form joint ventures are evaluated based on the long-term economic interests of the company, taking the following into account:

- Percentage of assets/business contributed;
- Percentage ownership;

- Financial and strategic benefits;
- Governance structure;
- Conflicts of interest;
- Other alternatives; and
- Non-completion risk.

Liquidations

Liquidations are evaluated based on the long-term economic interests of the company, taking the following into consideration:

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

MassPRIM will generally vote FOR the liquidation if the company will file for bankruptcy if the proposal is not approved.

Mergers and Acquisitions

Mergers and acquisitions are evaluated based on the long-term economic interests of the company. MassPRIM will 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.

Plans of Reorganization (Bankruptcy)

Proposals to common shareholders on bankruptcy plans of reorganization shall be evaluated based on the long-term economic interests of the company, considering the following factors including, but not limited to:

- Estimated value and financial prospects of the reorganized company;
- Percentage ownership of current shareholders in the reorganized company;

- Whether shareholders are adequately represented in the reorganization process (particularly through the existence of an Official Equity Committee);
- The cause(s) of the bankruptcy filing, and the extent to which the plan of reorganization addresses the cause(s);
- Existence of a superior alternative to the plan of reorganization; and
- Governance of the reorganized company.

Private Placements/Warrants/Convertible Debentures

Proposals regarding private placements are examined by taking into consideration:

1. Dilution to existing shareholders' position.
   - The amount and timing of shareholder ownership dilution should be weighed against the needs and proposed shareholder benefits of the capital infusion.
2. Terms of the offer - discount/premium in purchase price to investor, including any fairness opinion; conversion features; termination penalties; exit strategy.
   - The terms of the offer should be weighed against the alternatives of the company and in light of company's financial issues.
   - When evaluating the magnitude of a private placement discount or premium, consider whether it is affected by liquidity, due diligence, control and monitoring issues, capital scarcity, information asymmetry and anticipation of future performance.
3. Financial issues include but are not limited to examining the following:
   - Company's financial situation;
   - Degree of need for capital;
   - Use of proceeds;
   - Effect of the financing on the company's cost of capital;
   - Current and proposed cash burn rate; and
   - Going concern viability and the state of the capital and credit markets.
4. Management's efforts to pursue alternatives and whether the company engaged in a process to evaluate alternatives. A fair, unconstrained process helps to ensure the best price for shareholders. Financing alternatives can include joint ventures, partnership, merger or sale of part or all of the company.
5. Control issues:
   - Change in management;
   - Change in control,
   - Guaranteed board and committee seats;
   - Standstill provisions;
   - Voting agreements;
   - Veto power over certain corporate actions. Minority versus majority ownership and corresponding minority discount or majority control premium
6. Conflicts of interest
   - Conflicts of interest should be viewed from the perspective of the company and the investor.
   - Were the terms of the transaction negotiated at arm's-length? Are managerial incentives aligned with shareholder interests?
7. Market reaction
   - The market's response to the proposed deal. A negative market reaction is a cause for concern. Market reaction may be addressed by analyzing the one day impact on the unaffected stock price.

MassPRIM will generally vote FOR the private placement if it is expected that the company will file for bankruptcy if the transaction is not approved.

Special Purpose Acquisition Corporations (SPACs)

Management proposals regarding SPAC mergers and acquisitions are evaluated by taking into account the following:

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

Special Purpose Acquisition Corporations (SPACs) – Proposals for Extensions

The main purpose of SPACs is to identify and acquire a viable target within a specified timeframe, and failure to achieve this objective within the allotted time calls into question management's ability to execute its primary objective. The end of that timeframe is generally referred to as the termination date.

MassPRIM will generally vote in FAVOR of requests to extend the termination date of SPACs by up to one year from the original termination date (inclusive of built in extension options and accounting for prior extension requests). Other factors that may be considered include: any added incentives, business combination status, other amendment terms and if applicable, use of money in the trust fund to pay excise taxes on redeemed shares.

Spinoffs

Spin-offs are evaluated based on the long-term economic interests of the company, considering:

- Tax and regulatory advantages;
- Planned use of the sale proceeds;
- Valuation of spinoff;
- Fairness opinion;
- Benefits to the parent company;

- Conflicts of interest;
- Managerial incentives;
- Corporate governance changes;
- Changes in the capital structure.

Value Maximization Shareholder Proposals

Shareholder proposals seeking to maximize shareholder value by hiring a financial advisor to explore strategic alternatives, selling the company or liquidating the company and distributing the proceeds to shareholders should be evaluated based on the following factors:

- Prolonged poor performance with no turnaround in sight;
- Signs of entrenched board and management;
- Strategic plan in place for improving value;
- Likelihood of receiving reasonable value in a sale or dissolution; and
- Whether company is actively exploring its strategic options, including retaining a financial advisor.

COMPENSATION

Executive Pay Evaluation

MassPRIM will evaluate resolutions relating to executive pay based on global principles that most investors expect corporations to adhere to in designing and administering executive compensation programs:

1. Maintain appropriate pay-for-performance alignment, with emphasis on long-term shareholder value: This principle encompasses overall executive pay practices, which must be designed to attract, retain, and appropriately motivate the key employees who drive shareholder value creation over the long term. It will take into consideration, among other factors, the link between pay and performance; the mix between fixed and variable pay; performance goals; and equity-based plan costs;
2. Avoid arrangements that risk "pay for failure": This principle addresses the appropriateness of long or indefinite contracts, excessive severance packages, and guaranteed compensation;
3. Maintain an independent and effective compensation committee: This principle promotes oversight of executive pay programs by directors with appropriate skills, knowledge, experience, and a sound process for compensation decision-making (e.g., including access to independent expertise and advice when needed); and
4. Provide shareholders with clear, comprehensive compensation disclosures: This principle underscores the importance of informative and timely disclosures that enable shareholders to evaluate executive pay practices fully and fairly.

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

The Dodd-Frank Act Wall Street Reform and Consumer Protection Act of 2010 mandates advisory votes on executive compensation (aka management "say on pay" or "MSOP"). This non-binding vote on executive compensation must be put to a vote of shareholders at least once every three years.

In general, a MSOP is the primary means of providing feedback to companies on their executive pay practices. Shareholders may express dissatisfaction with compensation practices by voting against a MSOP. However, if there is no MSOP on the ballot, MassPRIM may express its position on executive compensation through its votes on members of the compensation committee. In addition, in egregious cases, including if the board fails to respond to concerns raised by a prior MSOP proposal, then MassPRIM will generally vote AGAINST or withhold votes from compensation committee members or the full board.

MassPRIM Voting Guidelines: Evaluate executive pay and practices on a CASE-BY-CASE basis.

MassPRIM will generally vote AGAINST management say-on-pay (MSOP) proposals if:

- There is a misalignment between CEO pay and company performance (pay for performance);
- The company maintains problematic pay practices;
- The board exhibits poor communication and responsiveness to shareholders; and/or
- The board has failed to demonstrate good stewardship of investors' interests regarding executive compensation practices.

MassPRIM will generally 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 a MSOP proposal is warranted;

- There is a MSOP proposal on the ballot that warrants a vote against and votes are cast against board nominees because the situation is egregious. Egregious situations include where a board fails to respond adequately to a previous MSOP proposal that received low levels of shareholder support; and/or the company has practiced or approved problematic pay practices as defined below.

Pay for Performance Evaluation

Stock-based pay is typically the largest portion of annual executive compensation and often the main driver where executive compensation is excessive. Therefore, it is important to closely examine the alignment of CEO pay and total shareholder return (TSR). If a company provides performance-based equity incentives to its executives, the company should provide complete disclosure of the performance measures and goals to allow shareholders to assess the rigor of the performance program. Complete and transparent disclosure enables shareholders to better comprehend the company's pay for performance linkage.

When financial or operational measures are utilized in incentive awards, the achievements related to these measures should ultimately translate into superior shareholder returns. The use of non-GAAP financial metrics makes it very challenging for shareholders to ascertain the rigor of the program as shareholders often cannot tell the type of adjustments being made and if the adjustments were made consistently.

Pay-for-performance should be a central tenet in executive compensation philosophy. In evaluating the degree of alignment between the CEO's pay and the company's performance, MassPRIM conducts a pay-for-performance analysis.

With respect to companies in the Russell 3000 or Russell 3000E Indices, this analysis considers the following:

1. Peer Group Alignment:

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

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

MassPRIM will vote AGAINST the Management Say on Pay proposals where the above analysis demonstrates significant misalignment.

Problematic Pay Practices

MassPRIM will vote AGAINST MSOP proposals when the pay plan contains problematic practices. Problematic pay elements are generally evaluated case-by-case within the context of a company's overall pay program. Problematic pay practices include those that violate the global pay principles as well as those factors listed below.

- Excessive equity awards that lack performance-based incentives.
- Incentives that motivate excessive risk-taking or present a windfall risk, such as a single metric driving payouts under both the short- and long-term plans, disproportionate supplemental pensions and mega annual equity grants with unlimited upside and no downside risk.
- Pay decisions that circumvent pay-for-performance, such as options backdating or waiving performance requirements.

- Repricing or replacing of underwater stock options/SARs without prior shareholder approval (including cash buyouts and voluntary surrender of underwater options).
- Extraordinary perquisites or tax gross-ups.
- New or materially amended agreements that provide for:
  - Excessive termination or change-in-control (CIC) severance payments (generally exceeding three times base salary and average/target/most recent bonus);
  - CIC severance payments without involuntary job loss or substantial diminution of duties ("single" or "modified single" triggers) or in connection with a problematic Good Reason definition;
  - CIC excise tax gross-up entitlements (including "modified" gross-ups); and
  - Multi-year guaranteed awards without robust performance conditions.
- Liberal CIC definition combined with any single-trigger CIC benefits.
- Insufficient executive compensation disclosure by externally-managed issuers (EMIs) such that a reasonable assessment of pay programs and practices applicable to the EMI's executives is not possible.
- Severance payments made when the termination is not clearly disclosed as involuntary (for example, a termination without cause or resignation for good reason).
- Overuse of time-based incentive awards relative to performance-based awards.
- Excessive pay in terms of quantum or magnitude.
- Significant hedging or pledging of shares by executives.
- Other factors as deemed relevant.

Communications and Responsiveness to Shareholders

MassPRIM will consider the following factors when evaluating the Board's responsiveness and communication on executive pay:

- Poor disclosure practices, including:
  - Unclear explanation of how the CEO is involved in the pay setting process;
  - Retrospective performance targets and methodology not discussed; and/or
  - Methodology for benchmarking practices and/or peer group not disclosed and explained.

- Board's responsiveness to investor input and engagement on compensation issues, for example:
  - Failure to respond to majority-supported shareholder proposals on executive pay topics; and/or
  - Failure to respond to concerns raised in connection with significant opposition to MSOP proposals.

Board stewardship of Investor Interest

A Board demonstrates good stewardship of investors' interests by ensuring alignment of pay for performance, avoiding problematic pay practices, and communicating responsiveness to shareholders. In addition, the Board can adopt positive features to help protect shareholder interests within the executive pay plan. Positive features include those listed below.

- Clawback policies to recoup unearned compensation or compensation provided to executives during periods of fraudulent activity, misconduct, insufficient oversight, or gross negligence that impacted or was reasonably expected to impact financial performance or cause reputational harm. In addition to adopting and disclosing their clawback policies, investors are better informed when companies disclose those instances when they have recouped compensation under a clawback policy.
- Stock retention or holding requirements.
- Clear and rational CEO-to-median-worker pay ratio.

When awarding equity compensation (including stock options, restricted stock, restricted stock units, etc.) for executive compensation purposes, companies should ensure a minimal dilutive effect that does not create a substantial negative impact on shareholder economic value or shareholder voting rights.

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

MassPRIM will generally select for annual advisory votes on compensation, rather than every two or three years because increased frequency allows for more consistent communication from shareholders to companies on their executive pay programs.

Votes on Severance Agreements

MassPRIM will vote CASE-BY-CASE on proposals to approve Golden Parachutes in a change-in-control scenario. MassPRIM will consider the existing change-in-control arrangements maintained with named executive officers in making its determination.

Plan features that may result in a vote AGAINST include:

- Single- or modified-single-trigger cash severance;
- Single-trigger acceleration of unvested equity awards;
- Excessive cash severance (>2.99x base salary and bonus);
- Excise tax gross-ups;
- Excessive golden parachute payments (on an absolute basis or as a percentage of transaction equity value);
- Recent amendments that incorporate any problematic features (such as those above) or recent actions (such as extraordinary equity grants) that may make packages so attractive as to influence merger agreements that may not be in the best interests of shareholders; and/or
- The company's assertion that a proposed transaction is conditioned on shareholder approval of the golden parachute advisory vote.

Equity-Based and Other Incentive Plans

General Recommendation: MassPRIM will vote CASE-BY-CASE to establish, approve and/or amend certain equity-based compensation plans[8] 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 described below.

Also, MassPRIM may escalate communication with votes against or withheld from members of the Compensation Committee or the full board where the situation warrants based on the assessment of factors described below.

- **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; or

[8] 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.

- 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;
  - Egregious features include a liberal change in control definition that would have equity awards vest prior to the close of transaction; provisions to reprice or exchange underwater options or stock appreciation rights without shareholder approval as well as a lack of performance requirements for equity awards, excessive pay-out amounts and overall percent concentration of awards to the CEO.

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

MassPRIM will 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 or by not prohibiting it when the company has a history of repricing);
- 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.

Plan Cost

General Recommendation: MassPRIM will generally vote AGAINST equity plans if the cost is unreasonable.

Shareholder Value Transfer (SVT)

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

Except for proposals subject to Equity Plan Scorecard evaluation, Shareholder Value Transfer is reasonable if it falls below a company-specific benchmark. The benchmark is determined as follows: The top quartile performers in each industry group (using the Global Industry Classification Standard: GICS) are identified. Benchmark SVT levels for each industry are established based on these top performers' historic SVT. Regression analyses are run on each industry

group to identify the variables most strongly correlated to SVT. The benchmark industry SVT level is then adjusted upwards or downwards for the specific company by plugging the company-specific performance measures, size and cash compensation into the industry cap equations to arrive at the company's benchmark.[9]

Specific Treatment of Certain Award Types in Equity Plan Evaluations

Dividend Equivalent Rights

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

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

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

Other Compensation Plans

401(k) Employee Benefit Plans

MassPRIM will generally vote FOR proposals to implement a 401(k) savings plan for employees.

Employee Stock Ownership Plans (ESOPs)

MassPRIM will generally vote FOR proposals to implement an ESOP or increase authorized shares for existing ESOPs, unless the number of shares allocated to the ESOP is excessive (more than five percent of outstanding shares).

Employee Stock Purchase Plans-- Qualified Plans

Qualified employee stock purchase plans are evaluated based on the long-term economic interests of the company. MassPRIM will generally vote FOR employee stock purchase plans where all of the following apply:

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

Employee Stock Purchase Plans-- Non-Qualified Plans

Nonqualified employee stock purchase plans are evaluated based on the long-term economic interests of the company. MassPRIM will generally vote FOR nonqualified employee stock purchase plans with all the following features:

- Broad-based participation (i.e., all employees of the company with the exclusion of individuals with 5 percent or more of beneficial ownership of the company);

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

- Limits on employee contribution, which may be a fixed dollar amount or expressed as a percent of base salary;
- Company matching contribution up to 25 percent of employee's contribution, which is effectively a discount of 20 percent from market value;
- No discount on the stock price on the date of purchase since there is a company matching contribution.

Option Exchange Programs/Repricing Options

Management proposals seeking approval to exchange/reprice options are evaluated by taking into consideration:

- Historic trading patterns: The stock price should not be so volatile that the options are likely to be back "in-the-money" over the near term;
- Rationale for the re-pricing: Was the stock price decline beyond management's control?
- Is this a value-for-value exchange?
- Are surrendered stock options added back to the plan reserve?
- Option vesting: Does the new option vest immediately or is there a black-out period?
- Term of the option: The term should remain the same as that of the replaced option;
- Exercise price: Should be set at fair market or a premium to market;
- Participants: Executive officers and directors should be excluded.

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

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

MassPRIM will generally vote FOR shareholder proposals to put option repricings to a shareholder vote.

Stock Plans in Lieu of Cash

Plans that provide participants with the option of taking all or a portion of their cash compensation in the form of stock shall be considered in the long-term economic interests of company.

MassPRIM will generally vote FOR non-employee director-only equity plans that provide a dollar-for-dollar cash-for-stock exchange.

Plans which do not provide a dollar-for-dollar cash for stock exchange shall be considered in the long-term economic interests of company. In cases where the exchange is not dollar-for-dollar, the request for new or additional shares for such equity program will be considered using the binomial option pricing model. In an effort to capture the total cost of total compensation, the MassPRIM Board will not make any adjustments to carve out the in-lieu-of cash compensation.

Transfer Stock Option (TSO) Programs

One-time Transfers: MassPRIM will generally vote AGAINST or WITHHOLD from compensation committee members if they fail to submit one-time transfers to shareholders for approval.

One-time transfers are voted FOR if:

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

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

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

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

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

Director Retirement Plans

MassPRIM will generally vote AGAINST retirement plans for non-employee directors.

MassPRIM will generally vote FOR shareholder proposals to eliminate retirement plans for non-employee directors.

Shareholder Proposals on Compensation

Executive compensation packages that align CEO pay with the company's performance add value by reducing excessive risk-taking and incentivizing performance. MassPRIM supports shareholder proposals that remove problematic pay provisions and align CEO pay with the company's financial performance.

Adopt Anti-Hedging/Pledging/Speculative Investments Policy

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

Bonus Banking/Bonus Banking "Plus"

MassPRIM will vote CASE by CASE on shareholder proposals seeking deferral of a portion of annual bonus pay, with ultimate payout linked to sustained results for the performance metrics on which the bonus was earned (whether for the named executive officers or a wider group of employees). Such proposals will be considered by taking the following factors into account:

- The company's past practices regarding equity and cash compensation;
- Whether the company has a holding period or stock ownership requirements in place, such as a meaningful retention ratio (at least 50 percent for full tenure) and a rigorous stock ownership guideline of at least 10x base salary for the CEO, with the multiple declining for other executives; and
- Whether the company has a rigorous claw-back policy in place.

Compensation Consultants – Disclosure of Board or Company's Utilization

MassPRIM will generally vote FOR shareholder proposals seeking disclosure regarding the Company, Board, or Compensation Committee's use of compensation consultants, such as company name, business relationship(s), including with the "peers" used in the compensation analysis , and fees paid.

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

MassPRIM will generally vote FOR shareholder proposals seeking additional disclosure of executive and director pay information, provided the information requested is relevant to shareholders' needs, would not put the company at a competitive disadvantage relative to its industry, and is not unduly burdensome to the company.

MassPRIM will generally vote AGAINST shareholder proposals seeking to set absolute levels on compensation or otherwise dictate the amount or form of compensation.

MassPRIM will generally vote AGAINST shareholder proposals requiring director fees be paid in stock only.

All other shareholder proposals regarding executive and director pay shall be considered by taking into account vote criteria for advisory votes on executive compensation and equity plans.

Golden Coffins/Executive Death Benefits

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

Stock Retention Proposals

A rigorous stock ownership guideline should be at least 10x base salary for the CEO, with the multiple declining for other executives. A meaningful retention ratio should constitute at least 50 percent of the stock received from equity awards (on a net proceeds basis) held on a long-term basis, such as the executive's tenure with the company or even a few years past the executive's termination with the company.

Shareholder proposals asking companies to adopt policies requiring Named Executive Officers to retain 75% of the shares acquired through compensation plans while employed and/or for two years following the termination of their employment, and to report to shareholders regarding this policy, are considered by taking the following factors into account:

- Whether the company has any holding period, retention ratio, or officer ownership requirements in place. These should consist of:
  - Rigorous stock ownership guidelines, or
  - A holding period requirement coupled with a significant long-term ownership requirement, or
  - A meaningful retention ratio,
- Actual officer stock ownership and the degree to which it meets or exceeds the proponent's suggested holding period/retention ratio or the company's own stock ownership or retention requirements.
- Problematic pay practices, current and past, which may promote a short-term versus a long-term focus.

MassPRIM will generally vote AGAINST shareholder proposals that mandate a minimum amount of stock that directors must own in order to qualify as a director or to remain on the board. While the MassPRIM Board favors stock ownership on the part of directors, the company should determine the appropriate ownership requirement.

Pay for Superior Performance

Shareholder proposals that request the board establish a pay-for-superior performance standard in the company's executive compensation plan for senior executives are evaluated in the long-term economic interests of the company's shareholders. Such proposals are evaluated considering the following factors:

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

Performance-Based Awards

MassPRIM will generally vote FOR shareholder proposals advocating the use of performance-based equity awards unless the proposal is overly restrictive or redundant because the Company is already providing an acceptable amount of performance-based awards with clear incentives. MassPRIM does not consider standard stock options as performance-based awards unless they have a premium of at least 25 percent.

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

MassPRIM will generally vote FOR shareholder proposals calling for certain principles regarding the use of prearranged trading plans (10b5-1 plans) for executives. These principles include:

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

Prohibit CEOs from serving on Compensation Committees

MassPRIM will generally vote AGAINST shareholder proposals seeking a policy to prohibit any outside CEO from serving on a company's compensation committee, unless the company has demonstrated problematic pay practices that raise concerns about the performance and composition of the committee.

Recoup Bonuses

Proposals to recoup unearned incentive bonuses or other incentive payments made to senior executives if it is later determined that the figures upon which incentive compensation is earned later turn out to have been in error are evaluated in the long-term economic interests of the company's shareholders. Many companies have adopted policies that permit recoupment in cases where fraud, misconduct, or negligence significantly contributed to a restatement of financial results that led to the awarding of unearned incentive compensation. The following factors will be taken into consideration:

- If the company has adopted a formal recoupment bonus policy;
- If the company has chronic restatement history or material financial problems; or
- If the company's policy substantially addresses the concerns raised by the proponent.

Share Buyback Holding Periods

MassPRIM will generally vote AGAINST shareholder proposals prohibiting executives from selling shares of company stock during periods in which the company has announced that it may or will be repurchasing shares of its stock. MassPRIM will generally vote FOR the proposal when there is a pattern of abuse by executives exercising options or selling shares during periods of share buybacks.

Supplemental Executive Retirement Plans (SERPs)

MassPRIM will generally vote FOR shareholder proposals requesting to put extraordinary benefits contained in SERP agreements to a shareholder vote unless the company's executive pension plans do not contain excessive benefits beyond what is offered under employee-wide plans.

MassPRIM will generally vote FOR shareholder proposals requesting a limit to the executive benefits provided under the company's supplemental executive retirement plan (SERP) by limiting covered compensation to a senior executive's annual salary and excluding of all incentive or bonus pay.

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

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

The following factors will be considered:

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

Tax Gross-Up Proposals

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

Social/Environmental Issues

Overall Approach

In evaluating resolutions relating to environmental or social issues, MassPRIM's decisions will be primarily based on whether implementation of the shareholder proposal is likely to enhance or protect shareholder value. In addition, the following factors will be considered:

- If the issues presented in the proposal are being 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;
- Whether there are significant controversies, fines, penalties, or litigation associated with the company's practices related to the issue(s) raised in the proposal;
- If the proposal requests increased disclosure or greater transparency, whether 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 implementation would reveal proprietary or confidential information that could place the company at a competitive disadvantage.

Animal Welfare

Improving animal welfare can lead to greater agricultural productivity and improved product quality, which can increase product sales. MassPRIM generally supports proposals that call on additional disclosure of risks related to animal welfare. Proposals calling for companies to implement policies against animal testing tend to result in excessive costs for the company.

Animal Testing

MassPRIM will generally vote AGAINST proposals to phase out the use of animals in product testing unless:

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

Animal Welfare Policies

MassPRIM will generally vote FOR proposals seeking a report on the company's animal welfare standards unless:

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

Controlled Atmosphere Killing (CAK)

MassPRIM will generally vote AGAINST proposals requesting the implementation of CAK methods at company and/or supplier operations unless such methods are required by legislation or generally accepted as the industry standard.

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

Consumer Lending

Predatory lending practices involve issuing excessive fees to subprime borrowers without adequate disclosure. Predatory loans can lead to companies facing higher losses due to increased credit risk. These practices may also negatively impact other companies in investors' portfolios by increasing systematic risk across the entire market and can lead to increased regulatory fines and reduce consumer demand for future loans.

MassPRIM will generally vote FOR shareholder proposals seeking the development of a policy or preparation of a report to guard against predatory lending practices unless such a policy is irrelevant to the company's line of business.

Product Issues

Issues with product safety can result in substantial costs to a company through reduced sales and regulatory fines. MassPRIM generally supports proposals calling for companies to disclose information related to product safety. We are generally against proposals to implement specific policies around product safety, as such decisions are usually better left to regulators.

Genetically Modified Ingredients

MassPRIM will generally vote AGAINST proposals asking suppliers, genetic research companies, restaurants and food retail companies to voluntarily label genetically engineered (GE) ingredients in their products and/or eliminate GE ingredients. The cost of labeling and/or phasing out the use of GE ingredients may not be commensurate with the benefits to shareholders and is an issue better left to regulators.

Proposals asking for a report on the feasibility of labeling products containing GE ingredients are evaluated by taking into account:

- The company's business and the proportion of it affected by the resolution;
- The quality of the company's disclosure on GE product labeling, related voluntary initiatives, and how this disclosure compares with industry peer disclosure; and
- Company's current disclosure on the feasibility of GE product labeling, including information on the related costs.

MassPRIM will generally vote AGAINST proposals seeking a report on the social, health, and environmental effects of genetically modified organisms (GMOs). Studies of this sort are better undertaken by regulators and the scientific community.

MassPRIM will generally vote AGAINST proposals to completely phase out GE ingredients from the company's products or proposals asking for reports outlining the steps necessary to eliminate GE ingredients from the company's products. Such resolutions presuppose that there are proven health risks to GE ingredients (an issue better left to regulators) that may outweigh the economic benefits derived from biotechnology.

Pharmaceutical Pricing, Access to Medicines, and Product Reimportation

MassPRIM will generally vote AGAINST proposals requesting that companies implement specific price restraints on pharmaceutical products unless the company fails to adhere to legislative guidelines or industry norms in its product pricing.

Proposals requesting that the company evaluate report on their product pricing policies or their access to medicine policies are evaluated by considering:

- The nature of the company's business and the potential for reputational and market risk exposure;
- The existing disclosure of relevant policies;
- Deviation from established industry norms;
- The company's existing, relevant initiatives to provide research and/or products to disadvantaged consumers;
- Whether the proposal focuses on specific products or geographic regions; and
- The potential cost and scope of the requested report.

MassPRIM will generally vote FOR proposals requesting that companies report on the financial and legal impact of their prescription drug reimportation policies unless such information is already publicly disclosed.

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

Product Safety and Toxic/Hazardous Materials

Using toxic/hazardous materials increases the risk of harm to consumers and can potentially result in extensive litigation costs. MassPRIM expects thorough disclosure on companies' practices related to toxic/hazardous materials and product safety.

Decisions on whether to reformulate a product are best left to management, as they could result in the company incurring substantial costs.

MassPRIM will generally vote FOR proposals requesting the company to report on its policies, initiatives/procedures, and oversight mechanisms related to toxic/hazardous materials or product safety in its supply chain, unless:

- The company already discloses similar information through existing reports such as a Supplier Code of Conduct and/or a sustainability report;
- The company has formally committed to the implementation of a toxic/hazardous materials and/or product safety and supply chain reporting and monitoring program based on industry norms or similar standards within a specified time frame; and
- The company has not been recently involved in relevant significant controversies, significant fines, or litigation.

Resolutions requesting that companies develop a feasibility assessment to phase-out of certain toxic/hazardous materials, or evaluate and disclose the potential financial and legal risks associated with utilizing certain materials are considered by taking into account the following factors:

- The company's current level of disclosure regarding its product safety policies, initiatives and oversight mechanisms.
- Current regulations in the markets in which the company operates; and
- Recent significant controversies, litigation, or fines stemming from toxic/hazardous materials at the company.

MassPRIM will generally vote AGAINST resolutions requiring that a company reformulate its products.

Tobacco

Use of tobacco and tobacco-based products adversely impacts individual and public health. There are growing concerns about the targeting of tobacco products to vulnerable communities; additional disclosure of these advertising practices helps inform investors of the risks associated with such practices.

MassPRIM will generally:

- Vote FOR shareholder proposals seeking a report on a tobacco company's advertising approach.
- Vote FOR shareholder proposals asking companies to stop all misleading advertising, marketing and sale of cigarettes, including advertising to youth. Such advertising methods could also pertain to using the terms "light," "ultra-light," "mild," and other similar words and/or colors.
- Vote FOR shareholder proposals asking companies to increase health warnings on cigarette smoking. (i.e.: information for pregnant women, "Canadian Style" warnings, filter safety).

Workforce Diversity, Equity, Inclusion and Belonging

Systems for Workforce Diversity, Equity, Inclusion and Belonging

MassPRIM recommends that companies proactively put systems in place to cultivate diversity, equity, inclusion and belonging in their workplace with a view to reflecting the gender and ethnic/ racial makeup of the communities in which they operate. Research from a range of sources has demonstrated that improving diversity, equity, inclusion and belonging in the workplace is additive to a company's workplace and culture, allowing companies to attract and retain employees, improve their reputation, foster innovation in the workplace, improve their customer orientation and facilitate improved decision making.

MassPRIM will generally:

- Vote FOR shareholder proposals calling for companies to take steps to improve equal opportunity and inclusion in the workplace when less than 20 percent of individuals employed by a company are diverse in terms of gender or race or there is evidence of controversies or significant issues associated with gender and ethnicity.
- Vote FOR shareholder proposals calling for companies to improve their supply chain diversity when less than 20 percent of suppliers, contractors, and vendors used by a company are women-owned or minority-owned businesses.
- Vote FOR resolutions calling for the company's board to regularly review the company's DEI&B efforts as a part of its human capital management oversight.

Disclosure

Given the growing understanding of the correlation between workforce diversity and long-term value creation, investors are increasingly seeking information on how companies are positioned in this regard. Data that companies annually provide to the EEO-C outlining the makeup of its workforce by gender, race and position will provide valuable information towards this end. However, the Equal Opportunities Employment Commission does not release the companies' filings to the public, unless it is involved in litigation, and this information is difficult to obtain from other sources.

MassPRIM will generally:

- Vote FOR shareholder proposals that ask the company to report on its diversity and/or affirmative action programs, including policies and requests for EEO-1 disclosure.
- Vote FOR shareholder proposals calling for legal and regulatory compliance and public reporting related to nondiscrimination, affirmative action, workplace health and safety, and labor policies and practices that affect long-term corporate performance.
- Vote FOR shareholder proposals calling for policies/ systems that strive to create equal employment opportunity and antidiscrimination culture, including through salary, wages, and all benefits.

Racial Equity and/or Civil Rights Audits

Companies may conduct third-party racial equity audits to evaluate the effectiveness of their commitments, practices and policies to address racial inequities in the workplace, including whether company's efforts to address race-based discrimination is effective. These audits can also be helpful for companies in meeting their strategic goals, retaining employees, improving their reputation, and increasing their consumer base.

MassPRIM will vote CASE-BY-CASE on proposals asking a company to conduct an independent racial equity and/or civil rights audit, taking into account:

- The company's established process or framework for addressing racial inequity and discrimination internally;
- Whether the company adequately discloses workforce diversity and inclusion metrics and goals;
- Whether the company has issued a public statement related to its racial justice efforts in recent years, or has committed to internal policy review;
- Whether the company has engaged with impacted communities, stakeholders, and civil rights experts;
- The company's track record in recent years of racial justice measures and outreach externally; and
- Whether the company has been the subject of recent controversy, litigation, or regulatory actions related to racial inequity or discrimination.

Pay Equity

Pay equity is considered to be a critical part of broader corporate DEI&B efforts. Companies that ensure equity in pay are better positioned to attract and retain a high quality and diverse employee pool. MassPRIM urges companies to lead on the issue of wage equality. Full exposure to compensation principles and open access to salaries helps establish wage transparency, which is critical to achieving wage equity.

MassPRIM will generally:

- Vote FOR requests for reports on a company's pay data by gender, race, or ethnicity, or a report on a company's policies and goals to reduce any gender, race, or ethnicity pay gap.
- Vote FOR proposals calling for the disclosure of internal wage audits assessing non-discrimination based on gender, race or ethnicity.

Report on Progress Toward Glass Ceiling Commission Recommendations

In November 1995, the Glass Ceiling Commission (Commission), a bipartisan panel of leaders from business and government, issued a report describing "an unseen yet unbreachable barrier that keeps women and minorities from rising to the upper rungs of the corporate ladder." The Commission recommended that companies take practical steps to rectify this disparity, such as including diversity goals in business plans, committing to affirmative action for qualified employees and initiating family-friendly labor policies.

MassPRIM will generally:

- Vote FOR shareholder proposals that ask the company to report on its progress against the Glass Ceiling Commission's recommendations.
- Vote FOR shareholder proposals seeking to eliminate the "glass ceiling" for women and minority employees.

Prohibit Discrimination on the Basis of Sexual Orientation or Gender Identity

Claims and experiences of discrimination can result in significant legal, human capital, and reputational costs to companies. MassPRIM urges companies to adopt robust policies against discrimination on the basis of sexual orientation or gender identity.

- MassPRIM will generally vote FOR shareholder proposals to include language in EEO statements specifically barring discrimination on the basis of sexual orientation or gender identity.
- MassPRIM will generally vote FOR shareholder proposals seeking reports on a company's initiatives to create a workplace free of discrimination on the basis of sexual orientation or gender identity.
- MassPRIM will generally vote AGAINST shareholder proposals that seek to eliminate protection already afforded to lesbian, gay, bisexual, transgender and queer/questioning (LGBTQ) employees.

Harassment Training and Disclosures

Claims of harassment can result in significant legal, human capital, and reputational costs to companies. MassPRIM urges companies to adopt measures to increase employee anti-harassment training and transparently disclose any allegations of harassment and related items.

- MassPRIM will generally vote FOR shareholder proposals seeking to prohibit management from requiring individuals to sign confidentiality agreements as part of settlements of employee allegations of sexual harassment, assault, and/or discrimination.
- MassPRIM will generally vote FOR shareholder proposals seeking disclosure of legal, buyout, compensation, or other costs related to employee complaints of sexual harassment, assault, and/or discrimination. Any such proposals should not require the disclosure of any accuser's personally identifying information.
- MassPRIM will generally vote FOR shareholder proposals that require companies to provide mandatory employee harassment training.

Prohibit Discrimination on the Basis of Disability

Claims of discrimination can result in significant legal, human capital, and reputational costs to companies. MassPRIM urges companies to adopt robust policies against discrimination on the basis of disability.

- MassPRIM will generally vote FOR shareholder proposals to include language in EEO statements specifically barring discrimination on the basis of disability.
- MassPRIM will generally vote FOR shareholder proposals requiring the company to demonstrate that their reasonable accommodation policy is in accordance with the Americans with Disabilities Act and State Disability Law, and is available to all employees and can be accessed in more than one way.
- MassPRIM will generally vote FOR shareholder proposals seeking reports on a company's efforts to include Disability-Owned Business Enterprises (DOBE®), Service-Disabled Veteran Disability-Owned Business Enterprises (SDVDOBE™), and Veteran Disability-Owned Business Enterprises (V-DOBE™) in their supplier diversity program.
- MassPRIM will generally vote FOR proposals requesting an internal and external audit of website compliance under the World Wide Web Consortium's Web Content Accessibility Guidelines 2.1 (W3C WCAG 2.1)

Safety and Security in the Workplace

Banning firearms in the workplace, except when it is necessary for security to carry them, improves the safety of all employees. MassPRIM will generally vote FOR shareholder proposals banning guns on company property, except for security related uses, including parking lots on property.

Workplace Safety

A robust workplace safety policy is essential for preventing accidents, complying with regulations and avoiding labor-related controversies.

MassPRIM will vote on a CASE-BY CASE basis on requests for workplace safety reports, including reports on accident risk reduction efforts, taking into account:

- The current level of company disclosure of its workplace health and safety performance data, health and safety management policies, initiatives, and oversight mechanisms;
- The nature of the company's business, specifically regarding company and employee exposure to health and safety risks;
- Recent significant controversies, fines, or violations related to workplace health and safety; and
- The company's workplace health and safety performance relative to industry peers.

Sustainability and Climate Change

Sustainability Disclosure

As investors increasingly recognize the materiality of environmental and social factors to investment decision making, additional disclosure on sustainability issues would position investors to make better decisions considering these factors.

MassPRIM will generally:

- Vote FOR shareholder proposals seeking greater disclosure on the company's environmental or social practices, and/or environmental/ social risks and liabilities, unless this information is already being provided in other sources.
- Vote FOR proposals asking companies to align their disclosures with globally accepted sustainability disclosure standards such as Global Reporting Initiative Sustainability Reporting Standards, the IFRS Sustainability Standards or the climate change reporting framework provided by the Taskforce on Climate Related Financial Disclosure (TCFD).

Climate Change

The physical and transition impacts of climate change are increasingly recognized as posing material, and even systemic risks and opportunities to a range of companies, their operations and their value chain. Companies who provide climate change solutions are also well positioned to generate value as a part of a carbon constrained future. Investors increasingly expect companies to assess their climate risk exposure and develop transition plans that address how they plan to reduce such risk, including reducing GHG emissions. Enhanced disclosure using globally recognized standards like the TCFD will provide investors with information to assess corporate responses to climate change risk.

MassPRIM will generally:

- Vote FOR shareholder proposals seeking information on the financial, physical, or regulatory risks it faces related to climate change- on its operations and investments, or on how the company identifies, measures, and manage such risks, unless the company is already providing that information in other sources.
- Vote FOR shareholder resolutions that call on companies to disclose their asset retirement obligations in their financial reporting or report on the impact of climate transition risks on asset retirement obligations.
- Vote FOR shareholder proposals calling for the reduction of GHG or adoption of GHG goals in products, operations and supply chain unless the proposal's request is unduly burdensome or overly prescriptive.
- 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 unless the information is proprietary or proposal's request is unduly burdensome.
- Vote FOR shareholder proposals requesting reports on greenhouse gas emissions from companies' operations and/or products.

- Vote FOR resolutions asking companies to adopt policies or report on the impact of its climate change strategy on stakeholders (such as workers and communities) in a manner that is consistent with widely recognized "Just Transition" principles.

Say on climate (shareholder proposal): MassPRIM will vote CASE-BY-CASE on shareholder proposals that provide shareholders the opportunity to express approval or disapproval of a company's climate transition or GHG emissions reduction plan, taking into account information such as the following:

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

Say on climate (management): MassPRIM will vote CASE-BY-CASE on management proposals that request shareholders to approve the company's climate transition action plan, taking into account the completeness and rigor of the plan. Information that will be considered where available includes the following:

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

Concentrated Animal Feeding Operations (CAFOs)

Concentrated Animal feeding Operations refer to practices in meat, dairy or egg production where animals are kept and raised in confinement. Such practices are understood to produce large quantities of pollutants. Additional disclosure on the use of CAFOs will enable shareholders to better understand whether and how health and environmental risks from this practice may incur extra costs on the company's operations.

MassPRIM will generally vote FOR resolutions requesting companies report to shareholders on the risks and liabilities associated with CAFOs unless:

- The company has publicly disclosed its environmental management policies for its corporate and contract farming operations, including compliance monitoring; and
- The company publicly discloses company and supplier farm environmental performance data; or
- The company does not have company-owned CAFOs and does not directly source from contract farm CAFOs.

Energy Efficiency

Energy efficient practices can help companies reduce costs, reduce negative impacts on the environment and reduce their carbon footprint.

MassPRIM will generally vote FOR shareholder proposals requesting a report on company energy efficiency policies and/or goals unless this information has already been provided in other sources.

Facility and Operational Safety/Security

Robust facility and operational safety policies are essential for companies to protect their data and prevent loss of valuable assets. Additional disclosure on facility and operational safety/security practices can help inform shareholders about the risks the company faces as a result of their safety and security practices.

Resolutions requesting that companies report on safety and/or security risks associated with their operations and/or facilities are considered based on the following factors:

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

Operations in Protected Areas

Environmental damage due to operations in protected areas can result in regulatory fines, potentially damage a company's reputation or impact other companies that operate in or depend on these areas. Disclosure of these operations can help shareholders understand environmental risks the company faces and how these risks may impact other companies in shareholders' portfolios.

MassPRIM will generally vote FOR requests for reports on potential environmental damage as a result of company operations in protected regions unless:

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

Recycling

Recycling programs can help companies reduce costs and reduce negative impacts on the environment.

MassPRIM will generally:

- Vote FOR shareholder proposals requesting the preparation of a report on the company's recycling efforts. where this information has not already been provided elsewhere
- Vote FOR shareholder proposals that ask companies to increase their recycling efforts or to adopt a formal recycling policy. where this is material to the nature of the company's business.

Renewable Energy

Energy from renewable sources, such as wind, solar, hydro and geothermal, are seen as important ways to reduce reliance on carbon intensive energy, which in turn contributes to climate change. Investments in and/ or use of renewable energy could position companies to reduce their carbon footprint, increase resilience in the face of the low carbon transition.

MassPRIM will generally:

- Vote FOR requests for reports on the feasibility of developing renewable energy resources unless the report is duplicative of existing disclosure or irrelevant to the company's line of business.
- Vote FOR shareholder proposals seeking increased investment in renewable energy sources unless the terms of the resolution are overly restrictive.

Water Risks

Most businesses rely on water as a part of their operations or supply chain, and many operate in increasingly water-stressed regions of the world. Climate change has exacerbated water availability risks, which manifest through shocks such as floods, droughts, or water quality issues could negatively impact companies' production processes, revenue streams and license to operate.

MassPRIM will generally:

- Vote in favor of resolutions asking companies to report on operational and supply chain risks associated with water management.
- Vote in favor of resolutions calling on the company to set policies/ goals that address impacts on water availability in water stressed areas across the supply chain.

In making these decisions, MassPRIM will take into account:

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

Biodiversity Risks

Recognizing the dependance of economic output on nature and biodiversity, investors are increasingly considering biodiversity loss and land degradation as financial and material risks to companies that rely on these inputs as a part of their operations and supply chain.

MassPRIM will generally:

- Vote FOR resolutions calling on companies to disclose the impact of their operations on biodiversity and the extent to which their business models rely on ecosystem services.
- Vote FOR resolution calling on companies to disclose in a manner that is aligned with the Taskforce on Nature Related Financial Disclosure (TNFD) guidelines.

In making these decisions, MassPRIM will consider whether the company faces material risk from biodiversity related risk in their operations or supply chain and relevant information has been provided in other sources.

Hydraulic Fracturing

While hydraulic fracturing provides access to fossil fuel deposits, the practice has risks associated with groundwater contamination, waste disposal, workforce safety, fracking induced earthquakes and other environmental and community related impacts. Disclosure of measures that a company has taken to address such concerns helps

investors assess how the company is positioned to mitigate environmental, social and regulatory risks associated with such operations.

MassPRIM will generally vote FOR proposals requesting greater disclosure of a company's (natural gas) hydraulic fracturing operations, including measures the company has taken to manage and mitigate the potential community and environmental impacts of those operations, considering:

- The company's current level of disclosure of relevant policies and oversight mechanisms;
- The company's current level of such disclosure relative to its industry peers;
- Potential relevant local, state, or national regulatory developments; and
- Controversies, fines, or litigation related to the company's hydraulic fracturing operations.

General Corporate Issues

Charitable Contributions

Charitable contributions are generally useful for assisting worthwhile causes and for creating goodwill in the community. In the absence of bad faith, self-dealing, or gross negligence, management should determine which, and if, contributions are in the best interests of the company.

MassPRIM will generally:

- Vote FOR shareholder resolutions seeking enhanced transparency on corporate philanthropy.
- Vote AGAINST shareholder proposals imposing charitable giving criteria or requiring shareholder ratification of grants.
- Vote AGAINST shareholder proposals requesting that companies prohibit charitable contributions.

Linking Executive Compensation with Material Sustainability Factors

Recognizing the impact of environmental and social factors on corporate strategy, risk and return, investors have been calling on companies to link environmental or social goals to executive compensation as a means of holding executives accountable for performance on these factors.

MassPRIM will generally vote CASE-BY-CASE for proposals calling on the linkage of executive compensation to environmental or social factors keeping in mind:

- Whether the issues in question are material to the company and affect risk/ return;
- Whether the company has a pre-existing goal or strategy on the issue;
- The company’s performance on the issue in question;
- The scope and the prescriptive nature of the proposal.

MassPRIM will generally vote CASE-BY-CASE on proposals seeking a report or additional disclosure on the company's approach, policies, and practices on incorporating environmental and social criteria into its executive compensation strategy, considering:

- The scope and prescriptive nature of the proposal;
- The company's current level of disclosure regarding its environmental and social performance and governance;
- The degree to which the board or compensation committee already discloses information on whether it has considered related environmental and social criteria; and
- Whether the company has significant controversies or regulatory violations regarding social or environmental issues.

Healthcare and Health Pandemics

The recent COVID-19 pandemic has emphasized the impact that public health issues can have on corporate strategy and performance. Investors are increasingly focused on the impact of these pandemics on company operations, including both pharmaceutical and non-pharmaceutical companies operating in high-risk areas and how companies have engaged with their workforce during such times as this has the potential to affect operational resilience and workforce retention. This change is consistent with the general shift in shareholder proposals towards risk assessment and mitigation.

MassPRIM will generally:

- Vote CASE-BY-CASE on proposals asking for the company to report on the impact of these pandemics on company operations, including both pharmaceutical and non-pharmaceutical companies operating in high-risk areas.
- Vote FOR shareholder proposals in which companies offer hazard and/or overtime pay for essential workers during a pandemic.
- Vote AGAINST proposals asking companies to establish, implement, and report on a standard of response to health pandemics (such as HIV/AIDS, Malaria, Tuberculosis, and Avian Flu), unless the company has significant operations in the affected markets and has failed to adopt policies and/or procedures to address these issues comparable to those of industry peers.
- Vote FOR shareholder proposals requiring companies to guarantee health insurance coverage that meets the requirements of the Affordable Care Act as enacted.

Trade Associations, Lobbying and Political Engagement

Lobbying and political engagement, both directly and through trade associations, are increasingly seen as strategies deployed by companies to address regulatory risk. Information on how companies lobby, how decisions about lobbying/ political engagement are made and how companies deploy resources provides investors with insight on corporate risk exposure and mitigation efforts.

MassPRIM will generally:

- Vote FOR proposals calling for a company to disclose political and trade association contributions, unless the terms of the proposal are unduly restrictive, the company has already demonstrated sufficient disclosure, or the company has faced recent significant controversies, fines, or litigation related to the company's political contributions or political activities.
- Vote FOR proposals calling on companies to provide more information on policies, board oversight of lobbying and political engagement.
- 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.
- Vote FOR shareholder proposals asking companies to review and report on their lobbying activities, including how this aligns with the scientific consensus or corporate positions on key issues.
- Vote FOR proposals requesting greater disclosure of a company’s alignment of political contributions, lobbying, and electioneering spending with a company’s publicly stated values and policies, unless the terms of the proposal are unduly restrictive.

In making the determinations above, MassPRIM will consider:

- The company's policies, management, board oversight, governance processes, and level of disclosure related to direct political contributions, lobbying activities, and payments to trade associations, political action committees, or other groups that may be used for political purposes;
- The company's disclosure regarding: the reasons for its support of candidates for public offices; the reasons for support of and participation in trade associations or other groups that may make political contributions; and other political activities;
- Whether there are any incongruencies identified between a company's direct and indirect political expenditures and its publicly stated values and priorities;
- Recent significant controversies related to the company's direct and indirect lobbying, political contributions, or political activities.

International Issues, Labor Issues, and Human Rights

Community Social and Environmental Impact Assessments

A company's operations have a broad effect on the land and communities around which they are located. This can raise the prospect of regulatory, litigation, operational and reputational risk if not managed appropriately.

Requests for reports outlining policies and/or the potential (community) social and/or environmental impact of company operations are evaluated based on the following factors:

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

Foreign Military Sales/Offsets

MassPRIM will generally vote AGAINST reports on foreign military sales or offsets. Such disclosures may involve sensitive and confidential information. Moreover, companies must comply with government controls and reporting on foreign military sales.

Internet Privacy and Censorship

Internet privacy and censorship are complex evolving issues that companies must navigate to adequately protect human rights and freedoms while complying with government regulations.

Resolutions requesting the disclosure and implementation of Internet privacy and censorship policies and procedures are considered based on the following factors:

- The level of disclosure of company policies and procedures relating to privacy, freedom of speech, Internet censorship, and government monitoring of the Internet;
- Engagement in dialogue with governments and/or relevant groups with respect to the Internet and the free flow of information;
- The scope of business involvement and of investment in markets that maintain government censorship or monitoring of the Internet;
- The market-specific laws or regulations applicable to Internet censorship or monitoring that may be imposed on the company; and,

- The level of controversy or litigation related to the company's international human rights policies and procedures.

Fair Working Conditions/Labor and Human Rights Standards

Recognizing the interconnection between human capital and long-term performance, investors are increasingly focused on how companies treat their direct and contracted employees and other forms of labor in the company's operations and value chain. Poor workplace conditions and violations of internationally recognized labor standards are also a regulatory, reputational and retention risk.

MassPRIM will generally:

- Vote FOR shareholder proposals to implement human rights standards, policies and workplace codes of conduct that meet globally recognized standards such as the ILO standards or the SA800 principles.
- Vote FOR proposals requesting that a company conduct an assessment of the human rights risks in its operations or in its supply chain, or report on its human rights risk assessment process where human rights risks are material or salient to the company's operations or value chain.
- Vote FOR policies calling on companies to adopt human rights due diligence and monitoring systems or grievance mechanisms when such issues are a material or salient issue in the company's operations or value chain.

Reproductive Rights and Parental Leave

Providing full healthcare benefits for employees, including access to reproductive healthcare, is important for maintaining a positive relationship between companies and workers, which in turn can contribute to the attraction and retention of employees and maintaining a diverse workforce.

MassPRIM will generally:

- Vote FOR shareholder proposals that require companies to provide access to the full range of reproductive healthcare, including, but not limited to, policies that provide for employees that must travel to access care.
- Vote FOR shareholder proposals that require companies to publish a report on the risks and costs that may arise from state laws that may impose restrictions on reproductive rights, assuming that the reporting does not impose an undue burden on the company or is not already disclosed in other sources.
- Vote FOR shareholder proposals that require companies to provide comprehensive paid parental leave.

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MacBride Principles

Proposals on this topic have called for the adoption of the MacBride Principles for operations located in Northern Ireland. They request companies operating abroad to support the equal employment opportunity policies that apply in facilities they operate domestically. The principles were established to address the much greater unemployment rates that Northern Ireland's Catholic community compared to the Protestant community. In response to this problem, the U.K. government instituted the New Fair Employment Act of 1989 (and subsequent amendments) to address the sectarian hiring problems.

The Act adequately addresses the unemployment disparity and further action to implement the MacBride Principles only duplicates the efforts currently underway. Our main consideration in evaluating these proposals is whether the principles will cause companies to divest, and therefore worsen the unemployment problem, or whether the principles will promote equal hiring practices.

MassPRIM will generally vote AGAINST proposals to endorse or increase activity on the MacBride Principles, unless:

- The company has formally been found to be out of compliance with relevant Northern Ireland fair employment laws and regulations;
- Failure to implement the MacBride Principles would put the company in an inconsistent position and/or at a competitive disadvantage compared with industry peers;
- Failure to implement the MacBride Principles would subject the company to excessively negative financial impacts due to laws that some municipalities have passed regarding their contracting operations and companies that have not implemented the MacBride Principles; or
- The company has had recent, significant controversies, fines or litigation regarding religious-based employment discrimination in Northern Ireland.

Nuclear and Depleted Uranium Weapons

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

Operations in High Risk Markets

Operating in unstable or sanctioned countries can create additional risk and uncertainty around a company's operations.

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

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

Outsourcing/Offshoring

Outsourcing and offshoring are cost-saving measures a company can take, but can create political and reputational risks in home markets.

MassPRIM will evaluate proposals calling for companies to report on the risks associated with outsourcing/plant closures, considering:

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

PENSION RESERVES INVESTMENT MANAGEMENT BOARD – INTERNATIONAL PROXY VOTING GUIDELINES – 2025

The MassPRIM Board has retained Institutional Shareholder Services (ISS) to assist in our fiduciary responsibility for reviewing and voting proxies. ISS is an independent advisor, and the leading provider of corporate governance solutions to the global financial community.

All international securities shall be voted consistent with ISS' Public Funds Policy Guidelines, which takes into account relevant market listing rules and regulations, coupled with local market best practice standards.

Notwithstanding the above, support for directors in carbon-intensive companies shall be evaluated using MassPRIM's guidelines for Board Accountability for Climate change, as noted below.

Board Accountability for Climate Change:

Climate change, and particularly climate transition risk is a high-priority material issue for carbon-intensive companies. At a minimum, investors expect boards of the companies in question to ensure that the companies are actively engaging with investors and providing financially relevant climate change disclosure, including a climate transition plan that is aligned with the goal of achieving Net Zero by 2050, which reflects the scientific consensus of what it needed to limit global temperature rise to 1.5C.

MassPRIM will generally:

- Vote AGAINST or withhold votes from the entire board in high carbon emitting companies where the company has not adequately disclosed its climate change performance using the Taskforce on Climate Related Financial Disclosure (TCFD) guidelines.

- Vote CASE-BY-CASE against directors, such as the board chair or chair of relevant committees in boards of high emitting companies when they have failed to disclose an operationally and financially credible climate transition plan that puts the enterprise on a path to achieve net zero emissions by 2050.