

Westfield Capital Management Company, L.P.

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This Brochure provides information about the qualifications and business practices of Westfield Capital Management Company, L.P. (“Westfield”). If you have any questions about the contents of this Brochure, please contact us at 617-428-7100. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Westfield is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Westfield also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **MATERIAL CHANGES**

Since our last Brochure dated October 9, 2019, the following material changes have been made to the Brochure.

### **Form ADV Part 2A**

#### *Global Dividend Growth Equity Strategy*

Westfield's Global Dividend Growth Equity strategy is closed.

#### *Fees and Compensation*

The standard fee schedules for the Small Cap Select Growth Equity strategy and the Disruptive Innovation strategy have been modified to a flat 0.90% per annum.

#### *Investment Strategies*

The equity position restriction for the Dividend Growth Equity strategy has been updated to 10% of a portfolio.

The security count for the Select Growth Equity strategy has been updated to 35 or fewer publicly-traded equity securities.

The Disruptive Innovation strategy is now available as a private limited partnership to certain qualified investors.

#### *Client Referrals and Other Compensation*

Language has been added around how Westfield manages employee compensation for new business generation.

### **Form ADV Part 2B**

Updates were made to reflect the addition of Rajat Babbar, CFA as a partner and voting member of the Investment Committee and Robert Flores as a co-portfolio manager on the Disruptive Innovation Fund. Matt Renna has also been named a partner of the firm.

Our Brochure may be requested by contacting the Compliance Department at 617-428-7100 or [wcmcompliance@wcmgmt.com](mailto:wcmcompliance@wcmgmt.com). Our Brochure is also available (free of charge) on our website ([www.westfieldcapital.com](http://www.westfieldcapital.com)).

Additional information about Westfield is also available via the SEC's website ([www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)). The SEC's website also provides information about any persons affiliated with Westfield who are registered, or are required to be registered, as investment adviser representatives of Westfield.

## **ADVISORY BUSINESS**

Founded in 1989, Westfield Capital Management Company, L.P. (“Westfield”) is an investment advisor dedicated to providing quality, separate account investment management services for institutions and high net worth individuals. Westfield is owned by WMS Management, LLC, which is the sole managing member of WMS General Partner LLC, the general partner for Westfield. WMS Management is wholly-owned by Westfield’s management team. Mr. William A. Muggia (President, CEO, and CIO) is the principal investor of WMS Management.

As of December 31, 2019, Westfield had \$14.5 billion in discretionary assets under management and \$129 million in non-discretionary assets under advisement. Westfield supervises mainly domestic growth equities, with investment strategies – also known as products – focusing on each segment of the capitalization spectrum. Westfield also supervises foreign equities that are traded on U.S. stock exchanges and non-U.S. stock exchanges. These are traded in and/or converted to U.S. dollars, American Depositary Receipts (ADRs), American Depositary Shares (ADS), and Global Depositary Receipts (GDRs). Foreign equities are incidental to the investment process, and not a substantive focus of our investment strategies.

Client accounts are managed in one of two ways: by an individual portfolio manager or by our Investment Committee (the “Committee”), which is composed of security analysts, the Director of ESG Research, the Portfolio Strategist, the Risk Manager, and the Chief Investment Officer. Regardless of the portfolio management structure, all client accounts are assigned to a particular Westfield product. With the exception of those client accounts managed by a portfolio manager, investment decisions for client accounts are made at the product level by consensus of the Committee. Once the investment has been approved, it will be implemented across each eligible and participating client account within the particular product. Investment decisions for client accounts managed by an individual portfolio manager are made by the portfolio manager assigned to the account.

### **Investment Guidelines and Restrictions**

Westfield accepts client imposed guidelines and restrictions, as long as they are reasonable, in writing, and have been reviewed and accepted by Westfield’s Compliance team. Client restrictions are monitored by the Compliance team via an automated portfolio compliance system. Clients are responsible for providing Westfield with their most recent copy of account restrictions, limitations, and guidelines, as well as for notifying Westfield of any changes to such items in writing. Westfield is not responsible for the accuracy or completeness of any investment guidelines or restrictions provided by the Client. Certain Westfield strategies are offered as a private limited partnership. Clients who invest in such investment vehicles are typically not permitted to impose any restrictions or limitations that are not already in the offering documents.

Client accounts are managed in accordance with the guidelines for the product in which the account is assigned unless a client has provided their own set of investment guidelines that are more restrictive. Product guidelines include, but are not limited to, sector and issuer weight limits, security type restrictions, foreign security limits, and market capitalization ranges. Specific information on each product’s investment guidelines can be obtained from Westfield’s Marketing and Client Service team. Additional information on our investment strategies can be found under *Methods of Analysis, Investment Strategies and Risk of Loss*.

## **Client Contributions and Withdrawals**

Clients may make contributions and withdrawals from their accounts in accordance with the terms in their investment management agreements or limited partnership agreements. Clients are responsible for notifying Westfield of any contributions and withdrawals within their accounts to ensure funds are either invested or raised in an appropriate and timely manner. Unless other terms are agreed upon, Westfield will confirm receipt of such notice prior to making any necessary trades in the account. Notifications are not deemed received until they have been confirmed by Westfield. Westfield will accept instructions only from authorized individuals on the account, Westfield will not initiate wire transfers on behalf of any client, with the exception of Westfield's private limited partnerships.

## **Wrap Fee and Model Delivery Programs**

Westfield participates in wrap fee programs for which we offer portfolio management services as a sub-advisor to sponsor firms. The wrap fee program sponsors are unaffiliated broker dealer firms. Each sponsor's program allows its clients (each, a "client") to receive discretionary portfolio management services from Westfield as a participant in the program. Under each program, the cost of brokerage commissions and other transaction fees associated with client account transactions effected through the sponsor or its affiliates are covered by the all-inclusive wrap fee that each client pays to the sponsor. Westfield will always effect client account transactions through the wrap program's designated trading desk unless trading away is in the best interest of each client. When trading away, the cost of brokerage commissions and other transaction fees are incurred by the client. These transaction costs and fees are exclusive of and in addition to the wrap fee that each client pays each sponsor. See the section on *Brokerage Practices* in this Brochure for additional information.

Westfield also serves as a sub-advisor to Unified Managed Account ("model delivery") programs sponsored by unaffiliated third parties. Westfield provides the sponsors with a model portfolio on a strategy specific basis. Model delivery assets are non-discretionary and therefore are deemed assets under advisement. Westfield does not trade these accounts nor is it responsible for recordkeeping, performance data or client reporting.

As compensation for our wrap fee and model delivery services, we receive directly from each sponsor a portion of the all-inclusive fee that each client pays each sponsor. Fees are based on assets under management or assets under advisement.

## **FEES AND COMPENSATION**

Westfield has standard investment management fee schedules for each investment strategy. Westfield's policy is to charge fees to clients in accordance with the fee schedule in effect at the time the client enters into an investment management relationship with Westfield. Fees are subject to modification and negotiation based on factors (e.g., complexity of service level required, number of accounts for a related group of clients) deemed by Westfield to be relevant.

The specific manner in which fees are charged by Westfield is established in a client's written agreement with Westfield. Westfield typically bills its fees on a quarterly basis in arrears based on the total market value of the account on the last business day of the quarter. Clients may elect to be billed in advance or arrears each calendar quarter. Clients may also elect to be billed directly or to authorize Westfield to debit fees from client accounts. Unless specifically requested by the client, management fees are not pro-rated

for each capital contribution and withdrawal made during the applicable calendar quarter. Accounts initiated or terminated during a calendar quarter will be charged a pro-rated fee.

Unless other terms are agreed upon, the investment management agreement between Westfield and the client may be terminated at any time by either party by delivery of written notice. Client termination notices must be acknowledged by Westfield before any asset transfers or liquidations will be effected. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Westfield's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investments and other third parties. Such fees may include but are not limited to, fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Westfield's fee, and Westfield does not receive any portion of these commissions, fees, and costs.

The section on *Brokerage Practices* further describes the factors that Westfield considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions). Outlined below are Westfield's standard fee schedules:

<b>Strategy</b>	<b>Standard Fee Schedule</b>
Large Cap Growth Equity Strategy	0.65% per annum on the first \$25 million 0.60% per annum on the next \$25 million 0.55% per annum on the next \$25 million 0.50% per annum on the balance
Small Cap Growth Equity Strategy	1.00% per annum on the first \$25 million 0.75% per annum on the next \$50 million 0.60% per annum on the balance
Small/Mid Cap Growth Equity Strategy	1.00% per annum on the first \$25 million 0.75% per annum on the next \$50 million 0.60% per annum on the balance
Mid Cap Growth Equity Strategy	0.80% per annum on the first \$25 million 0.70% per annum on the next \$50 million 0.60% per annum on the balance
All Cap Growth Equity Strategy	0.75% per annum on the first \$25 million 0.65% per annum on the next \$75 million 0.50% per annum on the balance
Dividend Growth Equity Strategy	0.75% per annum
Select Growth Equity Strategy	0.75% per annum

Sustainable Growth Equity Strategy	0.75% per annum
Micro-Cap Strategy	1.00% per annum on net asset value plus 20% of aggregate net profits
Small Cap Select Growth Equity Strategy	0.90% per annum
Disruptive Innovation Strategy	0.90% per annum

The following strategies are no longer offered to new investors; however, Westfield still has client accounts in each of the below strategies.

<b>Strategies No Longer Offered to New Investors</b>	<b>Standard Fee Schedule</b>
All Cap Select Strategy	0.75% per annum on the first \$25 million 0.65% per annum on the next \$75 million 0.50% per annum over \$100 million
Balanced Strategy	<u>Individual Clients:</u> 1.00% per annum on the first \$5 million 0.50% per annum on amounts exceeding \$5 million 0.25% per annum on fixed income  <u>Institutional Clients:</u> 0.75% per annum on the first \$10 million 0.50% per annum on amounts exceeding \$10 million 0.25% per annum on fixed income
SPV	Westfield does not receive an advisory fee for this Fund.

## **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

In some cases, Westfield has entered into performance fee arrangements with qualified clients; such fees are subject to individualized negotiation with each such client. Westfield will structure any performance or incentive fee arrangements subject to Section 205(a)(1) of the Investment Advisors Act of 1940 (“The Advisors Act”) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, Westfield will include realized and unrealized capital gains and losses.

Performance-based fee arrangements may create an incentive for Westfield to recommend investments that may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Additionally, other conflicts can arise with the simultaneous management of multiple accounts by Westfield’s investment professionals as they must

allocate their time and investment ideas across multiple accounts. This may result in the Committee or portfolio manager allocating unequal attention and time to the management of each client account as each has different objectives, benchmarks, investment restrictions and fees. Although the Committee collectively acts as portfolio manager on most client accounts, there are some client accounts that are managed by a portfolio manager who also is a member of the Committee.

Westfield has an affiliation with the General Partners listed under *Other Financial Industry Activities and Affiliations* and in some cases, Westfield has a modest financial interest in the limited partnerships listed in that section. Furthermore, Westfield and its employees have invested their own funds in the partnerships and certain strategies and mutual funds that are advised by Westfield. Allowing such investments can create an incentive for the firm to favor these accounts because our financial interests are more directly tied to the performance of such accounts.

To manage these conflicts, we have the following policies and procedures in place:

- Investment decisions for most client accounts are made by the Committee, and client accounts within these strategies are managed to the strategy's model portfolio. Our Operations team performs ongoing reviews of each strategy's model portfolio versus each client account, where each position size is compared against the model's weight.
- Westfield will typically allocate investments on a pro-rata basis to all participating and eligible accounts regardless of the accounts' fee structure or assigned manager.
- Trades made for client accounts managed by a portfolio manager are required to be communicated to the Committee. Our Compliance Department performs periodic reviews of such accounts versus the Committee managed accounts.
- Security analysts' compensation is tied to the investment decisions made for the strategies; thus, there is incentive to act in the best interests of all clients regardless of fee structure.
- Personal transactions are regulated by the firm's Code of Ethics, specifically those restrictions and requirements in the personal trading section. See the section on *Code of Ethics* in this Brochure for more details.

## **TYPES OF CLIENTS**

Westfield provides portfolio management services to high net worth individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, foundations, endowments, wrap fee and model delivery programs, municipalities, registered mutual funds, pooled investment vehicles, private investment funds, trust programs, sovereign funds, foreign funds such as SICAVs, limited partnerships, and other U.S. and non-U.S. institutions.

Subject to Westfield's (or General Partner's) discretion, minimum account sizes apply, and are dependent on the product. More information on minimum account sizes and fee schedules can be found in *Fees and Compensation* and *Methods of Analysis, Investment Strategies and Risk of Loss*.



## METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### Investment Strategies

Most of our investment strategies are managed by the Committee, collectively acting as portfolio manager. Once an investment idea has been approved by the Committee for a product (or products), all eligible client accounts within the product(s) will be allocated shares. There are some client accounts that are managed by a portfolio manager. Investment decisions for these accounts do not require Committee review or approval; however, trade orders for these individually managed client accounts are communicated to the Committee via an email by the Trade Allocation Management team.

Our investment strategies are primarily focused on publicly-traded domestic equity securities that are exchange listed and have market quotations readily available. Typically, positions in de-listed securities will not be initiated, but Westfield will selectively maintain a position that becomes de-listed if Westfield believes the fundamental case for investment remains intact. Unless otherwise noted, our products do not invest in derivatives, options, or privately held securities, and do not permit short selling. The Disruptive Innovation Strategy and the Small Cap Select Growth Strategy may use derivative instruments only to hedge an existing security or to implement a risk-reduction strategy. The Micro-Cap Strategy permits the usage of leveraging techniques, short selling, frequent trading, investments in private securities, and investments in derivatives or options. As such, the Micro-Cap Strategy does enter into short positions in broad market index ETFs. Since Westfield is fundamentally a long-only manager, allowing the Micro-Cap Strategy to short the market can create a conflict with those client accounts that are invested in the long-only strategies. Westfield has policies and procedures that place certain restrictions and limits on short selling activity. Additionally, the Compliance team utilizes our portfolio compliance system to monitor for these activities.

Under normal market conditions, our long-only equity products will typically not use a frequent trading strategy. However, in certain market conditions, especially volatile ones, trading activity within products may increase. When a frequent trading strategy is utilized, there will be increased brokerage and other transaction costs, as well as taxes, associated with executing trades. Increased portfolio costs will affect an account's investment performance.

As previously discussed in the *Investment Guidelines and Restrictions* section, each of the products has its own set of investment guidelines. Clients also may impose additional restrictions, as long as they are reasonable and in writing, and have been reviewed and accepted by Westfield. Unless otherwise noted, each of the strategies utilizes the following standard guidelines:

#### *Position Limits*

- Typically, no equity position will exceed the greater of either 5% of the portfolio or 2% more than the security's benchmark weight, both valued at market. Initial portfolio weightings are set by the Committee or portfolio manager and are typically 0.50% to 2% depending on the market capitalization of the product. (This limit does not apply to Dividend Growth Equity, Micro-Cap, Select Growth Equity, Small Cap Select Growth Equity and Disruptive Innovation. Micro-Cap has no limit.).

- Equity positions in Dividend Growth Equity will typically not exceed 10% of the portfolio. Initial portfolio weightings are typically 1.5% to 3%.
- Select Growth Equity will limit positions to 10% of the portfolio.
- Small Cap Select Growth Equity will typically limit positions to 8% of the portfolio.
- Disruptive Innovation will typically limit positions to 10% of the portfolio at the time of initial purchase.

#### *Sector/Industry Limits*

- Sectors are generally limited to 20% of the total market value of the portfolio or 2.5 times the benchmark weight, whichever is greater. (Select Growth Equity, Micro-Cap, Small Cap Select Growth Equity and Disruptive Innovation have no limits.)
- Dividend Growth Equity will generally limit industries to 25% of the portfolio.

#### *Cash and Equivalents*

- Portfolios are expected to be fully invested at all times; cash is a residual of the investment process and will generally not exceed 10% of the total market value of the portfolios. (Select Growth Equity, Dividend Growth Equity, Micro-Cap and Disruptive Innovation have no limits.)

#### *Foreign Investments*

- Foreign securities exposure is limited to 15% of the portfolio and will consist of Depositary Receipts (e.g., ADRs) and non-U.S. incorporated stocks traded on a U.S. exchange and denominated in U.S. dollars. The limits do not apply to U.S. companies that transfer their registration to reduce U.S. tax liability. (Select Growth Equity, Micro-Cap and Small Cap Select Growth Equity have no limits)
- Dividend Growth Equity may hold up to 35%.

**Large Cap Growth Equity Strategy:** This strategy seeks long-term growth of capital by investing in a diversified portfolio of equity securities of predominately large-cap companies (typically greater than \$6 billion market capitalization at the time of initial purchase) with potential for growth. Securities below this capitalization are permitted in the strategy, if such securities are within the market capitalization range of the benchmark, the Russell 1000® Growth Index, at the time of initial purchase. Generally, the portfolio will maintain 40 to 55 equity securities. The minimum investment amount to start an account within this strategy is \$10 million, subject to the discretion of Westfield.

**Small Cap Growth Equity Strategy:** This strategy seeks long-term growth of capital by investing in a diversified portfolio of equity securities of predominately small cap companies (typically less than \$1.5 billion market capitalization at the time of initial purchase) with a potential for growth. Securities above this capitalization are permitted in the strategy, if such securities are within the market capitalization

range of the benchmark, the Russell 2000® Growth Index, at the time of initial purchase. Generally, the portfolio will maintain 60 to 80 equity securities. The minimum investment amount to start an account within this strategy is \$5 million, subject to the discretion of Westfield.

**Small/Mid Cap Growth Equity Strategy:** The strategy seeks long-term growth of capital by investing in a diversified portfolio of equity securities of predominately small to mid-cap companies (typically less than \$6 billion market capitalization at time of initial purchase) with a potential for growth. Securities above this capitalization are permitted, if such securities are within the market capitalization of the benchmark, the Russell 2500® Growth Index, at the time of initial purchase. Generally, the portfolio will maintain 60 to 75 equity securities. The minimum investment amount to start an account within this strategy is \$5 million, subject to the discretion of Westfield.

**Mid Cap Growth Equity Strategy:** This strategy seeks long-term growth of capital by investing in a diversified portfolio of equity securities of predominately mid cap companies (typically between \$1.5 billion and \$12 billion market capitalization at time of initial purchase) with potential for growth. Securities above or below this capitalization range are permitted, if such securities are within the capitalization range of the benchmark, the Russell Mid Cap Growth Index, at the time of initial purchase. Generally, the portfolio will maintain 55 to 65 equity securities. The minimum investment amount to start an account within this strategy is \$5 million, subject to the discretion of Westfield.

**All Cap Growth Equity Strategy:** This strategy seeks long-term growth of capital by investing in a diversified portfolio of equity securities with potential for growth, and of any capitalization. Generally, the portfolio will maintain 40 to 65 equity securities. This strategy's benchmark is the Russell 3000® Growth Index. The minimum investment amount to start an account within this strategy is \$5 million, subject to the discretion of Westfield.

**Dividend Growth Equity Strategy:** This strategy seeks long-term growth of capital by building a portfolio comprised of about 30-50 equity securities of primarily large capitalization companies with a history or prospect of paying stable or increasing dividends. The portfolio manager may consider the short-term and long-term potential capital gains tax implications when trading this strategy. It has two benchmarks: Standard & Poor's 500 Index and NASDAQ US Dividend Achievers Select Index. The minimum investment amount to start an account within this strategy is \$5 million, subject to the discretion of Westfield.

**Sustainable Growth Equity Strategy:** This strategy seeks long-term growth of capital by investing in a portfolio of approximately 35-50 equity securities typically with a market capitalization of \$6 billion or more at the time of initial purchase, which exhibit potential for growth and favorable performance in Environmental, Social and Governance ("ESG") characteristics. This strategy's benchmark is the Russell 1000® Growth Index. The minimum investment amount to start an account within this strategy is \$1 million, subject to the discretion of Westfield.

**Micro-Cap Strategy:** This strategy seeks long-term growth of capital by investing primarily in publicly-traded common stocks of micro-cap growth companies (generally defined as having a market capitalization of \$500 million or less, at the initial time of purchase). This strategy's benchmarks are the Russell 2000® Growth Index and the Dow Jones U.S. Micro-Cap Index. This strategy is available as a

private limited partnership, which is exempt from registration under the Securities Act of 1933 and the Investment Company Act of 1940. The limited partnership is only available to certain qualified investors. Subject to the General Partner's discretion, the minimum account size is \$500,000. More specific information on minimums and investment guidelines can be found in the partnership's offering memorandum. The section on *Other Financial Industry Activities and Affiliations* provide further information our affiliation with the General Partner.

**Select Growth Equity Strategy:** This strategy seeks long-term growth of capital by investing in typically 35 or fewer publicly-traded equity securities, which is expected to be primarily of U.S. large capitalization companies (generally defined as having a market capitalization of at least \$5 billion at the initial time of purchase). This strategy's benchmark is the Russell 1000® Growth Index. This strategy is available as a separate account and a private limited partnership, which is exempt from registration under the Securities Act of 1933 and the Investment Company Act of 1940. The limited partnership is only available to certain qualified investors. The minimum investment amount is \$10 million, subject to the discretion of Westfield, for a separate account, and \$1 million, subject to the General Partner's discretion, for the private limited partnership. More specific information on minimums and investment guidelines can be found in the partnership's offering memorandum. The section on *Other Financial Industry Activities and Affiliations* provide further information our affiliation with the General Partner.

**Small Cap Select Growth Equity:** This strategy seeks long-term growth of capital by investing in a portfolio of approximately 30-35 equity securities with a majority of the portfolio invested in market capitalizations within the range of the benchmark at the time of initial purchase in the product. This strategy's benchmark is the Russell 2000® Growth Index. The minimum investment amount to start an account within this strategy is \$1 million, subject to the discretion of Westfield.

**Disruptive Innovation Strategy:** This strategy seeks long-term growth of capital by investing in a portfolio of approximately 40-50 equity securities with any market capitalization. This strategy's benchmark is the Russell 3000® Growth Index. This strategy is available as a separate account and a private limited partnership, which is exempt from registration under the Securities Act of 1933 and the Investment Company Act of 1940. The limited partnership is only available to certain qualified investors. The minimum investment amount is \$1 million, subject to the discretion of Westfield, for a separate account, and \$1 million, subject to the General Partner's discretion, for the private limited partnership. More specific information on minimums and investment guidelines can be found in the partnership's offering memorandum. The section on *Other Financial Industry Activities and Affiliations* provide further information our affiliation with the General Partner.

### **Methods of Analysis**

Westfield employs experienced analysts who are focused on particular economic sector verticals (e.g., healthcare, information technology, consumer staples, etc.). Each analyst capitalizes on many years of experience, an understanding of competitive dynamics, insight into secular and cyclical trends and relationships with industry professionals to complement rigorous financial analysis. For client accounts managed by the Committee, the analysts generate investment recommendations that are considered by the entire Committee.

Westfield believes that the best investment decisions are made objectively and in consideration of various points of view. As such, investment decisions for most of our strategies are made by the Committee to harness the collective wisdom of the team. The Committee is comprised of our senior analysts and investment professionals. Recommendations are presented to the Committee by sponsoring analysts and investment decisions are made by the group after discussing the proposal's merits and risks.

Westfield employs its investment process in order to ensure that all of the elements of sound investment decisions are considered whether or not recommendations are made by sponsoring analysts. Analysts' fundamental research efforts result in financial projections for every investment made on behalf of clients. Those projections are monitored relative to "sell side" estimates. Position sizes are monitored relative to that outlook and the expectations for upside potential in the stock. Similarly, stocks that trade off significantly from the price at which we purchased them, or from recent price history, are reviewed by the Committee.

The investment process will also incorporate certain ESG factors when identifying potential investment opportunities. Westfield's Director of ESG Research, as needed, will provide the Committee with insight into a target company from an ESG perspective. For all new investments, the Director of ESG Research will also provide an overall ESG rating. We combine proprietary research efforts with third party ESG services to score companies on two dimensions: 1) the transparency with which the company discloses ESG related data publicly, and 2) how the company compares to sector peers on those ESG metrics that are material to their sector. Outside of our Sustainable Growth product, ESG factors are reviewed like any other relevant investment consideration but do not drive the investment decision.

Risk of capital loss is primarily managed at the individual security and portfolio or product level and is aided by Westfield's Portfolio Strategy group. At the security level each analyst is responsible for maintaining a thorough understanding of each security's underlying fundamental outlook and ongoing review of potential investment risks. Westfield analysts aim to identify companies that are increasing earnings at an attractive pace, while looking for valuation that is reasonable relative to growth prospects. This is an attempt to mitigate the risk of severe valuation compression resulting from a singular fundamental misstep. Frequent interaction with company management helps analysts stay close to the issues that could alter investors' outlook for the company. We also have a price targeting system and a downside flag system to help identify stocks with fundamental trends or price action at odds with our investment perspective. Underperforming securities undergo a review with a bias to act.

At the portfolio level, we have standard investment guidelines to control risk at both the sector and position levels. As a fundamental, bottom-up manager, macro-economic forecasts do not drive our stock selection process but do help to shape our investment themes. The Investment Committee discusses changes in domestic and global economies, the current market, and market sentiment weekly to keep abreast of market indicators and economic data and how the portfolio could be impacted.

We also use MSCI Barra risk management analytics and our-internally developed quantitative model as a supplementary way to help identify and monitor major types of risks involved in our investment activity. The primary goal of these tools is help ensure that the risks we are taking in the portfolio are intentional. The findings are used in day-to-day portfolio management, to understand security and sector

level concentrations, eliminate incidental bets, and enable more control in the portfolio construction process.

In addition, at each weekly Committee meeting, Portfolio Strategy, which includes Westfield's Risk Manager, provides detailed information on performance and risk statistics for each investment strategy. The Committee will review among others, performance attribution, portfolio weights, sector weights and price targets. They will also review a risk model of each of the core strategies that utilizes MSCI Barra risk analytics and a proprietary quantitative model. The risk model generates a quantitatively driven assessment of the relative appeal of an investment on the fundamental investment criteria utilized by the Committee: earnings growth, earnings quality and valuation. These tools also allow us to analyze and understand the variables contributing to the risk and return for each strategy.

The risk tools are not the principal driver of investment decision making at Westfield; however, we feel they provide helpful perspective when contemplating the appropriate sizing of individual investments. Summary risk assessments for each strategy are reviewed weekly.

For client accounts that are not managed by the Committee, the portfolio manager follows a similar fundamental, bottom-up research approach. The portfolio managers are supported by the research efforts of Westfield's investment professionals to assist them with company analysis. The portfolio managers will screen companies from the investible universe for metrics that they believe are relevant (e.g., dividend growth, ESG factors). They also perform reviews of numerous factors that can vary by sector or industry. Examples of such factors include company earnings growth, management team, competitive positioning, cash flow, and the introduction of new products and services. The valuation of investments is reviewed and monitored regularly. Industry and sector concentrations are also monitored and limited as a means to control portfolio risks.

### **Risk Considerations**

With equity securities, the prospect of capital loss is significant as equity holders' economic interests are subordinate to all others in the capital structure. Westfield attempts to mitigate these risks by managing portfolios that are relatively concentrated but sufficiently diversified. Westfield believes that the size of individual investments should be such that the impact of any one position can have a substantive impact on aggregate portfolio returns without having a destabilizing impact on overall results.

Investing in securities involves risk of loss that clients should be prepared to bear. In the tables below, we have identified the material risks associated with an investment in Westfield's strategies. An explanation of each risk is located after the table.

	Large Cap	Small Cap	SMid Cap	Mid Cap	All Cap	Dividend Growth	Sustainable Growth	Select Growth	Micro-Cap	Balanced	Small Cap Select	Disruptive Innovation
Market	X	X	X	X	X	X	X	X	X	X	X	X
Equity	X	X	X	X	X	X	X	X	X	X	X	X

Investment Style	X	X	X	X	X	X	X	X	X	X	X	X
Non-Diversification								X			X	
Foreign Securities	X	X	X	X	X	X	X	X	X	X	X	X
MLP/PTP						X	X	X	X		X	X
Fixed Income Securities										X		
Dividend Securities	X	X	X	X	X	X	X	X	X	X	X	X
Preferred Stock						X						
Options & Derivatives									X		X	X
Short Selling									X			
Liquidity									X			
Leverage									X			

## Risk Definitions

**Market risk** is the risk that security prices decline overall. Markets tend to move in cycles, with periods of rising prices and periods of falling prices. Markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market or economic developments in the U.S. and in other countries. Market risk may affect a single company, sector of the economy or the market as a whole.

**Equity risk** is the risk that prices of equity securities rise and fall daily. Price movements may occur due to factors affecting individual companies, such as the issuance of an unfavorable earnings report, or other events affecting particular industries or the equity market as a whole.

**Investment style risk** means that specific market capitalizations and/or securities (e.g., mid cap growth) could fall out of favor with investors and trail the performance of other types of investments. Because certain investment strategies may concentrate investments in a particular market cap, security type, etc., these strategies may be significantly more volatile than strategies that are more diversified. Although styles tend to fall in and out of favor, Westfield tends to focus on domestic growth equities. If this style falls out of favor, such security prices could fall dramatically.

**Non-diversification risk** exists because the portfolio expects to invest in a small number of issuers, which may cause the portfolio to be concentrated in a particular type of security, industry, geographic location or market capitalization. A loss incurred in a position that makes up a significant percentage of the portfolio could have a significant adverse effect on the portfolio's overall performance. This limited diversity can expose the portfolio to greater volatility than in a more diversified portfolio.

**Foreign securities risk** involves risks associated with investments in non-U.S. based companies. These include the potential of: (i) the security being less liquid than domestic securities, (ii) less information available about the company, (iii) an adverse effect of economic conditions and unstable governments, and (iv) unfavorable foreign currency exchange rates.

**MLP/PTP (Master Limited Partnership/Publicly Traded Partnership) risks** are associated with owning interests in publicly-traded partnerships that often own several properties or businesses (or own interests) that are related to oil and gas industries or other natural resources, but they also may finance other projects. To the extent that an MLP's or PTP's interest is all in a particular industry, the MLP or PTP will be negatively impacted by economic events adversely impacting that industry. The risks of investing in a MLP or PTP are generally those involved in investing in a partnership as opposed to a corporation. For example, state law governing partnerships is often less restrictive than state law governing corporations. Accordingly, there may be fewer protections afforded to investors in a MLP or PTP than investors in a corporation. Investors in MLPs or PTPs also may have limited voting rights or be liable under certain circumstances for amounts greater than the amount of their investment. In addition, MLPs or PTPs may be subject to state taxation in certain jurisdictions which will have the effect of reducing the amount of income paid by the MLP or PTP to its investors.

**Fixed income securities risk** is the risk that prices of fixed income securities will be affected by interest rate changes, terms of the security, and changes to the credit quality of the issuer, counterparty or underlying assets.

**Dividend paying securities risk** involves risk that such securities may fall out of favor with investors and underperform the market. Also, the company may reduce or eliminate its dividend.

**Preferred stock risk** means that preferred stocks are sensitive to interest rate changes, and are also subject to equity risk. The rights of preferred stocks on the distribution of a company's assets in the event of liquidation are generally subordinate to the rights associated with a company's debt securities.

**Options and derivatives risks** exist because the value of a derivative instrument is based on a number of factors beyond the price of the underlying asset at a given time. The volatility and direction of the underlying assets' returns, the underlier's payout of coupons or dividends, the time horizon until expiration of the instrument/option contract, and the risk-free/market rates of return are all core to valuing derivatives and options; the presence of these factors can increase the complexity and risk associated in investing in derivatives.

**Short selling risk** is the risk associated with the sale of a security that may not be held in the portfolio. This investment technique is made in anticipation that the prices of the securities will decrease and the securities can be purchased at the lower price on a later date to generate a profit. It is possible, however, that a position cannot be closed out at a particular time or price. Positions also may be closed out at a loss.

**Liquidity risk** is associated with securities that may be difficult to accurately price or to transact at times determined to be appropriate by Westfield. For example, private investments could impose a substantial "lock up" period prior to any liquidation opportunity. Also, the prices realized on private investments may be less than what the portfolio paid originally.

**Leverage risk** involves the use of margin accounts to purchase securities. Margin accounts are generally secured with certain portfolio holdings pledged as collateral. Should the value of such securities decline, the portfolio may be required to deposit additional funds or liquidate pledged securities to compensate for the value decline.



## **DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Westfield or the integrity of Westfield's management. Westfield has no information applicable to this item.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Westfield serves as manager to WCM Partners LLC and Westfield Partners LLC, the General Partners of the Westfield Micro-Cap Fund Limited Partnership. Westfield Partners LLC also serves as the General Partner of the Westfield Select Growth Equity LP and Westfield Capital SPV I LP ("SPV"). SPV has invested substantially all of its assets in the private equity of one company and has since been closed to new investors. SPV will not invest assets in any other private or public issuers. Westfield does not receive any investment advisory fees for SPV.

Westfield provides investment advisory services to the Westfield Micro-Cap Fund, Westfield Select Growth Equity LP, and Westfield Capital SPV I LP (collectively, the "partnerships"). Westfield and the General Partners are responsible for their own operating and overhead costs without reimbursement by or allocation to the LPs. On occasion, a professional services expense may be shared by the private funds and other Westfield accounts. The allocation will be based upon certain considerations including, but not limited to, the nature of the services provided and the work directly attributable to each fund or account.

Westfield and its employees have invested their own funds in the partnerships. Each prospective investor receives a confidential private offering memorandum. Having a financial interest in client accounts can create a conflict between those client accounts in which we have a financial interest and those in which we do not. Westfield has designed and implemented procedures to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients. These controls are discussed under the *Performance-Based Fees and Side-by-Side Management* section of this Brochure.

## **CODE OF ETHICS**

Westfield has adopted a Code of Ethics (the "Code") for all employees of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code includes provisions relating to the confidentiality of client information, prohibitions on insider trading and rumor mongering, and personal securities trading procedures, among other things. Westfield's employees are required to follow the Code. All Westfield employees must acknowledge the terms of the Code annually and throughout the year when material amendments are made. Code acknowledgements may take the form of a stand-alone document or as part of Westfield's compliance manual.

The Code is designed to assure that the personal securities transactions, activities and interests of employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of Westfield's clients. The Code requires preclearance and reporting of many transactions, generally restricts trading in close proximity to client trading activity and imposes minimum holding periods for most securities.

Nonetheless, because the Code would permit employees to invest in the same securities as clients as long as the investment is in compliance with the Code's provisions, there is a possibility that employees might benefit from market activity by a client in a security held by an employee.

Employees also may invest in the mutual funds or private partnerships (collectively, "the funds") that are managed by Westfield. Allowing employees to trade in such funds can create an incentive for Westfield to favor those funds. All employees are subject to the personal securities transactions restrictions, as well as the preclearance and reporting requirements, contained in the Code. On occasion, Westfield's Compliance Department will deem a temporary employee an Access Person.

Employee trading is regularly monitored by our Compliance team to reasonably prevent conflicts of interest between Westfield and its clients. Personal transactions records, as well as the Code, are retained for the required time periods under applicable rules. A copy of Westfield's Code is available to clients and prospective clients upon request. Clients and prospective clients can contact the Compliance Department either by email ([wcmcompliance@wcmgmt.com](mailto:wcmcompliance@wcmgmt.com)) or by phone (617-428-7100) for a copy.

### **Cross Transactions**

Because Westfield services different types of clients, Westfield has placed a general prohibition on cross transactions between any Westfield client accounts. Similarly, Westfield will not buy or sell a security from its own account, or affiliated limited partnerships, to any advisory client.

## **BROKERAGE PRACTICES**

In placing each transaction for a client's account, Westfield seeks best execution of that transaction except in cases where Westfield does not have the authority to select the broker or dealer, as stipulated by the client. Westfield does not routinely recommend, request or require clients to direct Westfield to execute transactions through a specific broker-dealer. Westfield does accommodate client direction with regard to broker selection. Orders are typically aggregated with other Westfield client accounts and direction is achieved by a step-out from the executing broker to the directed broker. In circumstances where a client does not allow Westfield to trade away, Westfield may be unable to achieve most favorable execution of client transactions. The inability of a client to participate in a particular block trade, for example, may cost the client in commissions and market impact. The client also may receive less favorable prices. Additional details are discussed under the *Trade Allocation* section below.

Westfield believes that brokerage commissions are the property of the client and our firm has a duty to seek best execution, minimize transactions costs and utilize client commissions to benefit client accounts. Commission levels are reviewed regularly to ensure that any commissions above an "execution-only" rate are reasonable in relation to the value of the brokerage and research services. In addition to the research services provided, a variety of issues are also considered when selecting a broker-dealer, to include (but not limited to):

- Promptness of execution
- Past history of execution
- Reputation and integrity
- Security trading characteristics
- Size of the order

- Liquidity of the security
- Ability to source “natural” flow
- Unique trading expertise (specialized firm)
- Broker responsiveness
- Sophistication of trading facilities
- Information containment
- Ease of settlement
- Flexibility resolving issues with custodians

### **Research Services (“Soft Dollar Benefits”)**

At Westfield, we value Wall Street, regional brokerage, and third party research. The information that these firms generate and the access that they provide are complementary to our investment process. We believe that utilizing client commissions to pay for these products and services – also called soft dollar benefits – is prudent as they aid in our pursuit of superior investment performance. Certain third party research services will be used to support both our investment-decision making and our non-research processes. With such “mixed-use” items, we make an assessment of the portion that is attributable to the investment process and pay for that part of the service through client commissions. The remaining portion is paid from our own resources. While the clients are the ultimate beneficiary of research services provided by a third party, Westfield receives a benefit as well. Although Westfield does not pay for the third party research services, leveraging the research efforts of others by utilizing client commissions allows Westfield to focus our efforts on what we regard to be our most productive activities. We believe these services make our analysts generally more informed.

Within our last fiscal year, some of the soft dollar benefits included fundamental stock research, equity market strategy, economic forecasting, risk analytics, forensic accounting, technical research, regulatory and policy-related research and access to networks of industry experts. Their relevance to our investment process is the key evaluation criteria and serves to mitigate the risk of conflicts of interest.

Because of our interest in receiving third party research services, there may be an incentive for Westfield to select a broker or dealer based on such interest rather than the clients’ interest in receiving most favorable execution. To mitigate the conflict that Westfield may have an incentive beyond best execution to utilize a particular broker, a research vote is conducted and reviewed on a quarterly basis. This vote provides the opportunity to recognize the unique research efforts of a wide variety of firms. The vote is compared to commission data to ensure that there is correlation between the vote and the aggregate commission levels with our service providers. Conducting this vote on a quarterly basis results in data that is fresh and reflective of our Committee’s sense for which firms are providing valuable services. The aggregation of the results helps to highlight the breadth of research penetration of a particular research provider into our investment decision-making process.

The vote identifies those research providers that are positively impacting our overall research efforts. It is not possible for that benefit to be specifically tied to any one client. Even clients with directed brokerage arrangements receive soft dollar benefits. As such, the ultimate benefit is shared by all clients regardless of the magnitude of their commission spend. Soft dollar benefits are received by all clients, not just those “paying” for the benefit. Similarly, there is no attempt to allocate the benefit proportionately to those

generating the majority of the commissions. In return for soft dollar benefits, clients may pay commissions higher than those charged by other brokers or dealers.

Westfield also uses commission dollars for research services not subject to the vote. These services typically provide more general benefits to the entire Committee. While these services are not subject to our quarterly vote, they are assessed annually (in part through third party sources) to confirm that their primary usage is for our investment decision-making.

### **Trade Allocation**

Absent client restrictions and client designation for certain brokers, trades for client accounts in a particular strategy are aggregated whenever possible. This allows our trading professionals to pursue an optimal trading strategy to best source liquidity without the encumbrance of multiple, account-specific orders. Traders can therefore be more focused on trading strategy than account logistics. In certain cases, where the aggregate order may be executed in a series of transactions at various prices on a given day, the transactions are allocated as to amount and price in a manner considered equitable. Thus, each participating and eligible account receives, to the extent practicable, the weighted average share price for all such transactions in the series and each shares pro-rata in transaction costs based upon participation in the series. Although sharing in large transactions may sometimes affect price or volume of shares acquired or sold, overall it is believed that there may be advantages in execution.

Excluding wrap and model delivery programs, we endeavor to allocate in 10 share minimum lots for our client accounts. That is, the total number of shares of the same security from a particular broker allocated to an account on the same trading day should be at least 10 shares; provided, however, that our efforts to allocate pro-rata and in 10 share minimum lots for client accounts will be limited by the client account size, client brokerage arrangements, client custodial arrangements, client investment restrictions, or other factors (or combination of factors) that may prevent us from allocating shares in such a manner. In these instances, a client account may receive less than the 10 share minimum. It also is possible that a client account is allocated zero shares on a particular day (and on subsequent days) in a trade order that is taking multiple days to complete. Additionally, with respect to partial fills of sales, allocations may first be made to accounts that requested such sale because the accounts may have been in an overdraft position and cash was needed, for example.

Westfield accounts with certain restrictions may not be included in the block trade if additional research is necessary to determine if the security meets the client's guidelines. Westfield also has certain clients that instruct us to direct the transactions for their accounts to a designated broker-dealer. These directed brokerage relationships as such may not be able to participate in the aggregated account orders. Therefore, the clients may not be able to obtain the most favorable execution with a large block trade and may pay a higher brokerage commission rate. Westfield will utilize "step-out" trades for directed brokerage accounts to achieve a more favorable execution price. In some cases, the client's directed broker may charge a fee to "step-out." Westfield will determine at the time if such additional cost is warranted to affect the trade. If not, the client trade will be executed with the directed broker. Directed brokerage trades will generally be traded after non-directed block trades. Westfield's Traders attempt to keep directed accounts trading alongside non-directed accounts throughout the day; however, due to liquidity constraints this is not always possible.

Westfield will effect trades for the wrap programs after a portion of the applicable product order begins to trade. Trading communication rotates among the wrap programs within a particular strategy, with consideration given to dispersion and liquidity conditions. For the model delivery programs, Westfield will deliver the applicable model portfolio to each model delivery sponsor daily. Since Westfield is not executing trades for these programs, the trades will not participate in the block orders.

On occasion, a trade error will occur in a client account. When an error has been identified, Westfield seeks to correct the error as soon as reasonably possible, with the goal of putting the client account into the same position that would have resulted if the error had not occurred. If the error was caused by Westfield, our policy is to ensure the client account is made whole on any losses caused by the error and that the client retains gains resulting from the error. In the event that a trade error has not impacted any client accounts, Westfield will move the trade to an error account where Westfield will bear any losses incurred from the error and retain any gains to offset future error amounts. If an account has a directed brokerage relationship, Westfield may be required to move the trade to the directed brokerage firm's error account. Westfield will follow the directed brokerage firm's error policies and procedures. Westfield will work with each sponsor for the wrap programs and the model delivery programs to correct errors based on their policies and procedures.

### **Allocation of Initial Public and Other Limited Offerings**

When Westfield participates in transactions such as initial public offerings ("IPOs"), where the number of shares available for purchase is insufficient to meet all desired orders, Westfield strives to allocate such investments across client accounts in a manner that is consistent with our basic investment philosophy and process.

The allocation of IPOs is a function of the market capitalization of the issuer and the market capitalization range of the product (described under *Methods of Analysis, Investment Strategies and Risk of Loss*). Each product also has the flexibility to participate in an offering if the market capitalization of the security falls within the range of the product's relevant benchmark at the time of initial purchase. For client accounts that are not managed by the Committee, the portfolio manager provides an initial indication order before the allocation is distributed to other client accounts. Westfield allocates the shares to each eligible and participating client account on a pro-rata basis (irrespective of whether an offering is allocated only to accounts assigned to a single product or allocated across accounts from multiple products), based on the total market value of the participating account. Our efforts will be limited by similar restrictions and limitations described in the *Trade Allocation* section directly above.

Some limited offerings such as private placements may be purchased in the Micro-Cap Strategy or through another LP. The portfolio manager has sole discretion on target weights for those strategies. Shares are allocated pro-rata to each eligible and participating investor's account.

Notwithstanding the foregoing, a client account may be deemed ineligible for participation in an offering for one or more of the following reasons:

- an investment strategy that is inconsistent with the account's participation;
- an account investment, brokerage restriction or contractual agreement prohibiting participation;

- an inability to margin the account; or
- insufficient cash in the account.

Wrap and model delivery programs, will never participate in IPO allocations. The wrap programs have client mandated restrictions on IPOs and the model delivery programs only receive Westfield's holdings daily, after the end of a trading day.

Westfield can deviate from the allocation methods described in this section. In such instances, the reasons are documented and communicated, usually via email, to the Committee and Compliance.

## **REVIEW OF ACCOUNTS**

Every client account is assigned to a product. Products are categorized by the Westfield investment strategies described in *Methods of Analysis, Investment Strategies, and Risk of Loss*. Consolidated holdings in our Small Cap Growth, Small/Mid Cap Growth, Mid Cap Growth, All Cap Growth and Large Cap Growth Equity Strategies are reviewed at least weekly by the Committee. To manage dispersion, our Operations team reviews client accounts against their product's model portfolio monthly. Client accounts and product strategies; All Cap Select Strategy, Dividend Growth Equity, Select Growth Equity, Sustainable Growth Equity and Global Dividend Growth Equity which are managed by an individual portfolio manager are reviewed on an ongoing basis by the assigned manager and Operations.

Excluding one wrap program and the model delivery programs, client investment guidelines are monitored, via an automated portfolio compliance system, by Westfield's Compliance team. Client guidelines are monitored on a pre- and post-trade basis. Westfield utilizes third party data, which feeds directly into the portfolio compliance system, to help monitor certain investment guidelines. When an exception is generated by the system, Compliance will review and validate the event. Client guideline breaches are resolved and reported per internal policies and procedures. Account cash levels are monitored daily by Operations.

On at least a monthly basis, Westfield's reconciliation team reconciles portfolio accounting records for each client account, excluding some of the wrap programs and excluding the model delivery programs, against the custodian bank's or prime broker's statements.

### **Separately Managed Accounts**

Unless other reporting terms are agreed upon, clients receive quarterly reports prepared by Westfield. The reports will typically include holdings at the end of the reportable period, transactions, market values, account performance versus benchmark performance, performance attribution, cost information, realized gains and income/expense transactions. On a quarterly basis, written Westfield product and market commentaries are included with the reporting package.

### **Affiliated Westfield Limited Partnerships**

Clients receive annual K-1s, quarterly account statements, and audited financial statements within 120 days after the partnership's fiscal year ends. Investors in the Micro-Cap Fund, L.P. also receive a quarterly investment commentary.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

From time to time, we will suggest to existing and prospective clients who do not meet our investment minimum criteria to consider a mutual fund that we sub-advise or advise. Westfield is not the distributor of such funds, but we will provide either the advisor's website or phone number so these clients may obtain the appropriate documents prior to making any investment with such funds. Westfield does not receive any compensation, outside of the agreed upon investment advisory fee, for these types of recommendations.

Westfield employees who are members of the Marketing and Client Service Department are compensated on client service efforts and new business generation. The compensation structure consists of a base salary, performance-based bonus award, eligibility for profit sharing interests, and commissions based on a percentage of annual revenue generated by new separate accounts and/or significant contributions to existing client accounts but excludes any sub-advised or advised mutual funds. This incentive poses a conflict in that members of the team could encourage investment in a product(s) that may not be suitable. To mitigate such risk, team members are not incentivized to sell one product versus another. Nor do they have specific sales targets. Further, Westfield's new account process includes a review of client contracts and investment policy statements to ensure the recommended product is suitable prior to funding. Lastly, all incentive compensation is reviewed and approved by the COO and CFO.

## **CUSTODY**

Since all client funds and securities are maintained at qualified custodians, Westfield does not take physical possession of any client assets. Under the SEC's Custody Rule however, Westfield is presumed to have custody because of our affiliation with the General Partner listed in *Other Financial Industry Activities and Affiliations*. Our affiliation with the General Partner gives us legal access to the funds of the private limited partnerships, even though we do not take physical custody of any such assets. The partnerships undergo an annual financial statement audit by an independent public accountant registered with, and subject to regular inspection by, the PCAOB. Investors in the limited partnerships receive copies of these audited financial statements. In addition, Westfield is deemed to have custody over any separately managed accounts owned by Westfield. These accounts are maintained at a qualified custodian, but Westfield will have legal access to the funds.

With the exception of the investors in the limited partnerships, clients should receive at least quarterly statements from their broker dealer, bank or other qualified custodian that holds and maintains the client's investment assets. Westfield urges each client to carefully review such statements and compare such official custodial records to the account statements that we provide to clients. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **INVESTMENT DISCRETION**

Westfield usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment strategy for the particular client account. Prior to assuming discretionary authority, Westfield must receive, in writing, an executed

investment management agreement or similar document stating such authority from the client; provided, however, that a written agreement or document will not be necessary for Westfield's proprietary accounts.

When selecting securities and determining amounts, Westfield observes applicable investment policies, limitations and restrictions of the clients for which it advises. Many of our clients will place limits on position sizes and sector weights, as well as brokerage direction. For registered investment companies, Westfield's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Client investment guidelines and restrictions must be reviewed and approved by Westfield. They also must be provided in writing. See the section entitled *Advisory Business* for additional information on client restrictions and guidelines.

## **VOTING CLIENT SECURITIES**

Westfield offers to vote U.S. proxies for all accounts and many of Westfield's clients have delegated this authority to Westfield. With the exception of ADRs and foreign domiciled securities that trade on U.S. exchanges, Westfield will not vote non-U.S. proxies. Clients also may elect to vote their own proxy ballots. Westfield believes that the voting of proxies can be an important tool for investors to promote best practices in corporate governance and Westfield will vote all proxies in the best interests of its clients as investors.

Westfield utilizes the proxy voting guidelines set forth by our third party service provider, Institutional Shareholder Services, Inc. ("ISS"). Clients have an option of selecting one of four sets of written voting guidelines: Standard, Taft-Hartley, Sustainability or Socially Responsible Investing ("SRI"). Once a client has chosen their voting policy, their account will be automatically set to vote in accordance with the written guidelines. With some exceptions, votes against the Standard and the Sustainability guidelines are generally permitted upon request by the security analyst or portfolio manager. Overrides are not allowed in the Taft-Hartley and SRI policies. Clients may change their voting policy selection at any time by sending a written request to Westfield's Operations team. Clients may also contact Westfield to inquire how a particular proposal will be voted for their account(s).

ISS votes the proxies and maintains voting records on behalf of Westfield. Westfield's Operations team, with oversight from Compliance monitors the vendor's activities by conducting periodic audits of proxy ballot votes. Westfield will vote only proxy ballots received, and ISS will utilize its best efforts in obtaining missing ballots on behalf of Westfield. Since there can be many factors affecting proxy ballot retrieval, it is possible that Westfield will not receive a ballot in time to place a vote. Clients who participate in securities lending programs should be aware that Westfield will not call back any shares on loan for proxy voting purposes.

Our Compliance and Operations teams are responsible for identifying the actual or potential conflicts of interest that may arise when voting proxy ballots on behalf of our clients. Since Westfield is solely focused on providing investment advisory services, it is unlikely that a material conflict will arise in connection with proxy voting. However, Westfield has put in place certain reviews that will help ensure proxy ballots are voted solely on the investment merits of the proposal. In identifying potential conflicts, Compliance will review many factors, including existing relationships with Westfield or an



employee. If an actual conflict of interest is identified, it is reviewed by the Compliance team, who may consult with the firm's Operations & Risk Management Committee. If it has been determined that the conflict is material in nature, the analyst or portfolio manager may not override the vendor's recommendation.

Westfield's proxy voting policy and procedures are available on its website ([www.westfieldcapital.com](http://www.westfieldcapital.com)). Clients may obtain a copy of the proxy voting policy and procedures by contacting Westfield's Operations team either by email ([wcmops@wcmgmt.com](mailto:wcmops@wcmgmt.com)) or by phone (617-428-7100). Clients may also obtain information from Westfield about how we voted any proxies on behalf of their account(s) by contacting us at the phone number or email provided directly above.

#### **Class Action Claims and Other Legal Proceedings on Behalf of Clients**

While Westfield may be authorized to vote proxy ballots on behalf of clients, Westfield will neither advise nor take any action on behalf of clients, or former clients, in any class action claims or other legal proceedings involving securities held in or formerly held in client's account(s) or involving the issuers of those securities.

#### **FINANCIAL INFORMATION**

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about Westfield's financial condition. Westfield has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

# Investment Committee

Westfield Capital Management Company, L.P.

1 Financial Center

Boston, MA 02111

617-428-7100

March 10, 2020

**This brochure supplement provides information about the members of Westfield's Investment Committee that supplements the Westfield brochure. You should have received a copy of that brochure. Please contact the Compliance Department at the above phone number if you did not receive Westfield's brochure or if you have any questions about the contents of this supplement.**

**Additional information about William Muggia, President, CEO, and CIO, is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

The SEC has required that Registered Investment Advisers include all the headings listed in this brochure supplement, regardless of whether the Item applies to a Supervised Person or not. For any item that is not applicable to the person listed, we have responded with a "Not applicable."

## **William A. Muggia**

**President, Chief Executive Officer and Chief Investment Officer**

### **Educational Background and Business Experience**

Mr. Muggia was born in 1961 and received his BA in 1983 from Middlebury College. Mr. Muggia received his MBA from Harvard Business School in 1992. Mr. Muggia has been employed with Westfield since 1994. In addition to leading Westfield's Investment Committee, Mr. Muggia covers the Health Care and Energy sectors, as well as provides market outlook and strategy.

### **Disciplinary Information**

Not applicable.

### **Other Business Activities**

Not applicable.

### **Additional Compensation**

Not applicable.

### **Supervision**

As Chief Investment Officer, Mr. Muggia is the lead member of Westfield's Investment Committee. Investment decisions for most client accounts are made at the Committee level. Once an investment decision has been approved, it is implemented across all eligible client accounts within the product. Almost all investment decisions are reviewed and approved by the Investment Committee; thus, no product trade orders may be executed without notification or approval by the Investment Committee. Product holdings are reviewed by the Investment Committee at a weekly meeting.

Mr. Muggia also serves as portfolio manager on certain client accounts. Although investment decisions for those client accounts do not require Investment Committee review or approval, they must be communicated to the Investment Committee. Westfield's Compliance Department also performs reviews of such individually managed accounts. The Chief Compliance Officer ("CCO") oversees Westfield's compliance function; the CCO can be reached at 617-428-7100.

Mr. Muggia also can be reached at 617-428-7100.

**Rajat Babbar, CFA**  
**Partner, Risk Manager**

**Educational Background and Business Experience**

Mr. Babbar was born in 1974 and graduated from Delhi College of Engineering in 1995. He received a Masters in Business Administration from University of Illinois in 1998. Mr. Babbar joined Westfield in 2014 as the Risk Manager. From 2009 - 2014, Mr. Babbar was Partner and Assistant Portfolio Manager at Copper Rock Capital Partners. As Risk Manager, Mr. Babbar's perspective will add another lens with which to view prospective investments.

Mr. Babbar earned his Chartered Financial Analyst ("CFA") designation in 2002. Issued by the CFA Institute, the CFA designation was first introduced in 1963. This charter currently requires a candidate to have four years qualified investment experience and embark on a graduate level self-study program that culminates in a series of three separate exams. The candidate must pass all three exams sequentially. Once the exams are completed, the candidate must become a member of the CFA Institute, which requires adherence to their Articles and Bylaws, Code of Ethics and Standards of Professional Conduct. Annual membership dues and Professional Conduct statements are required from all members.

**Disciplinary Information**

Not applicable.

**Other Business Activities**

Not applicable.

**Additional Compensation**

Not applicable.

**Supervision**

As a matter of policy, investment decisions for most client accounts are made at the Investment Committee level. Once an investment decision has been approved, it is implemented across all eligible client accounts within the product. Almost all investment decisions are reviewed and approved by the Investment Committee; thus, no product trade orders may be executed without either notification or approval by the Investment Committee. Product holdings are reviewed by the Investment Committee at a weekly meeting.

All Investment Committee members are supervised by Mr. William Muggia, President, CEO, and CIO. He can be reached at 617-428-7100.

**Scott R. Emerman, CFA**  
**Partner**

**Educational Background and Business Experience**

Mr. Emerman was born in 1969 and graduated in 1991 from Lehigh University. Mr. Emerman has been employed with Westfield since 2002 as a security analyst covering the Consumer Discretionary sector.

Mr. Emerman earned his Chartered Financial Analyst (“CFA”) designation in 1994. Issued by the CFA Institute, the CFA designation was first introduced in 1963. This charter currently requires a candidate to have four years qualified investment experience and embark on a graduate level self-study program that culminates in a series of three separate exams. The candidate must pass all three exams sequentially. Once the exams are completed, the candidate must become a member of the CFA Institute, which requires adherence to their Articles and Bylaws, Code of Ethics and Standards of Professional Conduct. Annual membership dues and Professional Conduct statements are required from all members.

**Disciplinary Information**

Not applicable.

**Other Business Activities**

Not applicable.

**Additional Compensation**

Not applicable.

**Supervision**

As a matter of policy, investment decisions for most client accounts are made at the Investment Committee level. Once an investment decision has been approved, it is implemented across all eligible client accounts within the product. Almost all investment decisions are reviewed and approved by the Investment Committee; thus, no product trade orders may be executed without either notification or approval by the Investment Committee. Product holdings are reviewed by the Investment Committee at a weekly meeting.

All Investment Committee members are supervised by Mr. William Muggia, President, CEO, and CIO. He can be reached at 617-428-7100.

**Samuel D. Ensslin**  
**Senior Security Analyst**

**Educational Background and Business Experience**

Mr. Ensslin was born in 1985 and graduated in 2007 from Babson College. Mr. Ensslin received his MBA from the Wharton School of the University of Pennsylvania in 2016. He has been employed with Westfield since 2016 as a security analyst covering Industrials, Materials, Energy and Consumer Staples. From 2014 to 2016, Mr. Ensslin was employed as a security analyst with Midwood Capital Management.

**Disciplinary Information**

Not applicable.

**Other Business Activities**

Not applicable.

**Additional Compensation**

Not applicable.

**Supervision**

As a matter of policy, investment decisions for most client accounts are made at the Investment Committee level. Once an investment decision has been approved, it is implemented across all eligible client accounts within the product. Almost all investment decisions are reviewed and approved by the Investment Committee; thus, no product trade orders may be executed without either notification or approval by the Investment Committee. Product holdings are reviewed by the Investment Committee at a weekly meeting.

All Investment Committee members are supervised by Mr. William Muggia, President, CEO, and CIO. He can be reached at 617-428-7100.

## **Robert Flores**

### **Managing Partner, Director of Disruptive Technology and Innovation**

#### **Educational Background and Business Experience**

Mr. Flores was born in 1970 and graduated in 1992 from Trinity College. Mr. Flores received his MBA from the Haas School of Business at the University of California, Berkeley in 1997. He has been employed with Westfield since 2007 as a security analyst covering Software and Internet.

#### **Disciplinary Information**

Not applicable.

#### **Other Business Activities**

Not applicable.

#### **Additional Compensation**

Not applicable.

#### **Supervision**

As a matter of policy, investment decisions for most client accounts are made at the Investment Committee level. Once an investment decision has been approved, it is implemented across all eligible client accounts within the product. Almost all investment decisions are reviewed and approved by the Investment Committee; thus, no product trade orders may be executed without either notification or approval by the Investment Committee. Product holdings are reviewed by the Investment Committee at a weekly meeting.

Mr. Flores also serves as co-portfolio manager on the Disruptive Innovation Fund. Although investment decisions for this client account do not require Investment Committee review or approval, they must be communicated to the Investment Committee. Westfield's Compliance Department also performs reviews of such individually managed accounts. The Chief Compliance Officer ("CCO") oversees Westfield's compliance function; the CCO can be reached at 617-428-7100.

All Investment Committee members are supervised by Mr. William Muggia, President, CEO, and CIO. He can be reached at 617-428-7100.

**William R. Gilchrist**  
**Partner**

**Educational Background and Business Experience**

Mr. Gilchrist was born in 1980 and graduated in 2003 from Williams College. Mr. Gilchrist has been employed with Westfield since 2007 as a security analyst covering the Materials sector.

**Disciplinary Information**

Not applicable.

**Other Business Activities**

Not applicable.

**Additional Compensation**

Not applicable.

**Supervision**

As a matter of policy, investment decisions for most client accounts are made at the Investment Committee level. Once an investment decision has been approved, it is implemented across all eligible client accounts within the product. Almost all investment decisions are reviewed and approved by the Investment Committee; thus, no product trade orders may be executed without either notification or approval by the Investment Committee. Product holdings are reviewed by the Investment Committee at a weekly meeting.

All Investment Committee members are supervised by Mr. William Muggia, President, CEO, and CIO. He can be reached at 617-428-7100.



**Garth W. Jonson, CFA**  
**Vice President**

**Educational Background and Business Experience**

Mr. Jonson was born in 1967 and graduated in 1991 from Harvard University. Mr. Jonson has been employed with Westfield since 2010 as a security analyst covering Healthcare Services & Technology, Medical Technology and Oncology.

Mr. Jonson became a Chartered Financial Analyst (“CFA”) in 2000. Issued by the CFA Institute, the CFA designation was first introduced in 1963. This charter currently requires a candidate to have four years qualified investment experience and embark on a graduate level self-study program that culminates in a series of three separate exams. The candidate must pass all three exams sequentially. Once the exams are completed, the candidate must become a member of the CFA Institute, which requires adherence to their Articles and Bylaws, Code of Ethics and Standards of Professional Conduct. Annual membership dues and Professional Conduct statements are required from all members.

**Disciplinary Information**

Not applicable.

**Other Business Activities**

Not applicable.

**Additional Compensation**

Not applicable.

**Supervision**

As a matter of policy, investment decisions for most client accounts are made at the Investment Committee level. Once an investment decision has been approved, it is implemented across all eligible client accounts within the product. Almost all investment decisions are reviewed and approved by the Investment Committee; thus, no product trade orders may be executed without either notification or approval by the Investment Committee. Product holdings are reviewed by the Investment Committee at a weekly meeting.

All Investment Committee members are supervised by Mr. William Muggia, President, CEO, and CIO. He can be reached at 617-428-7100.

**Richard D. Lee, CFA**  
**Managing Partner, Deputy Chief Investment Officer**

**Educational Background and Business Experience**

Mr. Lee was born in 1972 and graduated in 1994 from Harvard University. Mr. Lee has been employed with Westfield since 2004 as a security analyst covering Hardware & Semiconductors.

Mr. Lee earned his Chartered Financial Analyst (“CFA”) designation in 2004. Issued by the CFA Institute, the CFA designation was first introduced in 1963. This charter currently requires a candidate to have four years qualified investment experience and embark on a graduate level self-study program that culminates in a series of three separate exams. The candidate must pass all three exams sequentially. Once the exams are completed, the candidate must become a member of the CFA Institute, which requires adherence to their Articles and Bylaws, Code of Ethics and Standards of Professional Conduct. Annual membership dues and Professional Conduct statements are required from all members.

**Disciplinary Information**

Not applicable.

**Other Business Activities**

Not applicable.

**Additional Compensation**

Not applicable.

**Supervision**

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**Paul McHugh**  
**Director of ESG Research**

**Educational Background and Business Experience**

Mr. McHugh was born in 1966 and graduated from St. Francis Xavier University in 1988. He received a Masters in Business Administration from Harvard Business School in 1994. Mr. McHugh has been employed with Westfield since 2014 as the Director of ESG Research. As Director of ESG Research, Mr. McHugh's perspective will add another lens with which to view prospective investments.

**Disciplinary Information**

Not applicable.

**Other Business Activities**

Not applicable.

**Additional Compensation**

Not applicable.

**Supervision**

As a matter of policy, investment decisions for most client accounts are made at the Investment Committee level. Once an investment decision has been approved, it is implemented across all eligible client accounts within the product. Almost all investment decisions are reviewed and approved by the Investment Committee; thus, no product trade orders may be executed without either notification or approval by the Investment Committee. Product holdings are reviewed by the Investment Committee at a weekly meeting.

Mr. McHugh also serves as portfolio manager on certain client accounts. Although investment decisions for those client accounts do not require Investment Committee review or approval, they must be communicated to the Investment Committee. Westfield's Compliance Department also performs reviews of such individually managed accounts. The Chief Compliance Officer ("CCO") oversees Westfield's compliance function; the CCO can be reached at 617-428-7100.

All Investment Committee members are supervised by Mr. William Muggia, President, CEO, and CIO. He can be reached at 617-428-7100.

**Ethan J. Meyers, CFA**  
**Managing Partner, Director of Research**

**Educational Background and Business Experience**

Mr. Meyers was born in 1974 and graduated in 1996 from the Freeman School of Business at Tulane University. Mr. Meyers has been employed with Westfield since 1999 as a security analyst covering Business, Financial and Consumer Services.

Mr. Meyers earned his Chartered Financial Analyst (“CFA”) designation in 2001. Issued by the CFA Institute, the CFA designation was first introduced in 1963. This charter currently requires a candidate to have four years qualified investment experience and embark on a graduate level self-study program that culminates in a series of three separate exams. The candidate must pass all three exams sequentially. Once the exams are completed, the candidate must become a member of the CFA Institute, which requires adherence to their Articles and Bylaws, Code of Ethics and Standards of Professional Conduct. Annual membership dues and Professional Conduct statements are required from all members.

**Disciplinary Information**

Not applicable.

**Other Business Activities**

Not applicable.

**Additional Compensation**

Not applicable.

**Supervision**

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**John M. Montgomery**  
**Managing Partner, Portfolio Strategist and Chief Operating Officer**

**Educational Background and Business Experience**

Mr. Montgomery was born in 1964 and graduated in 1987 from Trinity College. In 1994, he received a Masters in Management from the JL Kellogg Graduate School of Management at Northwestern University. Mr. Montgomery has been employed with Westfield since 2006, focusing on portfolio and investment process strategy.

**Disciplinary Information**

Not applicable.

**Other Business Activities**

Not applicable.

**Additional Compensation**

Not applicable.

**Supervision**

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**Michael T. Poe**  
**Vice President**

**Educational Background and Business Experience**

Mr. Poe was born in 1978 and graduated in 2001 from Princeton University. Mr. Poe has been employed with Westfield since June 2016 as a security analyst covering the Financials sector. From March 2015 to December 2015, Mr. Poe was employed as an analyst with Surveyor Capital. From 2012 to 2015, Mr. Poe was employed as a senior analyst with CDP Capital U.S.

**Disciplinary Information**

Not applicable.

**Other Business Activities**

Not applicable.

**Additional Compensation**

Not applicable.

**Supervision**

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**Matthew R. Renna**  
**Partner**

**Educational Background and Business Experience**

Mr. Renna was born in 1977 and graduated in 1999 from Boston University. He holds both an MBA from the Carroll School of Management at Boston College (2006) and an MS from Boston University (2001). Mr. Renna has been employed with Westfield since 2013 as a security analyst covering Biotechnology, Pharmaceuticals and Life Sciences & Tools.

**Disciplinary Information**

Not applicable.

**Other Business Activities**

Not applicable.

**Additional Compensation**

Not applicable.

**Supervision**

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**Edward D. Richardson**  
**Vice President**

**Educational Background and Business Experience**

Mr. Richardson was born in 1981 and graduated in 2004 from Trinity College. Mr. Richardson received his MBA from Cornell University in 2010. Mr. Richardson has been employed with Westfield since 2014 as a security analyst covering the Industrials sector.

**Disciplinary Information**

Not applicable.

**Other Business Activities**

Not applicable.

**Additional Compensation**

Not applicable.

**Supervision**

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All Investment Committee members are supervised by Mr. William Muggia, President, CEO, and CIO. He can be reached at 617-428-7100.



**Kevin H. Shin**  
**Vice President**

**Educational Background and Business Experience**

Mr. Shin was born in 1988 and graduated in 2009 from Columbia University. Mr. Shin has been employed with Westfield since 2015 as a security analyst covering the Real Estate and Information Technology sectors. From 2013 to 2015, Mr. Shin was employed as an investment team associate with Symphony Technology Group.

**Disciplinary Information**

Not applicable.

**Other Business Activities**

Not applicable.

**Additional Compensation**

Not applicable.

**Supervision**

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**D. Hamlen Thompson**  
**Managing Partner**

**Educational Background and Business Experience**

Mr. Thompson was born in 1972 and graduated in 1994 from Colby College. Mr. Thompson received his MBA from Boston College in 1999. Mr. Thompson has been employed with Westfield since 2003 as a security analyst covering the Energy and Industrials sectors.

**Disciplinary Information**

Not applicable.

**Other Business Activities**

Not applicable.

**Additional Compensation**

Not applicable.

**Supervision**

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All Investment Committee members are supervised by Mr. William Muggia, President, CEO, and CIO. He can be reached at 617-428-7100.

**Rosie Zhang, CFA**  
**Senior Security Analyst**

**Educational Background and Business Experience**

Ms. Zhang was born in 1985 and graduated in 2007 from University of Virginia, McIntire School of Commerce. Ms. Zhang has been employed with Westfield since 2012 as a security analyst covering the Consumer Discretionary sector.

Ms. Zhang earned her Chartered Financial Analyst (“CFA”) designation in 2012. Issued by the CFA Institute, the CFA designation was first introduced in 1963. This charter currently requires a candidate to have four years qualified investment experience and embark on a graduate level self-study program that culminates in a series of three separate exams. The candidate must pass all three exams sequentially. Once the exams are completed, the candidate must become a member of the CFA Institute, which requires adherence to their Articles and Bylaws, Code of Ethics and Standards of Professional Conduct. Annual membership dues and Professional Conduct statements are required from all members.

**Disciplinary Information**

Not applicable.

**Other Business Activities**

Not applicable.

**Additional Compensation**

Not applicable.

**Supervision**

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# **Client Privacy Notice**

At Westfield Capital Management Company, L.P. (“Westfield”), protecting the privacy and confidentiality of your personal information is important to us. We value your business and the trust you put in Westfield. To offer you the financial services you seek, we collect, maintain and use information about you on a routine basis. To help you better understand how your personal information is protected here at Westfield we are providing you with the following statement describing our practices and policies with respect to the privacy of customer information. In the event you terminate your client relationship with us, or become an inactive client, we will continue to adhere to the policies and practices described in this notice.

## **Information We Collect**

As a trusted investment advisor, we collect, retain and use nonpublic personal information about individual clients to provide products and services to them. We may collect nonpublic personal information about you from such sources as applications or other forms. This nonpublic personal information may include your address and social security number. We may also collect nonpublic personal information from your transactions with us or with others which may include account balances, account numbers and transaction history.

## **Who Receives Information and Why**

All of the information Westfield collects is used for the purpose of delivering the services you have requested easily and efficiently. Westfield shares limited information it has about you with select companies, to the extent necessary, to help us provide our services. For example, when appropriate, Westfield may provide wire transfer instructions or settlement instructions to third party custodians to effect transactions between or from your accounts. Westfield does not disclose any nonpublic personal information about our clients or former clients to anyone, except as described herein and as otherwise required or permitted by law.

## **Service Providers**

At times, Westfield will enter into arrangements with companies or firms whose expertise is essential for Westfield’s own services to function properly or to complete transactions. For example, Westfield works with specialized firms that provide proxy ballot voting services and firms which generate account statements for our clients. As permitted by law, certain service providers have access to customer information that is necessary to perform these functions. Westfield’s service providers are required, under a legal agreement, to safeguard your information and use it only for authorized purposes.

## **Westfield’s Website**

Westfield’s website uses cookies solely to remember your use of the website. Westfield will not sell, transfer or disclose such information.

## **How We Protect Your Information**

We understand that the protection of your nonpublic personal information is of the utmost importance. Guarding your privacy is a responsibility we take seriously. Westfield maintains strict procedures and policies to safeguard your privacy. We restrict employee access to client information to only those who have a business reason to know such information, and we educate our employees about the importance of confidentiality and client privacy.

## **Where to Find Out More**

If you have any questions about our privacy program or the way your information is maintained and used, we would like to hear from you. Please call us at 617-428-7100, or write to:

Kathryn Kearney, Partner, CFO and CCO  
Westfield Capital Management Company, L.P.  
One Financial Center  
Boston, MA 02111-2621

**Your trust is important. Westfield is committed to protecting your privacy.**

January 1, 2020

**Westfield Capital Management Company, L.P. ("the Company") - Notice to Canadian Clients under National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("NI 31-103")**

Pursuant to the international adviser registration exemption in NI 31-103, the Company is informing you of the following:

1. The Company is not registered in Canada and is advising you, its client, in reliance upon an exemption from the adviser registration requirement under NI 31-103.
2. The Company's jurisdiction of residence is **Boston, Massachusetts, USA.**
3. The name and address of the agent for service of process of the Company in the Province of Alberta is:  
  
Borden Ladner Gervais LLP  
**(Attention: Jonathan Doll)**  
1000 Canterra Tower  
400 Third Avenue SW  
Calgary, Alberta T2P 4H2  
Canada
4. There may be difficulty enforcing legal rights against the Company because it is resident outside of Canada and all or substantially all of its assets may be situated outside of Canada.

Yours truly,  
**Westfield Capital Management Company, L.P.**

By: \_\_\_\_\_

Kathryn Kearney  
Partner, Chief Financial Officer & Chief Compliance Officer

January 1, 2020

**Westfield Capital Management Company, L.P. ("the Company") - Notice to Canadian Clients under National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("NI 31-103")**

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1. The Company is not registered in Canada and is advising you, its client, in reliance upon an exemption from the adviser registration requirement under NI 31-103.
2. The Company's jurisdiction of residence is **Boston, Massachusetts, USA.**
3. The name and address of the agent for service of process of the Company in the Province of British Columbia is:

Borden Ladner Gervais LLP  
**(Attention: Jason Brooks)**  
1200 Waterfront Centre  
200 Burrard Street  
P.O. Box 48600  
Vancouver, British Columbia V7X 1T2  
Canada

4. There may be difficulty enforcing legal rights against the Company because it is resident outside of Canada and all or substantially all of its assets may be situated outside of Canada.

Yours truly,  
**Westfield Capital Management Company, L.P.**

By:   
Kathryn Kearney  
Partner, Chief Financial Officer & Chief Compliance Officer

January 1, 2020

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2. The Company's jurisdiction of residence is **Boston, Massachusetts, USA.**
3. The name and address of the agent for service of process of the Company in the Province of Manitoba is:

MLT Aikins LLP  
**(Attention: Brian Lerner)**  
360 Main Street, 30<sup>th</sup> Floor  
Winnipeg, Manitoba R3C 4G1  
Canada

4. There may be difficulty enforcing legal rights against the Company because it is resident outside of Canada and all or substantially all of its assets may be situated outside of Canada.

Yours truly,  
**Westfield Capital Management Company, L.P.**

By:   
Kathryn Kearney  
Partner, Chief Financial Officer & Chief Compliance Officer



January 1, 2020

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1. The Company is not registered in Canada and is advising you, its client, in reliance upon an exemption from the adviser registration requirement under NI 31-103.
2. The Company's jurisdiction of residence is **Boston, Massachusetts, USA.**
3. The name and address of the agent for service of process of the Company in the Province of New Brunswick is:

Cox & Palmer  
**(Attention: Deborah Power)**  
TD Tower, 77 Westmorland Street  
Suite 300, P.O. Box 310, Station A.  
Fredericton, New Brunswick E3B 4Y9  
Canada

4. There may be difficulty enforcing legal rights against the Company because it is resident outside of Canada and all or substantially all of its assets may be situated outside of Canada.

Yours truly,  
**Westfield Capital Management Company, L.P.**

By:   
Kathryn Kearney  
Partner, Chief Financial Officer & Chief Compliance Officer



January 1, 2020

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2. The Company's jurisdiction of residence is **Boston, Massachusetts, USA.**
3. The name and address of the agent for service of process of the Company in the Province of Newfoundland and Labrador is:

Stewart McKelvey  
**(Attention: Dennis Ryan)**  
100 New Gower Street  
Suite 1100, P.O. Box 5038  
St. John's, Newfoundland & Labrador A1C 5V3  
Canada

4. There may be difficulty enforcing legal rights against the Company because it is resident outside of Canada and all or substantially all of its assets may be situated outside of Canada.

Yours truly,  
**Westfield Capital Management Company, L.P.**

By:   
Kathryn Kearney  
Partner, Chief Financial Officer & Chief Compliance Officer

January 1, 2020

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2. The Company's jurisdiction of residence is **Boston, Massachusetts, USA.**
3. The name and address of the agent for service of process of the Company in the Province of Northwest Territories is:

Lawson Lundell LLP  
**(Attention: Sheila MacPherson)**  
200 – 4915 48<sup>th</sup> Street,  
Yellowknife, Northwest Territories X1A 2N6  
Canada

4. There may be difficulty enforcing legal rights against the Company because it is resident outside of Canada and all or substantially all of its assets may be situated outside of Canada.

Yours truly,  
**Westfield Capital Management Company, L.P.**

By: \_\_\_\_\_

Kathryn Kearney

Partner, Chief Financial Officer & Chief Compliance Officer

January 1, 2020

**Westfield Capital Management Company, L.P. ("the Company") - Notice to Canadian Clients under National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("NI 31-103")**

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2. The Company's jurisdiction of residence is **Boston, Massachusetts, USA.**
3. The name and address of the agent for service of process of the Company in the Province of Nova Scotia is:

Cox & Palmer  
**(Attention: Daniel Gallivan)**  
1100 Purdy's Wharf Tower One  
1959 Upper Water Street  
P.O. Box 2380  
Halifax, Nova Scotia B3J 3E5  
Canada

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Yours truly,  
**Westfield Capital Management Company, L.P.**

By:   
Kathryn Kearney  
Partner, Chief Financial Officer & Chief Compliance Officer

January 1, 2020

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2. The Company's jurisdiction of residence is **Boston, Massachusetts, USA.**
3. The name and address of the agent for service of process of the Company in the Province of Nunavut is:

Lawson Lundell LLP  
**(Attention: Sheila MacPherson)**  
P.O. Box 1734, House 2436  
Iqaluit, Nunavut X0A 0H0  
Canada

4. There may be difficulty enforcing legal rights against the Company because it is resident outside of Canada and all or substantially all of its assets may be situated outside of Canada.

Yours truly,  
**Westfield Capital Management Company, L.P.**

By: \_\_\_\_\_

  
Kathryn Kearney  
Partner, Chief Financial Officer & Chief Compliance Officer



January 1, 2020

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2. The Company's jurisdiction of residence is **Boston, Massachusetts, USA.**
3. The name and address of the agent for service of process of the Company in the Province of Ontario is:  
  
Borden Ladner Gervais LLP  
**(Attention: Laurie Cook)**  
Bay Adelaide Centre, East Tower  
22 Adelaide Street West  
Toronto, Ontario M5H 4E3  
Canada
4. There may be difficulty enforcing legal rights against the Company because it is resident outside of Canada and all or substantially all of its assets may be situated outside of Canada.

Yours truly,

**Westfield Capital Management Company, L.P.**

By: \_\_\_\_\_

Kathryn Kearney

Partner, Chief Financial Officer & Chief Compliance Officer

January 1, 2020

**Westfield Capital Management Company, L.P. ("the Company") - Notice to Canadian Clients under National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("NI 31-103")**

Pursuant to the international adviser registration exemption in NI 31-103, the Company is informing you of the following:

1. The Company is not registered in Canada and is advising you, its client, in reliance upon an exemption from the adviser registration requirement under NI 31-103.
2. The Company's jurisdiction of residence is **Boston, Massachusetts, USA.**
3. The name and address of the agent for service of process of the Company in the Province of Prince Edward Island is:

Stewart McKelvey  
**(Attention: James Travers)**  
65 Grafton Street  
Charlottetown, Prince Edward Island  
C1A 8B9  
Canada

4. There may be difficulty enforcing legal rights against the Company because it is resident outside of Canada and all or substantially all of its assets may be situated outside of Canada.

Yours truly,

**Westfield Capital Management Company, L.P.**

By: \_\_\_\_\_

Kathryn Kearney

Partner, Chief Financial Officer & Chief Compliance Officer

January 1, 2020

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2. The Company's jurisdiction of residence is **Boston, Massachusetts, USA.**
3. The name and address of the agent for service of process of the Company in the Province of Quebec is:

Borden Ladner Gervais LLP  
**(Attention: Christian Faribault)**  
1000 rue de La Gauchetiere Ouest  
Bureau 900  
Montreal, Quebec H3B 5H4  
Canada

4. There may be difficulty enforcing legal rights against the Company because it is resident outside of Canada and all or substantially all of its assets may be situated outside of Canada.

Yours truly,  
**Westfield Capital Management Company, L.P.**

By:   
Kathryn Kearney  
Chief Financial Officer & Chief Compliance Officer

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1. The Company is not registered in Canada and is advising you, its client, in reliance upon an exemption from the adviser registration requirement under NI 31-103.
2. The Company's jurisdiction of residence is **Boston, Massachusetts, USA.**
3. The name and address of the agent for service of process of the Company in the Province of Saskatchewan is:  
  
MLT Aikins LLP  
**(Attention: Aaron Runge)**  
1500-1874 Scarth Street  
Regina, Saskatchewan S4P 4E9  
Canada
4. There may be difficulty enforcing legal rights against the Company because it is resident outside of Canada and all or substantially all of its assets may be situated outside of Canada.

Yours truly,  
**Westfield Capital Management Company, L.P.**

By:   
Kathryn Kearney  
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2. The Company's jurisdiction of residence is **Boston, Massachusetts, USA.**
3. The name and address of the agent for service of process of the Company in the Province of Yukon is:

MacDonald & Company  
**(Attention: Grant MacDonald)**  
204 Lambert Street, Suite 200  
Whitehorse, Yukon Y1A 3C2  
Canada

4. There may be difficulty enforcing legal rights against the Company because it is resident outside of Canada and all or substantially all of its assets may be situated outside of Canada.

Yours truly,  
**Westfield Capital Management Company, L.P.**

By: \_\_\_\_\_

Kathryn Kearney

Partner, Chief Financial Officer & Chief Compliance Officer

**Guide to Services and Compensation**  
**Prepared for Morgan Stanley Large Cap Growth Select UMA Wrap Program Clients (“Client” or “Account”)**  
**March 10, 2020**

The following is a guide to important information that the Client should consider in connection with the services to be provided by Westfield Capital Management Company, L.P. (“Westfield”) to the Client. Additional information about Westfield can be found in Westfield’s Form ADV Part 2A, which is available upon request.

Should the Client have any questions concerning this guide or the information provided to the Client concerning our services or compensation, please do not hesitate to contact Westfield’s Marketing and Client Service Department at 617-428-7100.

<b>Required Information</b>	
A description of the services that Westfield will provide to the Client.	As a manager in the Morgan Stanley Large Cap Growth Select UMA Wrap Program (“Program”), Westfield will direct, in its sole and absolute discretion, the investment and reinvestment of the Account in securities, cash or other assets in accordance with the Westfield Large Cap Growth Equity Strategy. In managing the Account, Westfield may take risks which in its judgment are reasonable in relation to the potential return. The objectives, risks, and limitations associated with this strategy are located in Westfield’s Form ADV Part 2A under the section entitled “Methods of Analysis, Investment Strategies and Risk of Loss.”
A statement concerning the services that Westfield will provide as a fiduciary and a registered investment adviser.	Westfield will provide services to the Client as a fiduciary and as a registered investment adviser.
Compensation that Westfield will receive from the Client (“direct” compensation).	Westfield will not receive any direct compensation from the Client. For more information about Westfield’s participation in the Program, please refer to Westfield’s Form ADV Part 2A, under the section entitled “Wrap Fee Programs.”
Compensation that Westfield will receive from other parties that are not related to Westfield (“indirect” compensation).	<p><u>Advisory Fee</u>  On a quarterly basis, Morgan Stanley, the Program sponsor, will pay Westfield 0.30% per annum for all ERISA client assets managed by Westfield under the Program.</p> <p><u>Research Services (“Soft Dollars”)</u>  At Westfield, we value Wall Street, regional brokerage, and third party research. The information that these firms generate and the access that they provide are complementary to Westfield’s investment process. Westfield believes that utilizing client commissions to pay for these products and services – also called soft dollar benefits – is prudent as they aid in our pursuit of superior investment performance. While Westfield’s clients are the ultimate beneficiary of research services provided by a third party, Westfield receives a benefit as well.</p> <p>It is not possible for that benefit to be specifically tied to any one client. Even clients with directed brokerage arrangements receive soft dollar benefits. As such, the ultimate benefit is shared by all clients regardless of the magnitude of their commission spend. Soft dollar benefits are received by all clients, not just those “paying” for the benefit. Similarly, there is no attempt to allocate the benefit proportionately to those generating the majority of the commissions. In return for soft dollar benefits, clients may pay commissions higher than those charged by other brokers or dealers. Westfield has a review in place which determines that the higher commission is reasonable in relation to the value of the brokerage and research services provided. Because of our interest in</p>

**Guide to Services and Compensation**  
**Prepared for Morgan Stanley Large Cap Growth Select UMA Wrap Program Clients (“Client” or “Account”)**  
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	<p>receiving third party research services, there may be an incentive for Westfield to select a broker or dealer based on such interest rather than the clients’ interest in receiving most favorable execution. To mitigate the conflict that Westfield may have an incentive beyond best execution to utilize a particular broker, a broker vote is conducted and reviewed on a quarterly basis.</p> <p>Execution-only commission rates are available to institutional investors; these rates range from 1-3c/share. These are rates paid strictly for trading stock and reflect no effort made to influence research or investment decision-making. Commission rates higher than an execution-only rate are often paid as recognition for research services that Westfield’s Investment Committee regards as beneficial to the performance of client accounts.</p> <p>Other research providers may not be broker dealers (or may be a broker dealer with whom Westfield finds no real value in their trading capabilities) and as such, cannot be compensated for their efforts with a bundled commission rate. In order to pay for their services (that have value to the Investment Committee), Westfield has established Commission Sharing Agreements with certain broker dealers. Under these arrangements, a bundled commission rate is paid to an executing broker, ranging from 2-4c/share. Of that amount, 1-2c/share is retained as compensation for execution and 1-3c/share is reserved to be used to pay other service providers. An invoice is generated and under the direction of Westfield, payment is made directly to the service providers from this reserve. Payment for all services, whether in a bundled rate or indirect, are subject to the same review through the broker vote.</p> <p>Additional information regarding Westfield’s soft dollar practices is located under the section entitled “Research Services” in Westfield’s Form ADV Part 2A.</p> <p><u>Gifts and Business Entertainment</u></p> <p>Westfield employees will receive gifts and business entertainment from broker dealers and vendors. Gifts and business entertainment typically comes in the form of occasional meals or tickets to sporting events, which are subject to value limits and reporting requirements. Such activities are regulated by Westfield’s Gifts and Business Entertainment policy. A copy of Westfield’s Gifts and Business Entertainment policy is available upon request.</p>
Compensation that will be paid among Westfield and related parties.	Westfield will not pay any compensation among related parties.
Compensation that Westfield will receive if the Client terminates the services provided by Westfield.	Westfield will not receive any termination fees from the Client.

**Guide to Services and Compensation**  
**Prepared for Morgan Stanley Mid Cap Growth Select UMA Wrap Program Clients (“Client” or “Account”)**  
**March 10, 2020**

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# Proxy Voting

## **Introduction**

Westfield will offer to vote U.S. exchange traded proxies for all client accounts. Westfield believes that the voting of proxies can be an important tool for investors to promote best practices in corporate governance and we seek to vote all proxies in the best interests of our clients as investors. Westfield also recognizes that the voting of proxies with respect to securities held in client accounts is an investment responsibility having economic value.

In accordance with Rule 206(4)-6 under the Investment Advisers Act of 1940 (the “Act”), Westfield has adopted and implemented policies and procedures that we believe are reasonably designed to ensure that proxies are voted in the best interest of our clients. Our authority to vote proxies for our clients is established in writing, usually by the investment advisory contract. Clients can change such authority at any time with prior written notice to Westfield. Clients can also contact their Marketing representative or the Operations Department (wcmops@wcmgmt.com) for a report of how their accounts’ securities were voted.

## **Oversight of Proxy Voting Function**

Westfield has engaged a third party service provider, Institutional Shareholder Services, Inc. (the “vendor”), to assist with proxy voting. Westfield’s Operations team, with oversight from Compliance, will:

- oversee the vendor; this includes performing annual audits of the proxy votes and conducting annual due diligence;
- ensure required proxy records are retained according to applicable rules and regulations and internal policy;
- distribute proxy reports prepared by the vendor for internal and external requests;
- review the proxy policy and voting guidelines at least annually; and
- identify material conflicts of interest that may impair our ability to vote shares in our clients’ best interest.

## **Proxy Voting Guidelines**

Westfield utilizes the vendor’s proxy voting guidelines, which consider market-specific best practices, transparency, and disclosure when addressing shareholder matters. Clients may choose to vote in accordance with the vendor’s U.S. proxy voting guidelines (i.e., Standard Guidelines), Taft-Hartley guidelines which are in full conformity with the AFL-CIO’s proxy voting guidelines, Socially Responsible Investing Guidelines (“SRI”) or Sustainability Guidelines. A summary of ISS’ voting guidelines is located at the end of this policy.

Generally, information on Westfield’s proxy voting decisions or status of votes will not be communicated or distributed to external solicitors. On occasion, Westfield may provide such information to solicitors if we believe a response will benefit our clients or a response is requested from the Westfield security analyst or portfolio manager.

## **Proxy Voting Process**

The vendor tracks proxy meetings and reconciles proxy ballots received for each meeting. Westfield will use best efforts in obtaining any missing ballots; however, we vote only those proxy ballots our vendor has received. For any missing ballots, the vendor and/or Westfield will contact custodians to locate such missing ballots. Since there can be many factors affecting proxy ballot retrieval, it is possible that Westfield will not receive a ballot in time to place a vote. Clients who participate in securities lending programs should be aware that Westfield will not call back any shares on loan for proxy voting purposes.

For each meeting, the vendor reviews the agenda and applies a vote recommendation for each proposal based on the written guidelines assigned to the applicable accounts. Proxies will be voted in accordance with

## **Proxy Voting**

the guidelines, unless the Westfield analyst or portfolio manager believes that following the vendor's guidelines would not be in the clients' best interests.

With limited exceptions, an analyst or portfolio manager may request to override the Standard or the Sustainability Guidelines at any time before the votes have been cast. In addition, certain proxy ballots (e.g., contentious proposals) may necessitate further review from the analyst or portfolio manager. Compliance will attempt to identify such ballots and bring them to the analyst's or portfolio manager's attention. If the analyst or portfolio manager chooses to vote against the vendor's stated guidelines in any instance, he/she must make the request in writing and provide a rationale for the vote against the stated guidelines. No analyst or portfolio manager overrides are permitted in the Taft-Hartley and SRI guidelines.

### **Non-U.S. Proxies**

With the exception of ADRs and foreign domiciled securities that trade on U.S. exchanges, Westfield will not vote non-U.S. proxies.

### **Conflicts of Interest**

Compliance and Operations are responsible for identifying conflicts of interest that could arise when voting proxy ballots on behalf of our clients. Since our business is solely focused on providing investment advisory services, it is unlikely that a material conflict will arise in connection with proxy voting. Additionally, per Westfield's Code of Ethics and other internal policies, all employees should avoid situations where potential conflicts may exist. Westfield has put in place certain reviews to ensure proxies are voted solely on the investment merits of the proposal. In identifying potential conflicts, Compliance and Operations will review many factors, including, but not limited to existing relationships with Westfield or an employee, and the vendor's disclosed conflicts. If an actual conflict of interest is identified, it is reviewed by the Compliance and/or Operations teams. If it is determined that the conflict is material in nature, the analyst or portfolio manager may not override the vendor's recommendation.

### **Proxy Reports**

Westfield can provide account specific proxy reports to clients upon request or at scheduled time periods (e.g., quarterly). Client reporting requirements typically are established during the initial account set-up stage, but clients may modify this reporting schedule at any time with prior written notice to Westfield. The reports will contain at least the following information:

- company name
- meeting agenda
- how the account voted on each agenda item
- how management recommended the vote to be cast on each agenda item
- rationale for any votes against the established guidelines (rationale is not always provided for votes that are in-line with guidelines since these are set forth in the written guidelines)

### **Recordkeeping**

In accordance with Rule 204-2 of the Investment Advisers Act of 1940, proxy voting records will be maintained for at least five years. The following records will be retained by either Westfield or the proxy vendor:

- a copy of the Proxy Voting Policies and Guidelines and amendments that were in effect during the required time period;

## **Proxy Voting**

- electronic or paper copies of each proxy statement received by Westfield or the vendor with respect to securities in client accounts (Westfield may also rely on obtaining copies of proxy statements from the SEC's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system);
- records of each vote cast for each client;
- documentation created by Westfield that were material to making a decision on how to vote proxies or memorializes the basis for such decision (basis for decisions voted in line with policy is provided in the written guidelines);
- written reports to clients on proxy voting and all client requests for information and Westfield's response;
- disclosure documentation to clients on how they may obtain information on how we voted their securities





# UNITED STATES

## Concise Proxy Voting Guidelines Benchmark Policy Recommendations

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Effective for Meetings on or after February 1, 2020  
Published December 11, 2019



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The policies contained herein are a sampling only of selected key ISS U.S. proxy voting guidelines, and are not intended to be exhaustive. The complete guidelines can be found at:

<https://www.issgovernance.com/policy-gateway/voting-policies/>

## Board of Directors

### Voting on Director Nominees in Uncontested Elections

► **General Recommendation:** Generally vote for director nominees, except under the following circumstances (with new nominees<sup>1</sup> considered on case-by-case basis):

#### Independence

Vote against<sup>2</sup> or withhold from non-independent directors (Executive Directors and Non-Independent Non-Executive Directors per ISS' Classification of Directors) when:

- Independent directors comprise 50 percent or less of the board;
- The non-independent director serves on the audit, compensation, or nominating committee;
- The company lacks an audit, compensation, or nominating committee so that the full board functions as that committee; or
- The company lacks a formal nominating committee, even if the board attests that the independent directors fulfill the functions of such a committee.

#### Composition

**Attendance at Board and Committee Meetings:** Generally vote against or withhold from directors (except nominees who served only part of the fiscal year<sup>3</sup>) who attend less than 75 percent of the aggregate of their board and committee meetings for the period for which they served, unless an acceptable reason for absences is disclosed in the proxy or another SEC filing. Acceptable reasons for director absences are generally limited to the following:

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

In cases of chronic poor attendance without reasonable justification, in addition to voting against the director(s) with poor attendance, generally vote against or withhold from appropriate members of the nominating/governance committees or the full board.

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<sup>1</sup> A "new nominee" is a director who is being presented for election by shareholders for the first time. Recommendations on new nominees who have served for less than one year are made on a case-by-case basis depending on the timing of their appointment and the problematic governance issue in question.

<sup>2</sup> In general, companies with a plurality vote standard use "Withhold" as the contrary vote option in director elections; companies with a majority vote standard use "Against". However, it will vary by company and the proxy must be checked to determine the valid contrary vote option for the particular company.

<sup>3</sup> Nominees who served for only part of the fiscal year are generally exempted from the attendance policy.

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

**Overboarded Directors:** Generally vote against or withhold from individual directors who:

- Sit on more than five public company boards; or
- Are CEOs of public companies who sit on the boards of more than two public companies besides their own — withhold only at their outside boards<sup>4</sup>.

**Diversity:** For companies in the Russell 3000 or S&P 1500 indices, generally vote against or withhold from the chair of the nominating committee (or other directors on a case-by-case basis) at companies where there are no women on the company's board. Mitigating factors include:

- Until Feb. 1, 2021, a firm commitment, as stated in the proxy statement, to appoint at least one woman to the board within a year;
- The presence of a woman on the board at the preceding annual meeting and a firm commitment to appoint at least one woman to the board within a year; or
- Other relevant factors as applicable.

### Responsiveness

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

- The board failed to act on a shareholder proposal that received the support of a majority of the shares cast in the previous year or failed to act on a management proposal seeking to ratify an existing charter/bylaw provision that received opposition of a majority of the shares cast in the previous year. Factors that will be considered are:
  - Disclosed outreach efforts by the board to shareholders in the wake of the vote;
  - Rationale provided in the proxy statement for the level of implementation;
  - The subject matter of the proposal;
  - The level of support for and opposition to the resolution in past meetings;
  - Actions taken by the board in response to the majority vote and its engagement with shareholders;
  - The continuation of the underlying issue as a voting item on the ballot (as either shareholder or management proposals); and
  - Other factors as appropriate.
- The board failed to act on takeover offers where the majority of shares are tendered;
- At the previous board election, any director received more than 50 percent withhold/against votes of the shares cast and the company has failed to address the issue(s) that caused the high withhold/against vote.

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

- The company's previous say-on-pay received the support of less than 70 percent of votes cast. Factors that will be considered are:
  - The company's response, including:

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<sup>4</sup> Although all of a CEO's subsidiary boards with publicly-traded common stock will be counted as separate boards, ISS will not recommend a withhold vote for the CEO of a parent company board or any of the controlled (>50 percent ownership) subsidiaries of that parent but may do so at subsidiaries that are less than 50 percent controlled and boards outside the parent/subsidiary relationships.

- Disclosure of engagement efforts with major institutional investors, including the frequency and timing of engagements and the company participants (including whether independent directors participated);
- Disclosure of the specific concerns voiced by dissenting shareholders that led to the say-on-pay opposition;
- Disclosure of specific and meaningful actions taken to address shareholders' concerns;
- 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.
- The board implements an advisory vote on executive compensation on a less frequent basis than the frequency that received the plurality of votes cast.

## Accountability

### *Problematic Takeover Defenses/Governance Structure*

**Poison Pills:** Vote against or withhold from all nominees (except new nominees<sup>1</sup>, who should be considered case-by-case) if:

- The company has a poison pill that was not approved by shareholders<sup>5</sup>. However, vote case-by-case on nominees if the board adopts an initial pill with a term of one year or less, depending on the disclosed rationale for the adoption, and other factors as relevant (such as a commitment to put any renewal to a shareholder vote).
- The board makes a material adverse modification to an existing pill, including, but not limited to, extension, renewal, or lowering the trigger, without shareholder approval.

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

**Removal of Shareholder Discretion on Classified Boards:** The company has opted into, or failed to opt out of, state laws requiring a classified board structure.

**Director Performance Evaluation:** The board lacks mechanisms to promote accountability and oversight, coupled with sustained poor performance relative to peers. Sustained poor performance is measured by one-, three-, and five-year total shareholder returns in the bottom half of a company's four-digit GICS industry group (Russell 3000 companies only). Take into consideration the company's operational metrics and other factors as warranted. Problematic provisions include but are not limited to:

- A classified board structure;
- A supermajority vote requirement;
- Either a plurality vote standard in uncontested director elections, or a majority vote standard in contested elections;
- The inability of shareholders to call special meetings;
- The inability of shareholders to act by written consent;
- A multi-class capital structure; and/or
- A non-shareholder-approved poison pill.

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<sup>5</sup> Public shareholders only, approval prior to a company's becoming public is insufficient.

**Unilateral Bylaw/Charter Amendments and Problematic Capital Structures:** Generally vote against or withhold from directors individually, committee members, or the entire board (except new nominees<sup>1</sup>, 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. Generally vote against (except new nominees<sup>1</sup>, 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.

**Problematic Capital Structure - Newly Public Companies:** For newly public companies<sup>6</sup>, generally vote against or withhold from the entire board (except new nominees<sup>1</sup>, who should be considered case-by-case) if, prior to or in connection with the company's public offering, the company or its board implemented a multi-class capital structure in which the classes have unequal voting rights without subjecting the multi-class capital structure to a reasonable time-based sunset. In assessing the reasonableness of a time-based sunset provision, consideration will be given to the company's lifespan, its post-IPO ownership structure and the board's disclosed rationale for the sunset period selected. No sunset period of more than seven years from the date of the IPO will be considered to be reasonable.

Continue to vote against or withhold from incumbent directors in subsequent years, unless the problematic capital structure is reversed or removed.

**Problematic Governance Structure - Newly Public Companies:** For newly public companies<sup>6</sup>, generally vote against or withhold from directors individually, committee members, or the entire board (except new nominees<sup>1</sup>, 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:

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

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<sup>6</sup> Newly-public companies generally include companies that emerge from bankruptcy, spin-offs, direct listings, and those who complete a traditional initial public offering.

A reasonable sunset provision will be considered a mitigating factor.

Unless the adverse provision is reversed or removed, vote case-by-case on director nominees in subsequent years.

**Management Proposals to Ratify Existing Charter or Bylaw Provisions:** Vote against/withhold from individual directors, members of the governance committee, or the full board, where boards ask shareholders to ratify existing charter or bylaw provisions considering the following factors:

- The presence of a shareholder proposal addressing the same issue on the same ballot;
- The board's rationale for seeking ratification;
- Disclosure of actions to be taken by the board should the ratification proposal fail;
- Disclosure of shareholder engagement regarding the board's ratification request;
- The level of impairment to shareholders' rights caused by the existing provision;
- The history of management and shareholder proposals on the provision at the company's past meetings;
- Whether the current provision was adopted in response to the shareholder proposal;
- The company's ownership structure; and
- Previous use of ratification proposals to exclude shareholder proposals.

### *Restrictions on Shareholders' Rights*

**Restricting Binding Shareholder Proposals:** Generally vote against or withhold from the members of the governance committee if:

- The company's governing documents impose 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, subject matter restrictions, or time holding requirements in excess of SEC Rule 14a-8. Vote against or withhold on an ongoing basis.

Submission of management proposals to approve or ratify requirements in excess of SEC Rule 14a-8 for the submission of binding bylaw amendments will generally be viewed as an insufficient restoration of shareholders' rights. Generally continue to vote against or withhold on an ongoing basis until shareholders are provided with an unfettered ability to amend the bylaws or a proposal providing for such unfettered right is submitted for shareholder approval.

### *Problematic Audit-Related Practices*

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

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

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

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

### *Problematic Compensation Practices*

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

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

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.

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.

### ***Problematic Pledging of Company Stock:***

Vote against the members of the committee that oversees risks related to pledging, or the full board, where a significant level of pledged company stock by executives or directors raises concerns. The following factors will be considered:

- The presence of an anti-pledging policy, disclosed in the proxy statement, that prohibits future pledging activity;
- The magnitude of aggregate pledged shares in terms of total common shares outstanding, market value, and trading volume;
- Disclosure of progress or lack thereof in reducing the magnitude of aggregate pledged shares over time;
- Disclosure in the proxy statement that shares subject to stock ownership and holding requirements do not include pledged company stock; and
- Any other relevant factors.

### ***Governance Failures***

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

- Material failures of governance, stewardship, risk oversight<sup>7</sup>, or fiduciary responsibilities at the company;
- Failure to replace management as appropriate; or
- Egregious actions related to a director's service on other boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company.

## **Voting on Director Nominees in Contested Elections**

### **Vote-No Campaigns**



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

<sup>7</sup> 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 settlement; or hedging of company stock.

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

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

- Long-term financial performance of the 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 the 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, 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 there are more candidates than board seats).

### Independent Board Chair

➤ **General Recommendation:** Generally vote for shareholder proposals requiring that the board chair position be filled by an independent director, taking into consideration the following:

- The scope and rationale 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.

The following factors will increase the likelihood of a "for" recommendation:

- A majority non-independent board and/or the presence of non-independent directors on key board committees;
- A weak or poorly-defined lead independent director role that fails to serve as an appropriate counterbalance to a combined CEO/chair role;
- 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;
- Evidence that the board has failed to oversee and address material risks facing the company;
- A material governance failure, particularly if the board has failed to adequately respond to shareholder concerns or if the board has materially diminished shareholder rights; or
- Evidence that the board has failed to intervene when management's interests are contrary to shareholders' interests.

### Proxy Access

➤ **General Recommendation:** Generally vote for management and shareholder proposals for proxy access with the following provisions:

- **Ownership threshold:** maximum requirement not more than three percent (3%) of the voting power;
- **Ownership duration:** maximum requirement not longer than three (3) years of continuous ownership for each member of the nominating group;
- **Aggregation:** minimal or no limits on the number of shareholders permitted to form a nominating group;
- **Cap:** cap on nominees of generally twenty-five percent (25%) of the board.


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

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



## Shareholder Rights & Defenses

### Ratification Proposals: Management Proposals to Ratify Existing Charter or Bylaw Provisions


 **General Recommendation:** Generally vote against management proposals to ratify provisions of the company's existing charter or bylaws, unless these governance provisions align with best practice.

In addition, voting against/withhold from individual directors, members of the governance committee, or the full board may be warranted, considering:

- The presence of a shareholder proposal addressing the same issue on the same ballot;
- The board's rationale for seeking ratification;
- Disclosure of actions to be taken by the board should the ratification proposal fail;
- Disclosure of shareholder engagement regarding the board's ratification request;
- The level of impairment to shareholders' rights caused by the existing provision;
- The history of management and shareholder proposals on the provision at the company's past meetings;
- Whether the current provision was adopted in response to the shareholder proposal;
- The company's ownership structure; and
- Previous use of ratification proposals to exclude shareholder proposals.

## Capital/Restructuring

### Common Stock Authorization

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

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

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

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


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

ISS will apply the relevant allowable increase below to requests to increase common stock that are for general corporate purposes (or to the general corporate purposes portion of a request that also includes a specific need):

- A. Most companies: **100 percent** of existing authorized shares.
- B. Companies with less than 50 percent of existing authorized shares either outstanding or reserved for issuance: **50 percent** of existing authorized shares.
- C. Companies with one- and three-year total shareholder returns (TSRs) in the bottom 10 percent of the U.S. market as of the end of the calendar quarter that is closest to their most recent fiscal year end: **50 percent** of existing authorized shares.
- D. Companies at which both conditions (B and C) above are both present: **25 percent** of existing authorized shares.

If there is an acquisition, private placement, or similar transaction on the ballot (not including equity incentive plans) that ISS is recommending FOR, the allowable increase will be the greater of (i) twice the amount needed to support the transactions on the ballot, and (ii) the allowable increase as calculated above.


### Share Repurchase Programs

 **General Recommendation:** For U.S.-incorporated companies, and foreign-incorporated U.S. Domestic Issuers that are traded solely on U.S. exchanges, vote for management proposals to institute open-market share repurchase plans in which all shareholders may participate on equal terms, or to grant the board authority to conduct open-market repurchases, in the absence of company-specific concerns regarding:

- Greenmail,
- The use of buybacks to inappropriately manipulate incentive compensation metrics,
- Threats to the company's long-term viability, or
- Other company-specific factors as warranted.

Vote case-by-case on proposals to repurchase shares directly from specified shareholders, balancing the stated rationale against the possibility for the repurchase authority to be misused, such as to repurchase shares from insiders at a premium to market price.


### Share Repurchase Programs Shareholder Proposals

 **General Recommendation:** 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. Vote for the proposal when there is a pattern of abuse by executives exercising options or selling shares during periods of share buybacks.

- Financial issues - company's financial situation; degree of need for capital; use of proceeds; effect of the financing on the company's cost of capital;
- Management's efforts to pursue other alternatives;
- Control issues - change in management; change in control, guaranteed board and committee seats; standstill provisions; voting agreements; veto power over certain corporate actions; and
- Conflict of interest - arm's length transaction, managerial incentives.

Vote for the debt restructuring if it is expected that the company will file for bankruptcy if the transaction is not approved.

### Mergers and Acquisitions

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

- *Valuation* - Is the value to be received by the target shareholders (or paid by the acquirer) reasonable? While the fairness opinion may provide an initial starting point for assessing valuation reasonableness, emphasis is placed on the offer premium, market reaction, and strategic rationale.

- *Market reaction* - How has the market responded to the proposed deal? A negative market reaction should cause closer scrutiny of a deal.
- *Strategic rationale* - Does the deal make sense strategically? From where is the value derived? Cost and revenue synergies should not be overly aggressive or optimistic, but reasonably achievable. Management should also have a favorable track record of successful integration of historical acquisitions.
- *Negotiations and process* - Were the terms of the transaction negotiated at arm's-length? Was the process fair and equitable? A fair process helps to ensure the best price for shareholders. Significant negotiation "wins" can also signify the deal makers' competency. The comprehensiveness of the sales process (e.g., full auction, partial auction, no auction) can also affect shareholder value.
- *Conflicts of interest* - Are insiders benefiting from the transaction disproportionately and inappropriately as compared to non-insider shareholders? As the result of potential conflicts, the directors and officers of the company may be more likely to vote to approve a merger than if they did not hold these interests. Consider whether these interests may have influenced these directors and officers to support or recommend the merger. The CIC figure presented in the "ISS Transaction Summary" section of this report is an aggregate figure that can in certain cases be a misleading indicator of the true value transfer from shareholders to insiders. Where such figure appears to be excessive, analyze the underlying assumptions to determine whether a potential conflict exists.
- *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.

## Compensation

### Executive Pay Evaluation

Underlying all evaluations are five global principles that most investors expect corporations to adhere to in designing and administering executive and director 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);
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;
5. **Avoid inappropriate pay to non-executive directors:** This principle recognizes the interests of shareholders in ensuring that compensation to outside directors is reasonable and does not compromise their independence and ability to make appropriate judgments in overseeing managers' pay and performance. At the market level, it may incorporate a variety of generally accepted best practices.

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



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

Vote against Advisory Votes on Executive Compensation (Say-on-Pay or “SOP”) if:

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

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

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

## Primary Evaluation Factors for Executive Pay

### Pay-for-Performance Evaluation

ISS annually conducts a pay-for-performance analysis to identify strong or satisfactory alignment between pay and performance over a sustained period. With respect to companies in the S&P1500, Russell 3000, or Russell 3000E Indices<sup>8</sup>, this analysis considers the following:

1. Peer Group<sup>9</sup> 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<sup>10</sup> – 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.

If the above analysis demonstrates significant unsatisfactory long-term pay-for-performance alignment or, in the case of companies outside the Russell indices, a misalignment between pay and performance is otherwise suggested, our analysis may include any of the following qualitative factors, as relevant to an evaluation of how various pay elements may work to encourage or to undermine long-term value creation and alignment with shareholder interests:

<sup>8</sup> The [Russell 3000E](#) Index includes approximately 4,000 of the largest U.S. equity securities.

<sup>9</sup> The revised peer group is generally comprised of 14-24 companies that are selected using market cap, revenue (or assets for certain financial firms), GICS industry group, and company's selected peers' GICS industry group, with size constraints, via a process designed to select peers that are comparable to the subject company in terms of revenue/assets and industry, and also within a market-cap bucket that is reflective of the company's. For Oil, Gas & Consumable Fuels companies, market cap is the only size determinant.

<sup>10</sup> Only Russell 3000 Index companies are subject to the Absolute Alignment analysis.

- The ratio of performance- to time-based incentive awards;
- The overall ratio of performance-based compensation to fixed or discretionary pay;
- The rigor of performance goals;
- The complexity and risks around pay program design;
- The transparency and clarity of disclosure;
- The company's peer group benchmarking practices;
- Financial/operational results, both absolute and relative to peers;
- Special circumstances related to, for example, a new CEO in the prior FY or anomalous equity grant practices (e.g., bi-annual awards);
- Realizable pay<sup>11</sup> compared to grant pay; and
- Any other factors deemed relevant.

### **Problematic Pay Practices**

The focus is on executive compensation practices that contravene the global pay principles, including:

- Problematic practices related to non-performance-based compensation elements;
- Incentives that may motivate excessive risk-taking or present a windfall risk; and
- Pay decisions that circumvent pay-for-performance, such as options backdating or waiving performance requirements.

### **Problematic Pay Practices related to Non-Performance-Based Compensation Elements**

Pay elements that are not directly based on performance are generally evaluated case-by-case considering the context of a company's overall pay program and demonstrated pay-for-performance philosophy. Please refer to ISS' [U.S. Compensation Policies FAQ](#) document for detail on specific pay practices that have been identified as potentially problematic and may lead to negative recommendations if they are deemed to be inappropriate or unjustified relative to executive pay best practices. The list below highlights the problematic practices that carry significant weight in this overall consideration and may result in adverse vote recommendations:

- 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 CIC severance payments (generally exceeding 3 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);
  - Multi-year guaranteed awards that are not at risk due to rigorous 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;
- Any other provision or practice deemed to be egregious and present a significant risk to investors.

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<sup>11</sup> ISS research reports include realizable pay for S&P1500 companies.


## Compensation Committee Communications and Responsiveness

Consider the following factors case-by-case when evaluating ballot items related to executive pay on the board's responsiveness to investor input and engagement on compensation issues:

- Failure to respond to majority-supported shareholder proposals on executive pay topics; or
- Failure to adequately respond to the company's previous say-on-pay proposal that received the support of less than 70 percent of votes cast, taking into account:
  - Disclosure of engagement efforts with major institutional investors, including the frequency and timing of engagements and the company participants (including whether independent directors participated);
  - Disclosure of the specific concerns voiced by dissenting shareholders that led to the say-on-pay opposition;
  - Disclosure of specific and meaningful actions taken to address shareholders' concerns;
  - 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.

## Equity-Based and Other Incentive Plans

Please refer to ISS' [U.S. Equity Compensation Plans FAQ](#) document for additional details on the Equity Plan Scorecard policy.

 **General Recommendation:** Vote case-by-case on certain equity-based compensation plans<sup>12</sup> depending on a combination of certain plan features and equity grant practices, where positive factors may counterbalance negative factors, and vice versa, as evaluated using an "Equity Plan Scorecard" (EPSC) approach with three pillars:

- **Plan Cost:** The total estimated cost of the company's equity plans relative to industry/market cap peers, measured by the company's estimated Shareholder Value Transfer (SVT) in relation to peers and considering both:
  - SVT based on new shares requested plus shares remaining for future grants, plus outstanding unvested/unexercised grants; and
  - SVT based only on new shares requested plus shares remaining for future grants.
- **Plan Features:**
  - Quality of disclosure around 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;
  - Dividends payable prior to award vesting.
- **Grant Practices:**
  - The company's three-year burn rate relative to its industry/market cap peers;
  - Vesting requirements in CEO's recent equity grants (3-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);

<sup>12</sup> 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; amended plans will be further evaluated case-by-case.

- The proportion of the CEO's most recent equity grants/awards subject to performance conditions;
- Whether the company maintains a sufficient claw-back policy;
- Whether the company maintains sufficient post-exercise/vesting share-holding requirements.

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

- Awards may vest in connection with a liberal change-of-control definition;
- The plan would permit repricing or cash buyout of underwater options without shareholder approval (either by expressly permitting it – for NYSE and Nasdaq listed companies – or by not prohibiting it when the company has a history of repricing – for non-listed companies);
- The plan is a vehicle for problematic pay practices or a significant pay-for-performance disconnect under certain circumstances;
- The plan is excessively dilutive to shareholders' holdings;
- The plan contains an evergreen (automatic share replenishment) feature; or
- Any other plan features are determined to have a significant negative impact on shareholder interests.

## Social and Environmental Issues

### Global Approach

Issues covered under the policy include a wide range of topics, including consumer and product safety, environment and energy, labor standards and human rights, workplace and board diversity, and corporate political issues. While a variety of factors goes into each analysis, the overall principle guiding all vote recommendations focuses on how the proposal may enhance or protect shareholder value in either the short or long term.

► **General Recommendation:** Generally vote case-by-case, examining primarily whether implementation of the proposal is likely to enhance or protect shareholder value. The following factors will be considered:

- If the issues presented in the proposal are more appropriately or effectively dealt with through legislation or government regulation;
- If the company has already responded in an appropriate and sufficient manner to the issue(s) raised in the proposal;
- Whether the proposal's request is unduly burdensome (scope or timeframe) or overly prescriptive;
- The company's approach compared with any industry standard practices for addressing the issue(s) raised by the proposal;
- Whether there are significant controversies, fines, penalties, or litigation associated with the company's environmental or social practices;
- 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.

### Climate Change/Greenhouse Gas (GHG) Emissions

► **General Recommendation:** Generally vote for resolutions requesting that a company disclose 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 manages such risks, considering:

- Whether the company already provides current, publicly-available information on the impact that climate change may have on the company as well as associated company policies and procedures to address related risks and/or opportunities;
- The company's level of disclosure compared to industry peers; and
- Whether there are significant controversies, fines, penalties, or litigation associated with the company's climate change-related performance.

Generally vote for proposals requesting a report on greenhouse gas (GHG) emissions from company operations and/or products and operations, unless:

- The company already discloses current, publicly-available information on the impacts that GHG emissions may have on the company as well as associated company policies and procedures to address related risks and/or opportunities;
- The company's level of disclosure is comparable to that of industry peers; and
- There are no significant, controversies, fines, penalties, or litigation associated with the company's GHG emissions.

Vote case-by-case on proposals that call for the adoption of GHG reduction goals from products and operations, taking into account:

- Whether the company provides disclosure of year-over-year GHG emissions performance data;
- Whether company disclosure lags behind industry peers;
- The company's actual GHG emissions performance;
- The company's current GHG emission policies, oversight mechanisms, and related initiatives; and
- Whether the company has been the subject of recent, significant violations, fines, litigation, or controversy related to GHG emissions.

### **Board Diversity**



**General Recommendation:** Generally vote for requests for reports on a company's efforts to diversify the board, unless:

- The gender and racial minority representation of the company's board is reasonably inclusive in relation to companies of similar size and business; and
- The board already reports on its nominating procedures and gender and racial minority initiatives on the board and within the company.

Vote case-by-case on proposals asking a company to increase the gender and racial minority representation on its board, taking into account:

- The degree of existing gender and racial minority diversity on the company's board and among its executive officers;
- The level of gender and racial minority representation that exists at the company's industry peers;
- The company's established process for addressing gender and racial minority board representation;
- Whether the proposal includes an overly prescriptive request to amend nominating committee charter language;
- The independence of the company's nominating committee;
- Whether the company uses an outside search firm to identify potential director nominees; and
- Whether the company has had recent controversies, fines, or litigation regarding equal employment practices.



### Gender, Race, or Ethnicity Pay Gap

- **General Recommendation:** Generally vote case-by-case on 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, taking into account:
- The company's current policies and disclosure related to both its diversity and inclusion policies and practices and its compensation philosophy on fair and equitable compensation practices;
  - Whether the company has been the subject of recent controversy, litigation, or regulatory actions related to gender, race, or ethnicity pay gap issues; and
  - Whether the company's reporting regarding gender, race, or ethnicity pay gap policies or initiatives is lagging its peers.

### Sustainability Reporting

- **General Recommendation:** Generally vote for proposals requesting that a company report on its policies, initiatives, and oversight mechanisms related to social, economic, and environmental sustainability, unless:
- The company already discloses similar information through existing reports or policies such as an environment, health, and safety (EHS) report; a comprehensive code of corporate conduct; and/or a diversity report; or
  - The company has formally committed to the implementation of a reporting program based on Global Reporting Initiative (GRI) guidelines or a similar standard within a specified time frame.

### Lobbying

- **General Recommendation:** Vote case-by-case on proposals requesting information on a company's lobbying (including direct, indirect, and grassroots lobbying) activities, policies, or procedures, considering:
- The company's current disclosure of relevant lobbying policies, and management and board oversight;
  - The company's disclosure regarding trade associations or other groups that it supports, or is a member of, that engage in lobbying activities; and
  - Recent significant controversies, fines, or litigation regarding the company's lobbying-related activities.

### Political Contributions

- **General Recommendation:** Generally vote for proposals requesting greater disclosure of a company's political contributions and trade association spending policies and activities, considering:
- The company's policies, and management and board oversight related to its direct political contributions and payments to trade associations or other groups that may be used for political purposes;
  - The company's disclosure regarding its support of, and participation in, trade associations or other groups that may make political contributions; and
  - Recent significant controversies, fines, or litigation related to the company's political contributions or political activities.

Vote against proposals barring a company from making political contributions. Businesses are affected by legislation at the federal, state, and local level; barring political contributions can put the company at a competitive disadvantage.

Vote against proposals to publish in newspapers and other media a company's political contributions. Such publications could present significant cost to the company without providing commensurate value to shareholders.

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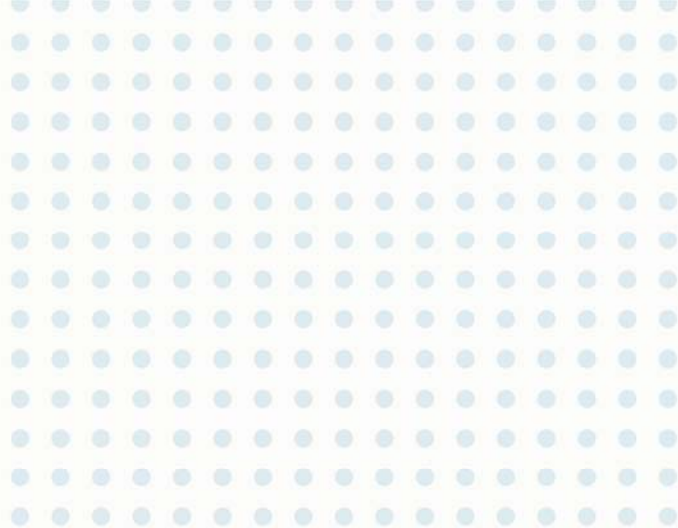
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# UNITED STATES

## TAFT-HARTLEY PROXY VOTING GUIDELINES

2020 Executive Summary

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## Introduction

The proxy voting policy of ISS' Taft-Hartley Advisory Services is based upon the AFL-CIO Proxy Voting Guidelines, which comply with all the fiduciary standards delineated by the U.S. Department of Labor.

Taft-Hartley client accounts are governed by the Employee Retirement Income Security Act (ERISA). ERISA sets forth the tenets under which pension fund assets must be managed and invested. Proxy voting rights have been declared by the Department of Labor to be valuable plan assets and therefore must be exercised in accordance with the fiduciary duties of loyalty and prudence. The duty of loyalty requires that the voting fiduciary exercise proxy voting authority solely in the economic interest of participants and plan beneficiaries. The duty of prudence requires that decisions be made based on financial criteria and that a clear process exists for evaluating proxy issues.

The Taft-Hartley Advisory Services voting policy was carefully crafted to meet those requirements by promoting long-term shareholder value, emphasizing the "economic best interests" of plan participants and beneficiaries. Taft-Hartley Advisory Services will assess the short-term and long-term impact of a vote and will promote a position that is consistent with the long-term economic best interests of plan members embodied in the principle of a "worker-owner view of value."

The Taft-Hartley Advisory Services guidelines address a broad range of issues, including election of directors, executive compensation, proxy contests, auditor ratification, and tender offer defenses – all significant voting items that affect long-term shareholder value. In addition, these guidelines delve deeper into workplace issues that may have an impact on corporate performance, including:

- Corporate policies that affect job security and wage levels;
- Corporate policies that affect local economic development and stability;
- Corporate responsibility to employees, communities and the environment; and
- Workplace safety and health issues.

Taft-Hartley Advisory Services shall analyze each proxy on a case-by-case basis, informed by the guidelines outlined in the following pages. Taft-Hartley Advisory Services does not intend for these guidelines to be exhaustive. It is neither practical nor productive to fashion voting guidelines and policies which attempt to address every eventuality. Rather, Taft-Hartley Advisory Services' guidelines are intended to cover the most significant and frequent proxy issues that arise. Issues not covered by the guidelines shall be voted in the interest of plan participants and beneficiaries of the plan based on a worker-owner view of long-term corporate value. Taft-Hartley Advisory Services shall revise its guidelines as events warrant and will remain in full conformity with the AFL-CIO proxy voting policy.

## Board of Directors

### Voting on Director Nominees in Uncontested Elections

Electing directors is the single most important stock ownership right that shareholders can exercise. The board of directors is responsible for holding management accountable to performance standards on behalf of the shareholders. Taft-Hartley Advisory Services supports annually elected boards and holds directors to a high standard when voting on their election, qualifications, and compensation.

Taft-Hartley Advisory Services believes votes should be cast in a manner that will encourage the independence of boards. In particular, the Taft-Hartley guidelines board independence standards require a two-thirds majority independent board. The Taft-Hartley guidelines also employ a higher bar on director independence classifications, and consider directors who have been on the board for a period exceeding 10 years as non-independent directors. Furthermore, key board committees should be composed entirely of independent directors. Taft-Hartley Advisory Services supports shareholders proposals requesting the separation of the chairman and CEO positions and opposes the election of a non-independent chair.

Taft-Hartley Advisory Services takes into account the attendance records of directors, using a benchmark attendance rate of 75 percent of board and committee meetings. Cases of chronic poor attendance without reasonable justification may also warrant adverse recommendations for nominating/governance committees or the full board. Taft-Hartley Advisory Services will also recommend a vote against a director nominee who is considered overboarded. Furthermore, adverse recommendations for directors may be warranted at companies where problematic pay practices exist, and where boards have not been accountable or responsive to their shareholders.

### Board Size

While there is no hard and fast rule among institutional investors as to what may be an optimal board size, a board that is too large may function inefficiently. Conversely, a board that is too small may allow the CEO to exert disproportionate influence or may stretch the time requirements of individual directors too thin. Given that the preponderance of boards in the U.S. range between five and fifteen directors, many institutional investors believe this benchmark is a useful standard for evaluating such proposals. Taft-Hartley Advisory Services will generally vote against any proposal seeking to amend the company's board size to fewer than five seats or more than fifteen seats.

### Board Diversity

Taft-Hartley Advisory Services will generally vote against or withhold from the chair of the nominating committee for companies in the Russell 3000 or S&P 1500 indices that lack gender diversity. Taft-Hartley Advisory Services will support shareholder proposals asking the board to make greater efforts to search for qualified female and minority candidates for nomination to the board of director. Taft-Hartley fiduciaries generally believe that increasing diversity in the boardroom better reflects a company's workforce, customers and community, and enhances shareholder value.

### Majority Threshold Voting Requirement for Director Elections

Taft-Hartley fiduciaries believe shareholders should have a greater voice in regard to the election of directors and view majority threshold voting as a viable alternative to the current deficiencies of the plurality system in the U.S. Shareholders have expressed strong support for resolutions on majority threshold voting. Taft-Hartley Advisory Services supports proposals calling for directors to be elected with an affirmative majority of votes cast and/or the

elimination of the plurality standard for electing directors, provided the proposal includes a carve-out for a plurality voting standard in contested director elections.

### **Cumulative Voting**

Under a cumulative voting scheme, shareholders are permitted to have one vote per share for each director to be elected and may apportion these votes among the director candidates in any manner they wish. This voting method allows minority shareholders to influence the outcome of director contests by “cumulating” their votes for one nominee, thereby creating a measure of independence from management control. Taft-Hartley Advisory Services generally recommends votes against proposals to eliminate cumulative voting, and for proposals to allow cumulative voting.

### **Shareholder Access to the Proxy**

Many investors view proxy access as an important shareholder right, one that is complementary to other best-practice corporate governance features. Taft-Hartley Advisory Services is generally supportive of reasonably crafted shareholder proposals advocating for the ability of long-term shareholders to cost-effectively nominate director candidates that represent their interests on management’s proxy card. Shareholder proposals that have the potential to result in abuse of the proxy access right by way of facilitating hostile takeovers will generally not be supported.

### **Poison Pills**

Shareholder rights plans, more commonly known as poison pills, are warrants issued to shareholders allowing them to purchase shares from the company at a price far below market value when a certain ownership threshold has been reached, thereby effectively preventing a takeover. Poison pills can entrench management and give the board veto power over takeover bids, thereby altering the balance of power between shareholders and management. While poison pills are evaluated on a case-by-case basis depending on a company’s particular set of circumstances, Taft-Hartley Advisory Services generally recommends votes for proposals to submit a company’s poison pill to shareholder vote and/or eliminate or redeem poison pills.

### **Proxy Contests — Voting for Director Nominees in Contested Elections**

Contested elections of directors frequently occur when a board candidate or “dissident slate” seeks election for the purpose of achieving a significant change in corporate policy or control of seats on the board. Competing slates will be evaluated on a case-by-case basis with a number of considerations in mind. These include, but are not limited to, the following: personal qualifications of each candidate; the economic impact of the policies advanced by the dissident slate of nominees; and their expressed and demonstrated commitment to the interests of the shareholders of the company.

## Capital Structure

### Increase Authorized Common Stock

Corporations seek shareholder approval to increase their supply of common stock for a variety of business reasons. Taft-Hartley Advisory Services will recommend a vote for proposals to increase authorized common stock when management has provided a specific justification for the increase, evaluating proposals on a case-by-case basis. An increase of up to 50 percent is enough to allow a company to meet its capital needs. Taft-Hartley Advisory Services will recommend a vote against proposals to increase an authorization by more than 50 percent unless management provides compelling reasons for the increase.

### Reverse Stock Splits

Reverse splits exchange multiple shares for a lesser amount to increase share price. Evaluation of management proposals to implement a reverse stock split will take into account whether there is a corresponding proportional decrease in authorized shares. Without a corresponding decrease, a reverse stock split is effectively an increase in authorized shares by way of reducing the number of shares outstanding, while leaving the number of authorized shares to be issued at the pre-split level. Taft-Hartley Advisory Services also considers if the reverse stock split is necessary to maintain listing of a company's stock on the national stock exchanges, or if there is substantial doubt about the company's ability to continue as a going concern without additional financing.

Taft-Hartley Advisory Services generally supports a reverse stock split if the number of authorized shares will be reduced proportionately. When there is not a proportionate reduction of authorized shares, Taft-Hartley trustees should oppose such proposals unless a stock exchange has provided notice to the company of a potential delisting.

### Dual Class Structures

Taft-Hartley Advisory Services does not support dual share class structures. Incumbent management can use a dual class structure to gain unequal voting rights. A separate class of shares with superior voting rights can allow management to concentrate its power and insulate itself from the majority of its shareholders. An additional drawback is the added cost and complication of maintaining the two class system. Taft-Hartley Advisory Services will recommend a vote for a one share, one vote capital structure, and a vote against the creation or continuation of dual class structures.

### Preferred Stock Authorization

Preferred stock is an equity security which has certain features similar to debt instruments- such as fixed dividend payments and seniority of claims to common stock - and usually carries little to no voting rights. The terms of blank check preferred stock give the board of directors the power to issue shares of preferred stock at their discretion with voting, conversion, distribution, and other rights to be determined by the board at time of issue. Taft-Hartley Advisory Services will generally vote for proposals to authorize preferred stock in cases where the company specifies the voting, dividend, conversion, and other rights of such stock and the terms of the preferred stock appear reasonable. Taft-Hartley Advisory Services will also consider company-specific factors including past board performance, disclosure on specific reasons/rationale for the proposed increase, the dilutive impact of the request, disclosure of specific risks to shareholders of not approving the request, and whether the shares requested are blank check preferred shares that can be used for antitakeover purposes.



## Share Repurchase Programs

While most U.S. companies can and do implement share buyback programs via board resolutions without shareholder votes, there are exceptions to this rule. Certain financial institutions, for example, are required by their regulators to receive shareholder approval for buyback programs. In addition, certain U.S.-listed cross-market companies are required by the law of their country of incorporation to receive shareholder approval to grant the board the authority to repurchase shares.

For U.S.-incorporated companies, and foreign-incorporated U.S. Domestic Issuers that are traded solely on U.S. exchanges, Taft-Hartley Advisory Services will vote for management proposals to institute open-market share repurchase plans in which all shareholders may participate on equal terms, or to grant the board authority to conduct open-market repurchases, in the absence of company-specific concerns. Taft-Hartley Advisory Services will vote case-by-case on proposals to repurchase shares directly from specified shareholders, balancing the stated rationale against the possibility for the repurchase authority to be misused, such as to repurchase shares from insiders at a premium to market price.

## Auditor Ratification

### Auditor Independence

Auditors are the backbone upon which a company's financial health is measured, and auditor independence is essential for rendering objective opinions upon which investors then rely. When an auditor is paid more in consulting fees than for auditing, its relationship with the company is left open to conflicts of interest. Because accounting scandals evaporate shareholder value, any proposal to ratify auditors is examined for potential conflicts of interest, with particular attention to the fees paid to the auditor, auditor tenure, as well as whether the ratification of auditors has been put up for shareholder vote. Failure by a company to present its selection of auditors for shareholder ratification should be discouraged as it undermines good governance and disenfranchises shareholders.

Taft-Hartley Advisory Services recommends a vote against the ratification of a company's auditor if it receives more than one-quarter of its total fees for consulting or if auditor tenure has exceeded seven years. A vote against the election of Audit Committee members will also be recommended when auditor ratification is not included on the proxy ballot and/or when consulting fees exceed audit fees. Taft-Hartley Advisory Services supports shareholder proposals to ensure auditor independence and effect mandatory auditor ratification.

## Mergers, Acquisitions, and Restructurings

Taft-Hartley Advisory Services votes for corporate transactions that take the high road to competitiveness and company growth. Taft-Hartley Advisory Services believes that structuring merging companies to build long-term relationships with a stable and quality work force and preserving good jobs creates long-term company value. Taft-Hartley Advisory Services opposes corporate transactions which indiscriminately layoff workers and shed valuable competitive resources.

## Mergers and Acquisitions

Mergers, acquisitions, spinoffs, reincorporations, and other corporate restructuring plans are evaluated on a case-by-case basis, given the potential for significant impact on shareholder value and on shareholders' economic interests. In addition, these corporate actions can have a significant impact on community stakeholders and the workforce, and may affect the levels of employment, community lending, equal opportunity, and impact on the environment.

## Reincorporation

For a company that seeks to reincorporate, Taft-Hartley Advisory Services evaluates the merits of the move on a case-by-case basis, taking into consideration both financial and corporate governance concerns including the reasons for reincorporation, a comparison of both the company's governance practices and provisions prior to and following the reincorporation, and corporation laws of original state and destination state.

# Executive Compensation

## Equity Incentive Plans

Taft-Hartley Advisory Services supports compensating executives at a reasonable rate and believes that executive compensation should be strongly correlated to sustained performance. Stock options and other forms of equity compensation should be performance-based with an eye toward improving shareholder value. Well-designed stock option plans align the interests of executives and shareholders by providing that executives benefit when stock prices rise as the company— and shareholders— prosper together. Poorly designed equity award programs can encourage excessive risk-taking behavior and incentivize executives to pursue corporate strategies that promote short-term stock price to the ultimate detriment of long-term shareholder value.

Many plans sponsored by management provide goals so easily attained that executives can realize massive rewards even though shareholder value is not necessarily created. Stock options that are awarded selectively and excessively can dilute shareholders' share value and voting power. In general, Taft-Hartley Advisory Services supports plans that are offered at fair terms to executives who satisfy well-defined performance goals. Option plans are evaluated on a case-by-case basis, taking into consideration factors including: exercise price, voting power dilution, equity burn rate, executive concentration ratios, pay-for-performance, and the presence of any repricing provisions.

## Options Backdating

Options backdating has serious implications and has resulted in financial restatements, delisting of companies, and/or the termination of executives or directors. When options backdating has taken place, Taft-Hartley Advisory Services may consider recommending against or withholding votes from the compensation committee, depending on the severity of the practices and the subsequent corrective actions taken by the board. Taft-Hartley Advisory Services adopts a case-by-case approach to the options backdating issue to differentiate companies that had sloppy administration versus those that had committed fraud, as well as those companies that have since taken corrective action. Instances in which companies have committed fraud are more disconcerting, and Taft-Hartley Advisory Services will look to them to adopt formal policies to ensure that such practices will not re-occur in the future.

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

The Dodd-Frank Wall Street Reform and Consumer Protection Act requires advisory shareholder votes on executive compensation (management “Say on Pay”), an advisory vote on the frequency of Say on Pay, as well as a shareholder advisory vote on golden parachute compensation. Taft-Hartley Advisory Services believes that executive pay programs should be fair, competitive, reasonable, and appropriate, and that pay for performance should be a central tenet in executive compensation philosophy. Taft-Hartley Advisory Services will vote against MSOP proposals if there is a misalignment between CEO pay and company performance, the company maintains problematic pay practices, and the board exhibits a significant level of poor communication and responsiveness to shareholders.

Taft-Hartley Advisory Services also supports annual advisory votes on compensation, which provide the most consistent and clear communication channel for shareholder concerns about companies' executive pay programs.

### **Golden Parachutes**

Golden parachutes are designed to protect the senior level employees of a corporation in the event of a change-in-control. Under most golden parachute agreements, senior level management employees receive a lump sum pay-out triggered by a change-in-control at usually two to three times base salary. These severance agreements can grant extremely generous benefits to well-paid executives and most often offer no value to shareholders. Taft-Hartley Advisory Services recommends votes for shareholder proposals to have all golden parachute agreements submitted for shareholder ratification, and evaluates golden parachutes compensation on a case-by-case basis, consistent with Taft-Hartley Advisory Services' policies on problematic pay practices related to severance packages.

### **Proposals to Limit Executive and Director Pay**

Taft-Hartley Advisory Services recommends votes for shareholder proposals that seek additional disclosure of executive and director pay information. Taft-Hartley Advisory Services will also recommend a vote for shareholder proposals that seek to eliminate outside directors' retirement benefits. Taft-Hartley Advisory Services reviews on a case-by-case basis all other shareholder proposals that seek to limit executive and director pay. This includes shareholder proposals that seek to link executive compensation to non-financial factors such as corporate downsizing, customer/employee satisfaction, community involvement, human rights, social and environmental goals and performance.

## **Corporate Responsibility & Accountability**

Taft-Hartley Advisory Services generally supports social, workforce, and environmental shareholder-sponsored resolutions if they seek to create responsible corporate citizens while at the same time attempting to enhance long-term shareholder value. Taft-Hartley Advisory Services typically supports proposals that ask for disclosure reporting of information that is not available outside the company and not proprietary in nature. Such reporting is particularly most vital when it appears that a company has not adequately addressed shareholder concerns regarding social, workplace, environmental and/or other issues.

### **CERES Roadmap For Sustainability**

The CERES Roadmap For Sustainability, formulated by the Coalition of Environmentally Responsible Economies, require signing companies to address environmental issues, including protection of the biosphere, sustainable use of natural resources, reduction and disposal of wastes, energy conservation, and employee and community risk

reduction. A signatory to the CERES Roadmap For Sustainability would disclose its efforts in such areas through a standardized report submitted to CERES and made available to the public. Taft-Hartley Advisory Services recommends votes for the adoption of the CERES Principles and for reporting to shareholders on environmental issues.

### **Corporate and Supplier Codes of Conduct**

Taft-Hartley Advisory Services generally supports proposals that call for the adoption and/or enforcement of clear principles or codes of conduct relating to countries in which there are systematic violations of human rights. These conditions include the use of slave, child, or prison labor, undemocratically elected governments, widespread reports by human rights advocates, fervent pro-democracy protests, or economic sanctions and boycotts.

Many proposals refer to the seven core conventions, commonly referred to as the “Declaration on Fundamental Principles and Rights At Work,” ratified by the International Labor Organization (ILO). The seven conventions fall under four broad categories: i) right to organize and bargain collectively; ii) non-discrimination in employment; iii) abolition of forced labor; and iv) end of child labor. Each member nation of the ILO body is bound to respect and promote these rights to the best of their abilities.

Taft-Hartley Advisory Services supports the implementation and reporting on ILO codes of conduct. Taft-Hartley Advisory Services also votes in favor of requests for an assessment of the company's human rights risks in its operation or in its supply chain, or report on its human rights risk assessment process.

### **Greenhouse Gas Emissions**

Shareholder proposals asking a company to issue a report to shareholders – at reasonable cost and omitting proprietary information – on greenhouse gas emissions ask that the report include descriptions of efforts within companies to reduce emissions, their financial exposure and potential liability from operations that contribute to global warming, and their direct or indirect efforts to promote the view that global warming is not a threat. Proponents argue that there is scientific proof that the burning of fossil fuels causes global warming, that future legislation may make companies financially liable for their contributions to global warming, and that a report on the company's role in global warming can be assembled at reasonable cost. Taft-Hartley Advisory Services generally supports greater disclosure on climate change-related proposals.

### **Sustainability Reporting and Planning**

The concept of sustainability is commonly understood as meeting the needs of the present generation without compromising the ability of future generations to meet their own needs. Indeed, the term sustainability is complex and poses significant challenges for companies on many levels. Many in the investment community have termed this broader responsibility the “triple bottom line,” referring to the triad of performance goals related to economic prosperity, social responsibility and environmental quality. In essence, the concept requires companies to balance the needs and interests of their various stakeholders while operating in a manner that sustains business growth for the long-term, supports local communities and protects the environment and natural capital for future generations.

Taft-Hartley Advisory Services generally supports shareholder proposals seeking greater disclosure on the company's environmental and social practices, and/or associated risks and liabilities.

### **Hydraulic Fracturing**

Shareholder proponents have elevated concerns on the use of hydraulic fracturing, an increasingly controversial process in which water, sand, and a mix of chemicals is blasted horizontally into tight layers of shale rock to extract

natural gas. As this practice has gained more widespread use, environmentalists have raised concerns that the chemicals mixed with sand and water to aid the fracturing process can contaminate ground water supplies. Proponents of resolutions at companies that employ hydraulic fracturing are also concerned that wastewater produced by the process could overload the waste treatment plants to which it is shipped. Shareholders have asked companies that utilize hydraulic fracturing to report on the environmental impact of the practice and to disclose policies aimed at reducing hazards from the process.

Taft-Hartley Advisory Services generally supports shareholder requests seeking greater transparency on the practice of hydraulic fracturing and its associated risks.

### **Workplace Safety**

Taft-Hartley Advisory Services supports shareholder requests for workplace safety reports, including reports on accident risk reduction effort.

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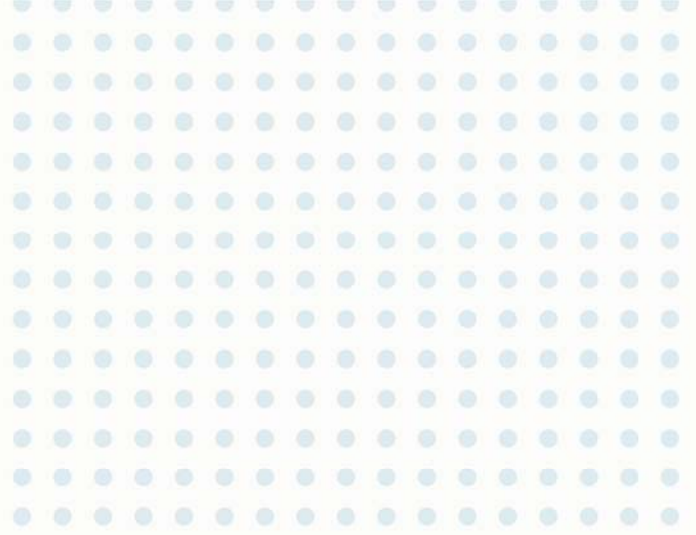
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# UNITED STATES

## SRI PROXY VOTING GUIDELINES

### 2020 Executive Summary

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## INTRODUCTION

ISS' Social Advisory Services division recognizes that socially responsible investors have dual objectives: financial and social. Socially responsible investors invest for economic gain, as do all investors, but they also require that companies in which they invest conduct their business in a socially and environmentally responsible manner.

The dual objectives carry through to the proxy voting activity, after the security selection process is completed. In voting their shares, socially responsible institutional shareholders are concerned not only with economic returns to shareholders and good corporate governance, but also with the ethical behavior of corporations and the social and environmental impact of their actions.

Social Advisory Services has, therefore, developed proxy voting guidelines that are consistent with the dual objectives of socially responsible shareholders. On matters of social and environmental import, the guidelines seek to reflect a broad consensus of the socially responsible investing community. Generally, we take as our frame of reference policies that have been developed by groups such as the Interfaith Center on Corporate Responsibility, the General Board of Pension and Health Benefits of the United Methodist Church, Domini Social Investments, and other leading church shareholders and socially responsible mutual fund companies. Additionally, we incorporate the active ownership and investment philosophies of leading globally recognized initiatives such as the United Nations Environment Programme Finance Initiative (UNEP FI), the United Nations Principles for Responsible Investment (UNPRI), the United Nations Global Compact, and environmental and social European Union Directives.

On matters of corporate governance, executive compensation, and corporate structure, Social Advisory Services guidelines are based on a commitment to create and preserve economic value and to advance principles of good corporate governance consistent with responsibilities to society as a whole.

The guidelines provide an overview of how Social Advisory Services recommends that its clients vote. Social Advisory Services notes that there may be cases in which the final vote recommendation on a particular company varies from the vote guideline due to the fact that Social Advisory Services closely examines the merits of each proposal and consider relevant information and company-specific circumstances in arriving at decisions. Where ISS acts as voting agent for its clients, it follows each client's voting policy, which may differ in some cases from the policies outlined in this document. Social Advisory Services updates its guidelines on an annual basis to take into account emerging issues and trends on environmental, social, and corporate governance topics, in addition to evolving market standards, regulatory changes, and client feedback.

The guidelines evaluate management and shareholder proposals as follows:

## MANAGEMENT PROPOSALS

### 1. Board of Directors

Social Advisory Services considers director elections to be one of the most important voting decisions that shareholders make. Boards should be composed of a majority of independent directors and key board committees should be composed entirely of independent directors. The independent directors are expected to organize much of the board's work, even if the chief executive officer also serves as chairman of the board. It is expected that boards will engage in critical self-evaluation of themselves and of individual members. Directors are ultimately responsible to the corporation's shareholders. The most direct expression of this responsibility is the requirement that directors be elected to their positions by the shareholders.

Social Advisory Services will generally oppose slates of director nominees that are not composed of a majority of independent directors and will vote against/withhold votes from non-independent directors who sit on key board committees. In addition, Social Advisory Services will generally vote against/withhold votes from directors individually, committee members, or potentially the entire board, for failure to adequately guard against or manage ESG risks or for lack of sustainability reporting in the company's public documents and/or website in conjunction with a failure to adequately manage or mitigate ESG risks. Social Advisory Services will also vote against/withhold votes from members of the nominating committee, with the exception of new nominees, where the board lacks at least one woman and one racially diverse director, and when the board is not at least 30 percent diverse. The election of directors who have failed to attend a minimum of 75 percent of board meetings held during the year will be opposed.

Social Advisory Services supports requests asking for the separation of the positions of chairman and CEO, opposes the creation of classified boards, and reviews proposals to change board size on a case-by-case basis. Social Advisory Services also generally supports shareholder proposals calling for greater access to the board, affording shareholders the ability to nominate directors to corporate boards. Social Advisory Services may vote against/withhold from directors at companies where problematic pay practices exist, and where boards have not been accountable or responsive to their shareholders.

### 2. Board Responsiveness

Social Advisory Services will vote case-by-case on individual directors, committee members, or the entire board of directors as appropriate if the board fails to act on a shareholder proposal the received the support of a majority of the shares in the previous year. When evaluating board responsiveness issues, Social Advisory Services takes into account other factors including the board's failure to act on takeover offers where the majority of shares are tendered; at the previous board election, any director received more than 50 percent withhold/against votes of the shares cast and the company has failed to address the issue(s) that caused the high withhold/against vote; or if the board implements an advisory vote on executive compensation on a less frequent basis than the frequency that received the plurality of votes cast.

### 3. Auditors

While it is recognized that the company is in the best position to evaluate the competence of the outside accountants, Social Advisory Services believes that outside accountants must ultimately be accountable to shareholders. Given the rash of accounting irregularities that were not detected by audit panels or auditors, shareholder ratification is an essential step in restoring investor confidence. A Blue Ribbon Commission concluded that audit committees must improve their current level of oversight of independent accountants. Social Advisory Services will vote against the ratification of the auditor in cases where non-audit fees represent more than 25 percent of the total fees paid to the auditor in the previous year. Social Advisory Services supports requests asking for the rotation of the audit firm, if the request includes a timetable of five years or more.

#### **4. Takeover Defenses / Shareholder Rights**

Topics evaluated in this category include shareholders' ability to call a special meeting or act by written consent, the adoption or redemption of poison pills, unequal voting rights, fair price provisions, greenmail, supermajority vote requirements, and confidential voting.

Social Advisory Services generally opposes takeover defenses, as they limit shareholder value by eliminating the takeover or control premium for the company. As owners of the company, shareholders should be given the opportunity to decide on the merits of takeover offers. Further, takeover devices can be used to entrench a board that is unresponsive to shareholders on both governance and corporate social responsibility issues.

#### **5. Miscellaneous Governance Provisions**

Social Advisory Services evaluates proposals that concern governance issues such as shareholder meeting adjournments, quorum requirements, corporate name changes, and bundled or conditional proposals on a case-by-case basis, taking into account the impact on shareholder rights.

#### **6. Capital Structures**

Capital structure related topics include requests for increases in authorized stock, stock splits and reverse stock splits, issuances of blank check preferred stock, debt restructurings, and share repurchase plans.

Social Advisory Services supports a one-share, one-vote policy and opposes mechanisms that skew voting rights. Social Advisory Services supports capital requests that provide companies with adequate financing flexibility while protecting shareholders from excessive dilution of their economic and voting interests. Proposals to increase common stock are evaluated on a case-by-case basis, taking into account the company's past use of share authorizations and elements of the current request.

#### **7. Executive and Director Compensation**

The global financial crisis has resulted in significant erosion of shareholder value and highlighted the need for greater assurance that executive compensation is principally performance-based, fair, reasonable, and not designed in a manner that would incentivize excessive risk-taking by management. The crisis has raised questions about the role of pay incentives in influencing executive behavior and motivating inappropriate or excessive risk-taking and other unsustainable practices that could threaten a corporation's long-term viability. The safety lapses that led to the disastrous explosions at BP's Deepwater Horizon oil rig and Massey Energy's Upper Big Branch mine, and the resulting unprecedented losses in shareholder value; a) underscore the importance of incorporating meaningful economic incentives around social and environmental considerations in compensation program design, and; b) exemplify the costly liabilities of failing to do so.

Social Advisory Services evaluates executive and director compensation by considering the presence of appropriate pay-for-performance alignment with long-term shareholder value, compensation arrangements that risk "pay for failure," and an assessment of the clarity and comprehensiveness of compensation disclosures. Equity plan proposals are considered on a case-by-case basis using a binomial pricing model that estimates the cost of a company's stock-based incentive programs. Plan features and any recent controversies surrounding a company's pay practices are also factored into the analysis of compensation proposals. Shareholder proposals calling for additional disclosure on compensation issues or the alignment of executive compensation with social or environmental performance criteria are supported, while shareholder proposals calling for other changes to a company's compensation programs are reviewed on a case-by-case basis.

The Dodd-Frank Wall Street Reform and Consumer Protection Act requires advisory shareholder votes on executive compensation (Say on Pay), an advisory vote on the frequency of say on pay, as well as a shareholder advisory vote on golden parachute compensation. Social Advisory Services will vote AGAINST Say on Pay proposals if there is a misalignment between CEO pay and company performance, the company maintains problematic pay practices, and the board exhibits a significant level of poor communication and responsiveness to shareholders.

Social Advisory Services will evaluate whether pay quantum is in alignment with company performance, and consideration will also be given to whether the proportion of performance-contingent pay elements is sufficient in light of concerns with a misalignment between executive pay and company performance.

Social Advisory Services will vote case-by-case on certain equity-based compensation plans 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.

## **8. Mergers and Corporate Restructurings**

Mergers, acquisitions, spinoffs, reincorporations, and other corporate restructuring plans are evaluated on a case-by-case basis, given the potential for significant impact on shareholder value and on shareholders' economic interests. In addition, these corporate actions can have a significant impact on community stakeholders and the workforce, and may affect the levels of employment, community lending, equal opportunity, and impact on the environment.

## **9. Mutual Fund Proxies**

There are a number of proposals that are specific to mutual fund proxies, including the election of trustees, investment advisory agreements, and distribution agreements. Social Advisory Services evaluates these proposals on a case-by-case basis taking into consideration recent trends and best practices at mutual funds.

## SHAREHOLDER PROPOSALS

### 10. Shareholder Proposals on Corporate Governance and Executive Compensation

Shareholder proposals topics include board-related issues, shareholder rights and board accountability issues, as well as compensation matters. Each year, shareholders file numerous proposals that address key issues regarding corporate governance and executive compensation. Social Advisory Services evaluates these proposals from the perspective that good corporate governance practices can have positive implications for a company and its ability to maximize shareholder value. Proposals that seek to improve a board's accountability to its shareholders and other stakeholders are supported. Social Advisory Services supports initiatives that seek to strengthen the link between executive pay and performance, including performance elements related to corporate social responsibility.

### 11. Shareholder Proposals on Social and Environmental Topics

Shareholder resolutions on social and environmental topics include workplace diversity and safety topics, codes of conduct, labor standards and human rights, the environment and energy, weapons, consumer welfare, and public safety.

Socially responsible shareholder resolutions are receiving a great deal more attention from institutional shareholders today than they have in the past. In addition to the moral and ethical considerations intrinsic to many of these proposals, there is a growing recognition of their potential impact on the economic performance of the company. Among the reasons for this change are:

- The number and variety of shareholder resolutions on social and environmental issues has increased;
- Many of the sponsors and supporters of these resolutions are large institutional shareholders with significant holdings, and therefore, greater direct influence on the outcomes;
- The proposals are more sophisticated – better written, more focused, and more sensitive to the feasibility of implementation; and
- Investors now understand that a company's response to social and environmental issues can have serious economic consequences for the company and its shareholders.

Social Advisory Services will closely evaluate proposals that ask the company to cease certain actions that the proponent believes are harmful to society or some segment of society with special attention to the company's legal and ethical obligations, its ability to remain profitable, and potential negative publicity if the company fails to honor the request. Social Advisory Services supports shareholder proposals that seek to improve a company's public image, or reduce its exposure to liabilities and risks.

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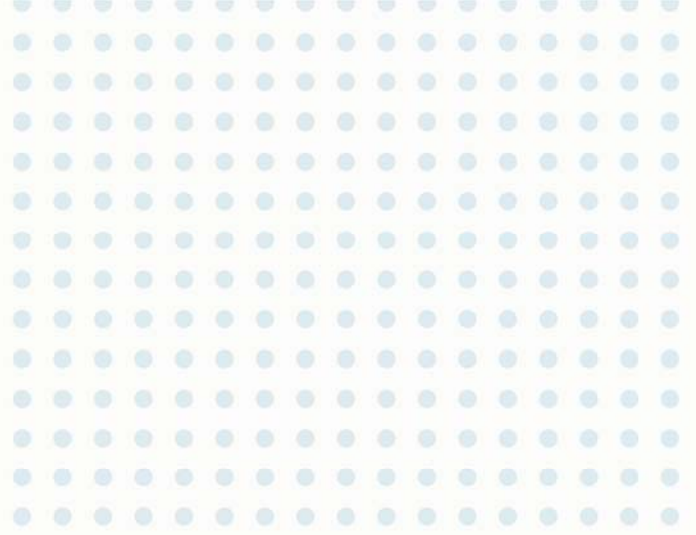
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# UNITED STATES

## SUSTAINABILITY PROXY VOTING GUIDELINES

2020 Executive Summary

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## INTRODUCTION

ISS' Sustainability Advisory Services recognizes the growing view among investment professionals that sustainability or environmental, social, and corporate governance (ESG) factors could present material risks to portfolio investments. Whereas investment managers have traditionally analyzed topics such as board accountability and executive compensation to mitigate risk, greater numbers are incorporating ESG performance into their investment decision making 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.

Investors concerned with portfolio value preservation and enhancement through the incorporation of sustainability factors can also carry out this active ownership approach through their proxy voting activity. In voting their shares, sustainability-minded investors are concerned not only with economic returns to shareholders and good corporate governance, but also with ensuring corporate activities and practices are aligned with the broader objectives of society. These investors seek standardized reporting on ESG issues, request information regarding an issuer's adoption of, or adherence to, relevant norms, standards, codes of conduct or universally recognized international initiatives including affirmative support for related shareholder resolutions advocating enhanced disclosure and transparency.

Sustainability Advisory Services has, therefore, developed proxy voting guidelines that are consistent with the objectives of sustainability-minded investors and fiduciaries. On matters of ESG import, ISS' Sustainability Policy seeks to promote support for recognized global governing bodies promoting sustainable business practices advocating for stewardship of environment, fair labor practices, non-discrimination, and the protection of human rights. Generally, ISS' Sustainability Policy will take as its frame of reference internationally recognized sustainability-related initiatives such as the United Nations Environment Programme Finance Initiative (UNEP FI), United Nations Principles for Responsible Investment (UNPRI), United Nations Global Compact, Global Reporting Initiative (GRI), Carbon Principles, International Labour Organization Conventions (ILO), CERES Roadmap for Sustainability, Global Sullivan Principles, MacBride Principles, and environmental and social European Union Directives. Each of these efforts promote a fair, unified and productive reporting and compliance environment which advances positive corporate ESG actions that promote practices that present new opportunities or that mitigate related financial and reputational risks.

On matters of corporate governance, executive compensation, and corporate structure, the Sustainability Policy guidelines are based on a commitment to create and preserve economic value and to advance principles of good corporate governance.

These guidelines provide an overview of how ISS approaches proxy voting issues for subscribers of the Sustainability Policy. Sustainability Advisory Services notes there may be cases in which the final vote recommendation at a particular company varies from the voting guidelines due to the fact that Sustainability Advisory Services closely examines the merits of each proposal and consider relevant information and company-specific circumstances in arriving at decisions. To that end, ISS engages with both interested shareholders as well as issuers to gain further insight into contentious issues facing the company. Where ISS acts as voting agent for clients, it follows each client's voting policy, which may differ in some cases from the policies outlined in this document. Sustainability Advisory Services updates its guidelines on an annual basis to take into account emerging issues and trends on environmental, social and corporate governance topics, as well as the evolution of market standards, regulatory changes and client feedback.

## MANAGEMENT PROPOSALS

### 1. Board of Directors

ISS' Sustainability Advisory Services considers director elections to be one of the most important voting decisions that shareholders make. Boards should be sufficiently independent from management (and significant shareholders) so as to ensure that they are able and motivated to effectively supervise management's performance for the benefit of all shareholders, including in setting and monitoring the execution of corporate strategy, with appropriate use of shareholder capital, and in setting and monitoring executive compensation programs that support that strategy. The chair of the board should ideally be an independent director, and all boards should have an independent leadership position or a similar role in order to help provide appropriate counterbalance to executive management, as well as having sufficiently independent committees that focus on key governance concerns such as audit, compensation, and nomination of directors.

Sustainability Advisory Services will generally oppose non-independent director nominees if the board is not composed of a majority of independent directors and will vote against/withhold votes from non-independent directors who sit on key board committees. In addition, Sustainability Advisory Services will generally vote against/withhold votes from directors individually, committee members, or potentially the entire board, for failure to adequately guard against or manage ESG risks or for lack of sustainability reporting in the company's public documents and/or website in conjunction with a failure to adequately manage or mitigate ESG risks. Sustainability Advisory Services will also vote against/withhold votes from certain incumbent nominees if the board lacks at least one female director. The election of directors who have failed to attend a minimum of 75 percent of board meetings held during the year will be opposed.

Sustainability Advisory Services also generally supports requests asking for the separation of the positions of chairman and CEO, and shareholder proposals calling for greater access to the board, affording shareholders the ability to nominate directors to corporate boards. Sustainability Advisory Services may vote against/withhold from directors at companies where problematic pay practices exist, and where boards have not been accountable or responsive to their shareholders.

### 2. Board Responsiveness

Sustainability Advisory Services will vote case-by-case on individual directors, committee members, or the entire board of directors as appropriate if the board fails to act on a shareholder proposal that received the support of a majority of the shares in the previous year. When evaluating board responsiveness issues, Sustainability Advisory Services takes into account other factors including the board's failure to act on takeover offers where the majority of shares are tendered; at the previous board election, any director received more than 50 percent withhold/against votes of the shares cast and the company has failed to address the issue(s) that caused the high withhold/against vote; or if the board implements an advisory vote on executive compensation on a less frequent basis than the frequency that received the plurality of votes cast.

### 3. Auditors

While it is recognized that the company is in the best position to evaluate the competence of the outside accountants, Sustainability Advisory Services believes that outside accountants must ultimately be accountable to shareholders. Given the rash of accounting irregularities that were not detected by audit panels or auditors, shareholder ratification is an essential step in restoring investor confidence. A Blue Ribbon Commission concluded that audit committees must improve their current level of oversight of independent accountants. Sustainability Advisory Services will vote against the ratification of the auditor in cases where fees for non-audit services are excessive.

#### **4. Takeover Defenses / Shareholder Rights**

Topics evaluated in this category include shareholders' ability to call a special meeting or act by written consent, the adoption or redemption of poison pills, unequal voting rights, fair price provisions, greenmail, supermajority vote requirements, and confidential voting.

Sustainability Advisory Services generally opposes takeover defenses, as they limit shareholder value by eliminating the takeover or control premium for the company. As owners of the company, shareholders should be given the opportunity to decide on the merits of takeover offers. Further, takeover devices can be used to entrench a board that is unresponsive to shareholders on both governance and corporate social responsibility issues.

#### **5. Miscellaneous Governance Provisions**

Sustainability Advisory Services evaluates proposals that concern governance issues such as shareholder meeting adjournments, quorum requirements, corporate name changes, and bundled or conditional proposals on a case-by-case basis, taking into account the impact on shareholder rights.

#### **6. Capital Structures**

Capital structure related topics include requests for increases in authorized stock, stock splits and reverse stock splits, issuances of blank check preferred stock, debt restructurings, and share repurchase plans.

Sustainability Advisory Services supports a one-share, one-vote policy and opposes mechanisms that skew voting rights. Sustainability Advisory Services supports capital requests that provide companies with adequate financing flexibility while protecting shareholders from excessive dilution of their economic and voting interests. Proposals to increase common stock are evaluated on a case-by-case basis, taking into account the company's past use of share authorizations and elements of the current request.

#### **7. Executive and Director Compensation**

The Dodd-Frank Wall Street Reform and Consumer Protection Act requires advisory shareholder votes on executive compensation (Say on Pay), an advisory vote on the frequency of say on pay, as well as a shareholder advisory vote on golden parachute compensation. Sustainability Advisory Services will vote AGAINST Say on Pay proposals if there is a misalignment between CEO pay and company performance, the company maintains problematic pay practices, and the board exhibits a significant level of poor communication and responsiveness to shareholders.

Sustainability Advisory Services will vote case-by-case on certain equity-based compensation plans 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.

#### **8. Mergers and Corporate Restructurings**

Mergers, acquisitions, spinoffs, reincorporations, and other corporate restructuring plans are evaluated on a case-by-case basis, given the potential for significant impact on shareholder value and on shareholders' economic interests. In addition, these corporate actions can have a significant impact on community stakeholders and the workforce, and may affect the levels of employment, community lending, equal opportunity, and impact on the environment.

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## **9. Mutual Fund Proxies**

There are a number of proposals that are specific to mutual fund proxies, including the election of trustees, investment advisory agreements, and distribution agreements. Sustainability Advisory Services evaluates these proposals on a case-by-case basis taking into consideration recent trends and best practices at mutual funds.

## SHAREHOLDER PROPOSALS

### **10. Shareholder Proposals on Corporate Governance and Executive Compensation**

Shareholder proposals topics include board-related issues, shareholder rights and board accountability issues, as well as compensation matters. Each year, shareholders file numerous proposals that address key issues regarding corporate governance and executive compensation. Sustainability Advisory Services evaluates these proposals from the perspective that good corporate governance practices can have positive implications for a company and its ability to maximize shareholder value. Proposals that seek to improve a board's accountability to its shareholders and other stakeholders are supported.

### **11. Shareholder Proposals on Social and Environmental Topics**

Shareholder resolutions on social and environmental topics include workplace diversity and safety topics, codes of conduct, labor standards and human rights, the environment and energy, weapons, consumer welfare, and public safety.

Socially responsible shareholder resolutions are receiving a great deal more attention from institutional shareholders today than they have in the past. In addition to the moral and ethical considerations intrinsic to many of these proposals, there is a growing recognition of their potential impact on the economic performance of the company. Among the reasons for this change are:

- The number and variety of shareholder resolutions on social and environmental issues has increased;
- Many of the sponsors and supporters of these resolutions are large institutional shareholders with significant holdings, and therefore, greater direct influence on the outcomes;
- The proposals are more sophisticated – better written, more focused, and more sensitive to the feasibility of implementation; and
- Investors now understand that a company's response to social and environmental issues can have serious economic consequences for the company and its shareholders.

While focusing on value enhancement through risk mitigation and exposure to new sustainability-related opportunities, these resolutions also seek standardized reporting on ESG issues, request information regarding an issuer's adoption of, or adherence to, relevant norms, standards, codes of conduct or universally recognized international initiatives to promote disclosure and transparency. Sustainability Advisory Services generally supports standards-based ESG shareholder proposals that enhance long-term shareholder and stakeholder value while aligning the interests of the company with those of society at large. In particular, the policy will focus on resolutions seeking greater transparency and/or adherence to internationally recognized standards and principles.

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