This brochure provides information about the qualifications and business practices of Chartwell Investment Partners, LLC. ("Chartwell"). If you have any questions about the contents of this brochure, please contact us at 610-296-1400 or info@chartwellip.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Chartwell Investment Partners, LLC is also available on the SEC’s website at www.adviserinfo.sec.gov.

Chartwell Investment Partners, LLC is an SEC-Registered Investment Adviser. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.
Item 2 – Material Changes

In the future this item will discuss only specific material changes that are made to this Brochure and will provide clients with a summary of such changes. Our current Brochure may be requested by contacting the firm at 610-296-1400 or info@chartwellip.com.

Pursuant to SEC Rules, we will ensure that all clients receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year.

Additional information about Chartwell is available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with Chartwell who are registered, or are required to be registered, as investment adviser representatives.
**Item 3 – Table of Contents**

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Chartwell Investment Partners, LLC (“Chartwell”) is a wholly-owned subsidiary of TriState Capital Holdings, Inc. Chartwell became effective as an SEC registered investment adviser on February 12, 2014 once acquired by TriState Capital Holdings and is continuing, uninterrupted, the advisory services previously provided by Chartwell Investment Partners, L.P. As of December 31, 2019, Chartwell managed a total of $9.7 billion in assets on both a discretionary and non-discretionary basis.

Chartwell's advisory services consist of selecting investments for clients while considering the client’s needs, including total return objectives, risk tolerance, other assets and obligations of the client, legal investment laws and other investment restrictions applicable to the client. Chartwell offers investment advice concerning a wide range of investment styles but predominantly advises clients regarding investments in U.S. securities. Chartwell will ordinarily apply one of several varied investment strategies to manage a portfolio of equity securities and/or fixed income securities. For individual investors, Chartwell may allocate assets among several varied investment strategies, including equity and fixed income securities, exchange traded funds and mutual funds, including funds advised by Chartwell.

Chartwell also participates in wrap fee programs by providing discretionary and non-discretionary investment management services to the clients of these programs. This is an advisory program under which a specified fee or fees not based directly upon transactions in a client’s account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions. Such clients may select Chartwell from a number of investment managers based on analysis, performed by the relevant program sponsor, of client’s goals and objectives and the compatibility with Chartwell’s investment philosophy. Generally, we manage wrap fee client accounts in the same manner as other client accounts investing pursuant to the same or similar investment strategy.

Chartwell also serves as an adviser or sub-adviser to investment companies registered under the Investment Company Act of 1940. The mutual funds may be one or more of the Chartwell Small Cap Value Fund, Chartwell Small Cap Growth Fund, Chartwell Short Duration High Yield Fund, Chartwell Income Fund or Chartwell Mid Cap Value Fund (Chartwell Funds), each a series of the Chartwell Funds Trust, an open-end management investment company organized as a Delaware statutory trust under the laws of the State of Delaware.

Clients may impose reasonable restrictions on Chartwell’s management of account assets. To the extent there are differences in client accounts, such differences would relate to the broker-dealer through which Chartwell places orders for execution. See Item 12, below, for a description of Chartwell’s practices in placing orders for execution for firm clients.

While Chartwell primarily offers investment management services, we generally do not enter into securities lending arrangements for our clients (other than for the Chartwell Funds, as defined below). Under typical securities lending arrangements, a manager loans a security held in a client’s portfolio to a broker-dealer in exchange for collateral. The client may earn potentially enhanced returns from these arrangements by collecting finance charges on the loan or by investing the collateral. Such returns are generally shared between the client and the securities lending agent, and the risk associated with the investment of collateral is generally borne by the client. On occasion, if instructed by a client, we may enter into securities lending transactions although Chartwell does not manage the investment of collateral in connection with such arrangements (other than securities lending arrangements for the Chartwell Funds). In these instances, we will have entered into a Master Securities Loan Agreement with a counterparty and the transaction must meet all the requirements under the agreement.
Some clients have established separate securities lending arrangements with their custodian. If a client has entered into these arrangements, the client and its custodian are responsible for adhering to the requirements of such arrangements, including ensuring that the securities or other assets in the Account are available for any securities lending transactions. For Accounts that we actively manage, we execute transactions based on a number of factors, including market conditions and best execution, and generally do not consider factors relating to a client’s securities lending arrangements, such as whether the Client’s custodian may need to recall securities on loan to settle the sales transactions.

Certain registered investment companies that we manage or sponsor (“Chartwell Funds”) engage in securities lending, as described in the Funds’ prospectus and statement of additional information.

As part of its fiduciary duty to its clients and as a matter of best business practices, Chartwell has adopted policies and procedures for disaster recovery and for continuing business in the event of an emergency, a disaster or pandemic. These policies are designed for Chartwell to continue providing services to clients in as short a period of time as possible. Chartwell’s policies, under separate cover, are, to the extent practicable, designed to address those specific types of disasters that the firm might reasonably face given its business and location.

Chartwell management realizes that the rapidly changing nature of technology demands that a comprehensive security policy be developed and implemented to secure the confidentiality, security, integrity and accessibility of Chartwell’s client information systems.

Further, management recognizes that in order to determine the appropriate type and scope of controls to deploy as part of the information security program, Chartwell must assess risks to its client information and systems, identifying reasonably foreseeable internal and external threats that could result in unauthorized disclosure, misuse, alteration, or destruction of client information or client information systems and evaluate the adequacy of policies, procedures, information security systems, and other practices intended to control the risks identified.

To ensure that information security risks are understood, and appropriate security systems are maintained, Chartwell management has adopted an Information Security Policy, under separate cover.

The primary purposes of Chartwell’s Information Security Policy are to ensure that Chartwell management:

- Understands the risks and threats to which information systems are exposed,
- Evaluates the potential exposures to such risks/threats
- Implements appropriate information security systems and administrative, technical and physical security controls to mitigate such risks, threats and exposures, tests the effectiveness of information security systems and controls, and responds timely to various type of cyber incidents.

**Item 5 – Fees and Compensation**

For investment supervisory services, Chartwell’s fees (see fee schedules described below) are typically based on either the value of assets under management or a fixed fee, depending on factors such as the size and type of account. Chartwell’s fees are negotiable. In certain circumstances, Chartwell may charge a performance fee in accordance with the requirements of Section 205 and Rule 205-3 under the Investment Advisers Act of 1940. See Item 6 below. Chartwell will aggregate assets from related accounts (e.g., accounts of family members or multiple accounts of a single institutional client) for the purposes of calculating the breakpoints used for those accounts and the fees we charge.
<table>
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<th>Investment Strategy:</th>
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<th>Fee Schedule:</th>
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<tr>
<td>Dividend Value Equity:</td>
<td>Up to $25 million 0.40%</td>
<td>Intermediate Grade</td>
<td>Up to $20 million 0.30%</td>
</tr>
<tr>
<td></td>
<td>$25 - $50 million 0.30%</td>
<td>Fixed:</td>
<td>$20 - $40 million 0.25%</td>
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<td></td>
<td>Additional Assets 0.20%</td>
<td>Core Fixed:</td>
<td>$40 - $100 million 0.20%</td>
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<tr>
<td>Small Cap Value:</td>
<td>Up to $20 million 0.90%</td>
<td>Short Duration</td>
<td>Over $100 million 0.15%</td>
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<tr>
<td></td>
<td>Additional Assets 0.80%</td>
<td>&amp; Short Duration Corporate</td>
<td></td>
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<tr>
<td>Mid Cap Value:</td>
<td>Up to $50 million 0.60%</td>
<td>All Assets</td>
<td></td>
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<tr>
<td></td>
<td>Additional Assets 0.50%</td>
<td></td>
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<tr>
<td>Small/Mid Cap Value</td>
<td>Up to $20 million 0.80%</td>
<td></td>
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<tr>
<td></td>
<td>Additional Assets 0.70%</td>
<td></td>
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<tr>
<td>Small Cap Growth/</td>
<td>Up to $20 million 1.00%</td>
<td>Chartwell Income Fund</td>
<td></td>
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<tr>
<td></td>
<td>Over $20 million 0.80%</td>
<td>Chartwell Mid Cap Value Fund:</td>
<td>0.64%*</td>
</tr>
<tr>
<td>Mid Cap Growth:</td>
<td>Up to $20 million 0.80%</td>
<td>Chartwell Small Cap Value Fund:</td>
<td>0.90%*</td>
</tr>
<tr>
<td></td>
<td>Over $20 million 0.70%</td>
<td>Chartwell Short Duration High</td>
<td>1.05%*</td>
</tr>
<tr>
<td>Large Cap Growth</td>
<td>Up to $10 million 0.70%</td>
<td>Chartwell Short Duration High</td>
<td>Yields Fund: 0.49%*</td>
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<td>$10 - $40 million 0.60%</td>
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<td>$40 - $70 million 0.50%</td>
<td></td>
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<tr>
<td></td>
<td>$70 - $100 million 0.40%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Over $100 million 0.25%</td>
<td></td>
<td></td>
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<tr>
<td>Core Plus Fixed:</td>
<td>Up to $20 million 0.40%</td>
<td>Chartwell Small Cap Growth Fund:</td>
<td>1.05%*</td>
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<td></td>
<td>$20 - $50 million 0.30%</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Additional Assets 0.25%</td>
<td></td>
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<tr>
<td>High Yield Fixed:</td>
<td>First $20 million 0.60%</td>
<td>Small Cap Value:</td>
<td></td>
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<tr>
<td></td>
<td>Additional Assets 0.50%</td>
<td>Small Mid Cap Value:</td>
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<tr>
<td>High Yield Short BB Fixed:</td>
<td>First $20 million 0.50%</td>
<td>Mid Cap Value:</td>
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<td>$20-50 Million 0.40%</td>
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<td>Additional Assets 0.30%</td>
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*Advisor has contractually agreed to waive its fees and/or pay for operating expenses of the Funds to ensure that total annual Fund operating expenses do not exceed these percentages. This agreement is in effect for at least one year from the March 1, 2020 prospectus and may be terminated prior to this time only by the Trust’s Board of Trustees.

**Collective Investment Trust**:

- Small Cap Value: 0.89%
- Small Mid Cap Value: 0.78%
- Mid Cap Value: 0.74%

**Collective Investment Trust ("CITs") vehicle sponsored by Comerica Bank & Trust, N.A. and sub-advised by Chartwell Investment Partners. CITs have been established but not yet funded.**
The fee for certain retail and high net worth clients with individually managed accounts is generally 0.90% of the value of the assets under management. For individual bond holdings the fee is 5/8 of 0.90% and for bond mutual funds, including exchange traded funds, the fee is 3/8 of 0.90%. The fee for these accounts is negotiable. Chartwell employees’ separately managed accounts that are managed in the same strategy alongside these high net worth clients will pay a lower fee.

Fees for WRAP portfolios are different than those shown in the fee table above and will vary per platform. The relevant program sponsors will pay fees to Chartwell based on the asset value of each client account.

The specific manner in which fees are charged by Chartwell is established in a client’s written agreement with Chartwell. We will generally bill fees on a quarterly basis in arrears (i.e., following the applicable quarter period). Accounts initiated or terminated during a calendar quarter will be charged a pro-rated fee. Clients will receive quarterly invoices from Chartwell for such fees.

Chartwell may have a potential conflict of interest by investing client account assets into pooled investment vehicles and/or open-end mutual funds that we advise (“Affiliated Funds”). Chartwell and its employees receive an economic benefit for any investment of client assets in an Affiliated Fund since Chartwell receives advisory fees based on the growth of Affiliated Fund assets. However, no separate management fee is charged for any portion of the client’s account invested in one or more of the Affiliated Funds.

Chartwell’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 investment and other third parties such as 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 Chartwell’s fee, and we do not receive any portion of these commissions, fees, and costs, except with respect to the management fee associated with investments in Affiliated Funds, as noted above.

Item 12 further describes the factors that Chartwell considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

**Item 6 – Performance-Based Fees and Side-By-Side Management**

An employee of Chartwell acts as the General Partner of Focus Limited Partners (“Focus”), a privately offered Limited Partnership for qualified investors. Focus invests in common stock and may hold shares of one or more mutual funds managed by Chartwell. The General Partner of Focus receives a performance fee. See item 10 below for more information on Focus.

Chartwell has other Supervised Persons who may manage accounts that are charged a performance-based fee and accounts that are charged another type of fee such as an asset-based fee. Chartwell recognizes that such fee arrangements create an incentive to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities and that such fee arrangements may create an incentive to favor accounts for which the related persons may have personal capital investments. In order to address these potential conflicts, Chartwell has developed policies and procedures for allocating investments to clients in a fair and equitable manner. Chartwell has designed and implemented procedures to help ensure that
all clients are treated fairly and equally overtime, and to prevent this conflict from influencing the allocation of investment opportunities among clients. When consistent with the best interests of Chartwell’s clients, orders being placed at the same time for the accounts of two or more clients may be “batched” or placed as an aggregated order for execution. This practice may enable Chartwell to seek more favorable executions and net prices for the combined order. Any orders placed for all accounts managed by Chartwell, including accounts of Chartwell or Affiliated Funds, may be aggregated or “batched” for execution subject to Chartwell’s order aggregation and allocation policy and procedures. All portfolios included in an aggregated trade are allocated the same average price per share thereby eliminating the possibility of one portfolio being favored over another. See Item 12, page 13 below for further details of these procedures.

On a monthly basis, Chartwell’s Finance and Performance Specialist, who is also a member of the Compliance team, oversees the institutional portfolio performance calculation process handled in Chartwell’s Operations Department, and completes a spreadsheet of monthly portfolio returns for each institutional client in all investment styles. This spreadsheet is provided to the CEO, CFO, COO, CCO, Director of Client Services and various investment personnel for their review. If anyone on the distribution list identifies performance dispersion between client accounts, Chartwell investigates the cause for the dispersion by reviewing the underlying transactional detail, holdings & security weightings by portfolio. This monthly process helps ensure that all institutional portfolios that are managed under the same investment product are treated fairly and equitably over time and traded in accordance with firm policy.

Certain retail accounts are reviewed by a member of the Trading Department and the COO according to their investment objective to ensure that the accounts’ holdings correspond with the guidelines of that objective. Once any outliers are identified, the Trader, COO and a Portfolio Manager meet to review these portfolios and determine specific security transactions to bring these accounts back to the guidelines. The Trader has the responsibility to execute these transactions.

Accounts can, over a period of time, deviate from the guidelines for a number of reasons: cash flows into, or out of the account; a change in investment objectives, which may take time to achieve; restrictions placed on the account by the client or a new account transitioning to our investment universe.

**Item 7–Types of Clients**

Chartwell provides investment supervisory services on a continuous basis to a variety of individual, institutional, investment company, private fund and corporate clients. Chartwell is an adviser or sub-adviser to investment companies registered under the Investment Company Act of 1940. Each of the existing investment products have pre-determined capacity levels at which we feel the products can be effectively managed to reach maximum performance potential. A minimum account size of $1 million for high net worth individuals and $5 million for institutional, investment company, private fund and corporate clients can be waived at Chartwell’s sole discretion.

Chartwell may also participate in model-based Managed Accounts Programs. In such programs, Chartwell shall provide the Program Sponsor non-discretionary investment advice through model portfolios. The model-based Program Sponsor is generally responsible for investment decisions and performing many other services and functions typically handled by Chartwell in a traditional discretionary Managed Account Program. Depending on the particular facts and circumstances, Chartwell may or may not have an advisory relationship with model-based program clients. To the extent that this Form ADV Part 2 is delivered to Program clients with whom Chartwell has no advisory relationship or under circumstances where it is not legally required to be delivered, it is provided for informational purposes only.
Furthermore, because a model-based Program Sponsor generally exercises investment and brokerage discretion, performance and other information relating to Chartwell’s services for which it exercises investment and/or brokerage discretion is generally provided for informational purposes only and may not be representative of model-based program client results or experience. Chartwell is not responsible for overseeing the provision of services by a model-based Program Sponsor and cannot assure the quality of its services.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Chartwell’s methods of security analysis are both fundamental and technical in nature. The main sources of information used may include: financial newspapers and magazines, research materials prepared by others, corporate rating services, inspections of corporate activities, company press releases and annual reports, prospectuses and filings with the SEC, interviews with company executives and broker analysts. The investment strategies we use to implement any investment advice given to clients include: long term purchases (securities held at least a year), short term purchases (securities sold within a year), trading (securities sold within 30 days), short sales, margin transactions, option writing including covered options, uncovered options or spreading strategies. We offer investment advice concerning a wide range of investment styles but predominantly advise clients regarding investments in U.S. securities. These investment strategies involve varying degrees of risk. We select investments for clients while considering the client’s needs, including total return objectives, risk tolerance, other assets and obligations of the client, legal investment laws and other investment restrictions applicable to the client.

Investing in securities involves risk of loss that clients should be prepared to bear. The significant risks are:

**Securities Market Risk.** This is the chance that securities prices overall will decline resulting in loss of portfolio value.

**Illiquidity.** This is the risk that we will be unable to sell a security within a reasonable timeframe due to low trade volume and lack of interest. Certain securities selected for investment in a portfolio may be deemed to be illiquid under applicable law. During periods of market turbulence or unusually low trading activity, in order to meet redemptions, it may be necessary for the portfolio to sell such securities at prices that could impact portfolio value.

**Investment Style Risk.** Some of our investment strategies involve investments in securities and other assets believed to be undervalued. The identification of such investment opportunities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While these investments offer the opportunities for above-average capital appreciation, they also involve a high degree of financial risk and can result in substantial losses. Returns generated from these investments may not adequately compensate for the business and financial risks assumed. Poor economic conditions and any future major economic recession can severely disrupt the markets for such investments and significantly impact their value. In addition, any such economic downturn can adversely affect the ability of the issuers of such obligations to repay principal and pay interest thereon and increase the incidence of default for such securities. Additionally, there can be no assurance that holders of these securities will ever come to realize the value of some of these investments or that they will ever increase in price. Furthermore, client accounts we manage using these investment strategies may be forced to
hold such investments for a substantial period of time before realizing their anticipated value. During this period, a portion of the account’s funds would be committed to the investments made, which may prevent the account from investing in other opportunities we identify.

**Short Sales.** This type of investment program contemplates that a portion of the portfolio may be invested in selling securities short. Although the portfolio manager may sell short a variety of assets, he expects most short trades to be in equity securities and stock index futures. Short selling involves the sale of a security that the portfolio does not own and must borrow in order to make delivery in the hope of purchasing the same security at a later date at a lower price. In order to make delivery to its purchaser, the portfolio must borrow securities from a third-party lender. The portfolio subsequently returns the borrowed securities to the lender by delivering to the lender the securities it receives in the transaction or by purchasing securities in the open market. The portfolio must generally pledge cash with the lender equal to the market price of the borrowed securities. This deposit may be increased or decreased in accordance with changes in the market price of the borrowed securities. During the period in which the securities are borrowed, the lender typically retains his right to receive interest and dividends accruing to the securities. In exchange, in addition to lending the securities, the lender generally pays the portfolio a fee for the use of the portfolio’s cash. This fee is based on prevailing interest rates, the availability of the particular security for borrowing and other market factors.

Theoretically, securities sold short are subject to unlimited risk of loss because there is no limit on the price that a security may appreciate before the short position is closed. In addition, the supply of securities that can be borrowed fluctuates from time to time. A portfolio may be subject to substantial losses if a security lender demands return of the lent securities and an alternative lending source cannot be found.

**Options.** Some of our investment strategies involve investments, from time to time, in options, including buying and writing puts and calls on some of the securities held by the funds in an attempt to supplement income derived from those securities. The prices of many options are highly volatile. The value of options depends primarily upon the price of the securities, indexes, currencies or other instruments underlying them. Price movements of options contracts are also influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. These investment portfolios are also subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouses or counterparties. The cost of options is related, in part, to the degree of volatility of the underlying securities, currencies or other assets. Accordingly, options on highly volatile securities, currencies or other assets may be more expensive than options on other investments.

**Foreign Securities Risks.** Although Chartwell typically does not make significant investments in foreign securities, we reserve the right to invest a small percentage of assets in foreign securities which may include depositary receipts. In the event that client-imposed guidelines do not allow such investments, we will restrict these types of securities from the client’s portfolio in our portfolio trading system. Investment in foreign securities, particularly those traded on U.S. markets, can subject a portfolio to country and currency risk:

- **Country Risk.** This is the chance that world events such as political upheaval, financial troubles or natural disasters will adversely affect the value of securities issued by companies in foreign countries.

- **Currency Risk.** This is the chance that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates.
Risk is measured at both a security and portfolio level. Our portfolio management teams monitor the risk of individual securities by stock volatility, quality of earnings and sector volatility. Then at a portfolio level risk is monitored through several attributes including industry weight limits, price to earnings, market capitalization and estimated growth levels relative to indices. Chartwell looks at risk in many ways, but we do not manage our portfolios to specific risk targets.

**Item 9 – 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 Chartwell or the integrity of Chartwell’s management. Chartwell has no information applicable to this Item.

**Item 10 – Other Financial Industry Activities and Affiliations**

Chartwell is a wholly owned subsidiary of TriState Capital Holdings, Inc. (NASDAQ: TSC) and an affiliate of TriState Capital Bank. James F. Getz is Chairman of Chartwell and also serves as Chairman of the Board, Chief Executive Officer, and President of TriState Capital Holdings. TSC is a bank holding company headquartered in Pittsburgh, PA, providing through its wholly owned subsidiaries commercial banking, private banking and investment management services to middle-market companies, institutional clients and high-net-worth individuals. Its TriState Capital Bank subsidiary serves middle-market commercial customers through regional offices in Pittsburgh, Philadelphia, Cleveland, Edison, NJ and New York City, as well as high-net-worth individuals nationwide through its national referral network of financial intermediaries. It offers investment management services through Chartwell.

As Chartwell and TriState are in very different lines of business, investment advisory and lending, respectively, we deem the risk of conflicts to be very low. Chartwell does not use TriState Capital Bank for any of the investment management services that it provides to Chartwell clients. Chartwell does manage an investment portfolio for TriState Capital Bank on a non-discretionary basis and receives a nominal fee for these services, but this is neither related to nor does it impact any services that Chartwell provides to its other clients.

Chartwell TSC Securities Corp (“Chartwell TSC”) a Pennsylvania corporation headquartered in Pittsburgh, PA, is registered as a broker-dealer with Financial Industry Regulatory Authority and the U.S. Securities and Exchange Commission. The products and services marketed by Chartwell TSC Securities are issued or advised by its affiliates, Chartwell Investment Partners, LLC, an SEC-registered investment Advisor or TriState Capital Bank, a Pennsylvania chartered bank. Chartwell TSC is also a wholly owned subsidiary of TriState Capital Holdings, Inc.

In relation to The Killen Group (“TKG”) acquisition in April 2016, Focus Partners, LP (Focus LP), a privately offered limited partnership, was added as a conflict of interest. Focus LP is managed by Robert Killen, General Partner of Focus and Consultant for Chartwell’s high net worth business. Focus LP invests in common stock and may hold shares of one or more mutual funds managed by Chartwell. Some of the limited partners of Focus are also clients of Chartwell inherited from the TKG acquisition. Mr. Killen is entitled to receive a performance fee for his management services to Focus. Focus is neither traded on Chartwell’s trade desk, nor does it follow any of Chartwell’s investment strategies and Chartwell is not the Adviser of the Fund. Therefore, it is treated as an outside business activity and personal account of Mr. Killen. Chartwell has policies and procedures in place to ensure that no favoritism is shown to the private fund. Procedures include looking for potential front running, scalping or any other favorable treatment of
Focus LP’s trades.

In addition, there are several incubator portfolios that are run by various Chartwell portfolio managers. These incubator portfolios are limited partnerships set up by Chartwell management for the purpose of incubating a new investment product, i.e. creating a track record of investing in a particular style that will ultimately be sold to clients. The incubators are generally funded by officers of the firm. See Trade Allocation and Aggregation Process in Item 12, page 13 below for information on how trading of these portfolios is handled alongside other institutional accounts.

**Item 11– Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Personal securities transactions by employees may raise potential conflicts of interest when such person’s trade in a security that is owned by, or considered for purchase or sale for, a client. Chartwell has adopted policies and procedures, a Code of Ethics, reasonably designed to detect and prevent such conflicts of interest and to ensure that it effects transactions for clients in a manner that is consistent with its fiduciary duty to its clients and in accordance with applicable law. The Code of Ethics which covers all supervised persons of the firm includes: provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts, political contributions and business entertainment items, outside business activities and personal securities trading procedures including pre-clearance for all personal trading of covered securities and open-end mutual fund shares of funds for which Chartwell acts as adviser/sub-adviser. There are also blackout periods and specific consequences for different types of violations. All supervised persons at Chartwell must acknowledge the terms of the Code of Ethics upon initial hire and annually, or as amended and report their holdings to Compliance.

Chartwell’s clients or prospective clients may request a copy of the firm’s Code of Ethics by contacting the firm at the address and/or phone number on the cover page of this Brochure.

Officers and employees of Chartwell have invested (and may in the future invest) in companies that offer their equity securities on a nonpublic basis, such as venture capital companies. These companies, in turn, make investments in other companies that issue nonpublic securities (“Portfolio Companies”). From time to time, the Portfolio Companies make public offerings of their securities and allocate a portion of these public offerings to the companies that originally invested in them. Ultimately, the public offerings flow through the investing companies to their shareholders. As investors in the investing companies, Chartwell’s officers and employees are presented with opportunities to buy the public offerings issued by the Portfolio Companies and take advantage of these investment opportunities.

Similarly, officers and employees of Chartwell may invest in private companies that may offer their securities publicly and allot portions of their securities offered to the public to existing private-security holders. These opportunities to invest in public offerings (so-called initial public offerings or IPOs) may occur in any of the foregoing circumstances or others, such as the case when Chartwell makes a proprietary investment in one or more private entities (such as limited partnerships) that make investments in IPOs, directly or as a result of being an investor at the private stage of the IPO issuer.
In cases where these investments in IPOs are presented to the officers and employees of Chartwell, they are permitted to purchase the offerings with the pre-approval of Chartwell’s CCO. Chartwell does not consider these investment opportunities to be investment opportunities available to its clients because declining the proportionate number of public offerings by the officers and employees does not affect the number of public offerings that can be made available to Chartwell’s clients.

Chartwell does not generally recommend investments in the Affiliated Funds for clients’ accounts. In the event that Chartwell would recommend such an investment, a conflict of interest would exist as Chartwell is entitled to receive advisory fees from its clients as well as the fees earned through the management of the Affiliated Funds.

In some cases, individually managed accounts may hold shares of Affiliated Funds. This is an option for clients who may not want to own individual securities or in the case of smaller accounts where the client wants to benefit from owning the securities in an Affiliated Fund. In these cases, as stated in Item 5 above, the client does not pay a separate management fee to the advisor over and above the fee earned through the management of the Affiliated Funds.

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**Item 12—Brokerage Practices**

**Broker Selection**

Clients' investment advisory agreements authorize Chartwell to determine, consistent with the clients' investment objectives, which securities and the total amount of securities which are to be bought or sold for clients' accounts. Our primary objective in placing orders for the purchase or sale of securities for a client's account is to obtain the most favorable net results under the circumstances, taking into account such factors as price, commission, size of order, difficulty of execution and skill required of the broker. Therefore, we select brokers on the basis of best price (including commissions) and execution capability. We do not consider whether we or a related person receives client referrals from a broker-dealer or third party.

In selecting a broker to execute a transaction for a client, Chartwell may consider a variety of factors, including the following: the broker has the contra side of Chartwell’s order; the broker's capital depth; the broker's market access; the broker's transaction confirmation and account statement practices; Chartwell's knowledge of negotiated commission rates and spreads currently available; the nature of the security or instrument being traded; the size and type of the transaction; the desired timing of the transaction; the execution, clearance and settlement capabilities of the broker selected and others considered; the reputation and perceived soundness of the broker selected and others considered; Chartwell's knowledge of any actual or apparent operational problems of a broker; and the reasonableness of the commission or its equivalent for the specific transaction. While Chartwell generally seeks competitive commission rates and dealer spreads, it will not necessarily pay the lowest commission or commission equivalent.

Transactions may involve specialized services on the part of the broker and thereby justify higher commissions or their equivalent than would be the case with other transactions requiring more routine services. It should be noted that Chartwell may place trades directly through ECNs (electronic trade networks) and ATSs (alternative trading systems) when we believe that the transactions can be execute at lower or equal costs without sacrificing overall quality of execution.
A Brokerage Committee, including certain Chartwell officers and Portfolio Managers, is responsible for approving brokers and dealers for eligibility to place client trades and reviewing trade data. This Committee meets no less frequently than quarterly.

Chartwell selects investments for clients based solely on investment considerations, including whether the investments are suitable for the client and meet the client's investment objectives and guidelines. Chartwell prohibits cross trading on behalf of any of our clients, proprietary or sub-advisory clients. For clarity, this cross-trading prohibition applies to both agency trades (i.e., the investment advisor acts as a broker for both the buyer and the seller in the transaction), as well as brokered trades (i.e., the investment advisor, acting on behalf of two or more accounts under its management, places simultaneous purchase and sale orders for the same security with a single broker-dealer).

**Managed Account Best Execution**
Chartwell’s obligation to obtain best execution (a combination of price and execution charges) is owed to all clients including those participating in wrap fee programs, the fee for which covers transaction charges only when participating client orders are placed through the sponsor of the program. Chartwell will place orders for wrap fee client transactions through broker-dealers other than the sponsor (that typically is a broker-dealer) when it can obtain best execution by doing so. However, it is likely that in most, if not all, cases Chartwell will place orders for wrap fee clients with the sponsoring broker-dealer in recognition that the client’s wrap fee does not include transaction charges paid to non-sponsoring broker-dealers when orders are placed through them, and as such, wrap clients would effectively pay transaction charges twice. We consistently monitor best execution for all clients as well as those in wrap relationships and consider many factors in these evaluations including the fact that the client’s wrap fee will not be reduced if the trade is executed away from the sponsoring broker-dealer.

**Soft Dollars**
Consistent with obtaining best execution for clients, Chartwell may direct brokerage transactions for clients' portfolios to brokers who provide research and execution services to Chartwell and, indirectly, to Chartwell's clients. These services are of the type described in Section 28(e) of the Securities Exchange Act of 1934 and are designed to augment Chartwell's own internal research and investment strategy capabilities, but Chartwell receives a benefit from these services because it does not have to produce or pay for the research, products, or services itself. Research services obtained through the use of soft dollars may include statistical or quotation services, including online services, as well as research reports and expertise for selected sectors & industries provided by third-party research firms. Chartwell does not attempt to put a specific dollar value on the services rendered or to allocate the relative costs or benefits of those services among clients, believing that the research it receives will help Chartwell to fulfill its overall duty to its clients.

Chartwell uses research services obtained in this manner for the benefit of all of its clients. Chartwell may not use each particular research service, however, to service each client. As a result, a client may pay brokerage commissions that are used, in part, to purchase research services that are not used to benefit that specific client. Brokers selected by Chartwell may be paid commissions for effecting transactions for Chartwell's clients that exceed the amounts other brokers would have charged for effecting these transactions if Chartwell determines in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those brokers, viewed either in terms of a particular transaction or Chartwell's overall duty to its discretionary client accounts. Chartwell may have an incentive to select broker-dealers based on its interest in receiving brokerage and/or research services, rather than on clients’ interest in receiving most favorable execution.
Certain items obtained with soft dollars might not be used exclusively for either brokerage or research services. The cost of such “mixed-use” products or services will be fairly allocated between soft dollars (paid by clients) and hard dollars (paid by Chartwell), according to the proposed use. For example, the cost of a computer that is used for both research services and administrative purposes will be allocated between hard and soft dollars according to the percentage of time it is used for each purpose. Although such an allocation will not always be a precise calculation, Chartwell will make a good faith effort to reasonably allocate such services.

**Directed Brokerage**

In some circumstances, particularly with certain retail and high net worth clients, the client will designate a particular broker or dealer through which trades are to be effected or through which transactions may be introduced, typically under such terms as the client negotiates with the particular broker or dealer.

Where a client has directed the use of a particular broker or dealer, Chartwell generally will not be in a position to negotiate commission rates or spreads freely or, depending on the circumstances, to select brokers or dealers based on best execution.

Additionally, transactions for a client that has directed that Chartwell use a particular broker or dealer may not be commingled or “bunched” for execution with orders for the same securities for other managed accounts, except in situations where there are multiple clients using the same broker or to the extent that the executing broker or dealer is willing to “step out” such transactions to the client’s designated broker or dealer. Where “step out” arrangements are not possible or to the client’s advantage, trades for a client that has directed use of a particular broker or dealer may be placed at the end of bunched trading activity for a particular security. Retail clients who have directed brokerage may approve step out trades for fixed income trades, but equity trades are routed to the directed broker.

The direction by a client to use a particular broker or dealer to execute transactions may result in higher commissions, greater spreads, or less favorable net prices than might be the case if Chartwell were empowered to negotiate commission rates or spreads freely or to select brokers or dealers based on best execution. See “Managed Account Best Execution” section above for description of our brokerage practices regarding wrap fee accounts.

**Trade Allocation and Aggregation Process**

When consistent with the best interests of Chartwell’s clients, orders being placed at the same time for the accounts of two or more clients may be “batched” or placed as an aggregated order for execution. This practice may enable Chartwell to seek more favorable executions and net prices for the combined order. Any orders placed for all accounts managed by Chartwell, including accounts of Chartwell or Private Funds, may be aggregated or “batched” for execution subject to Chartwell’s order aggregation and allocation policy and procedures. All portfolios included in an aggregated trade are allocated the same average price per share thereby eliminating the possibility of one portfolio being favored over another. If trade executions/fills are required over multiple days to satisfy a trade order to achieve a target position weighting, each portfolio is allocated the same market weighting and same price per share from each execution/fill. This policy and these procedures are designed to meet the legal standards applicable to Chartwell under federal and state securities laws and the Employee Retirement Income Security Act of 1974 and its obligations as a fiduciary to each client.

Whenever possible, we execute block trades for all portfolios managed within the same investment product, and in these cases, all portfolios receive the same average price per share and the same asset weighting of the security being traded. In the case of certain retail clients, the average price per share issued as well for aggregated trades but the individual costs may differ because each client negotiates commissions with the broker independently. Institutional and mutual fund accounts are traded side-by-side in these block orders.
In cases where separate block trades are required (dictated by wrap account trading through sponsoring broker-dealers for example), we will generally execute these separate trades for all accounts simultaneously, or in a reasonably similar time frame, with no rotation. When the amount of assets in a particular investment product could each potentially cause market impact and/or security liquidity issues if traded simultaneously, we employ a simple rotation of block trades between all accounts. When trading for multiple wrap sponsors for the same investment product, we employ a random rotation of program sponsors. In the case of model-based programs, models are time stamped and sent via-email to the proper programs as part of the rotation described above.

In the rare case that an Affiliated Fund and one or more long only products are trading the same security on the same day, shares are allocated on a pro-rata basis based on market value until our desired weightings for each portfolio are achieved, and all portfolios obtain the same average price. We do not permit an Affiliated Fund to short stocks that are held long in any of our long only products. If an Affiliated Fund holds a short position at the time a long only product buys the stock, we allow that Fund to maintain that short position or close out the short position, but do not permit the Fund to further increase its short position until the long only product no longer holds the security.

**Model Portfolio Investment Procedures**

As described above, Chartwell participates in model-based Managed Accounts Programs. The recommendations implicit in the model portfolios that Chartwell provides to the Program Sponsor may reflect recommendations being made by Chartwell contemporaneously to, or investment advisory decisions made contemporaneously for, Chartwell’s similarly managed discretionary clients. As a result, Chartwell may have already commenced trading before the Program Sponsor has received or had the opportunity to evaluate or act on Chartwell’s recommendations. In this circumstance, trades ultimately placed by the Program Sponsor for its clients may be subject to price movements, particularly with large orders or where the securities are thinly traded, that may result in model-based Managed Account Program clients receiving prices that are more or less favorable than the prices obtained by Chartwell for its discretionary client accounts. On the other hand, the Program Sponsor may initiate trading based on Chartwell’s recommendations at the same time Chartwell is trading for its discretionary client accounts. Particularly with large orders where the securities are thinly traded, this could result in Chartwell’s discretionary clients receiving prices that are more or less favorable than prices that might otherwise have been obtained absent the Program Sponsor’s activity. Chartwell generally seeks to minimize the market impact of the recommendations provided to the Program Sponsor on accounts for which Chartwell exercises investment discretion. However, because Chartwell does not control the Program Sponsor’s execution of transactions for the Program Sponsor’s client accounts, Chartwell cannot control the market impact of such transactions to the same extent that it would for its discretionary client accounts.

**Item 13 – Review of Accounts**

Chartwell’s Investment Committee comprised of portfolio managers and analysts of the various investment strategies review each account periodically. In addition, all accounts will be assigned to at least one member of the Investment Committee or portfolio management team that will typically review accounts on a daily basis. There will be regular portfolios reviews during which the assessment of each account will be reviewed, and the overall market and portfolio issues discussed.

Institutional clients will receive a written quarterly statement of his portfolio detailing the performance of
the account along with discussions of certain positions in each portfolio. To the extent that any account is audited, the results of that audit will be provided to the client on an annual basis. Retail clients will receive performance results upon request or in cases where the client requests an in-person meeting with the Advisor.

**Item 14 – Client Referrals and Other Compensation**

Any solicitation or referral arrangement involving a third party will comply with applicable laws that govern the nature of the service, fees to be paid, disclosures to clients and any necessary client consents.

**Item 15 – Custody**

Chartwell does not maintain custody of client assets that it advises (although we may be deemed to have custody of client assets if the client gives us authority to withdraw assets from the client’s account or pursuant to a standing letter of instruction to a qualified custodian to direct client funds to third parties). Client assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. However, it is important to note that clients should also compare the account statements received from their custodian with those received from us. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

**Item 16 – Investment Discretion**

Clients’ investment advisory agreements give Chartwell discretionary authority to determine, consistent with the clients’ investment objectives, which securities and the total amount of securities to be bought or sold for clients’ accounts. The first step in starting a new client relationship is the development of an appropriate investment policy statement and strategy. Once their objectives are defined, restrictions are identified, guidelines are determined, and a contract (investment advisory agreement) is drafted that details all of these pertinent issues. The client will then notify their custodian that we will be managing their account. We set up the new client in our accounting and trading systems and, depending on whether we receive cash or securities, begin the appropriate course of trading.

**Item 17 – Voting Client Securities**

Chartwell has adopted Proxy Voting Policies and Procedures (“Policies”) to seek to ensure that it exercises voting authority on behalf of Chartwell clients, which include registered investment companies to which Chartwell serves as advisor and/or sub-advisor, in a manner consistent with the best interests of each client and its agreement with the client. These Policies apply where clients have delegated the authority and responsibility to Chartwell to decide how to vote proxies. Chartwell does not accept or retain authority to vote proxies in accordance with individual client guidelines with the exception of those clients who wish their proxies voted in accordance with Taft-Hartley Proxy Voting Guidelines in accordance with AFL-CIO Key Vote Survey recommendations, as described below. Clients who wish to arrange to vote proxies in accordance with their own guidelines may elect to do so at any time by notifying Chartwell.
Investment Advisers Act Rule 206(4)-6 requires every SEC-registered adviser exercising proxy voting authority over client securities to:

- Adopt and follow written proxy voting policies and procedures;
- Provide clients with a summary of those policies and procedures;
- Let clients know how to obtain copies of the adviser’s proxy voting policies and procedures, as well as information about how the adviser voted their proxies; and
- Keep certain records relating to proxy voting.

Chartwell believes that voting proxies in the best interests of each client means making a judgment as to what voting decision is most likely to maximize total return to the client as an investor in the securities being voted and casting the vote accordingly. For this reason, Chartwell’s evaluation of the possible impact of a proxy vote on the economic interests of company shareholders similarly situated to Chartwell’s clients will be the primary factor governing Chartwell’s proxy voting decisions.

Chartwell has established a Proxy Voting Committee to oversee and administer the voting of proxies on behalf of clients. The Committee’s responsibilities include reviewing and updating these policies as may be appropriate from time to time; identifying and resolving any material conflicts of interest on the part of Chartwell or its personnel that may affect particular proxy votes; evaluating and monitoring, on an ongoing basis, the analyses, recommendations and other services provided by Institutional Shareholder Services (“ISS”), an independent proxy voting service, or another third party retained to assist Chartwell in carrying out its proxy voting responsibilities; when deemed appropriate by the Committee, consulting with Chartwell portfolio managers and investment professionals on particular proposals or categories of proposals presented for vote; and determining when and how client proxies should be voted other than in accordance with the general rules and criteria set forth in Chartwell’s Proxy Voting Guidelines or with the recommendations of ISS or another independent proxy voting service retained by Chartwell.

It is Chartwell’s policy not to exercise its authority to decide how to vote a proxy if there is a material conflict of interest between Chartwell’s interests and the interests of the client that owns the shares to be voted that could affect the vote on that matter. To seek to identify any such material conflicts, a representative of the Proxy Voting Committee screens all proxies and presents any potential conflicts identified to the Committee for determination of whether the conflict exists and if so, whether it is material. In the event the Committee determines that there is a material conflict of interest that may affect a particular proxy vote, Chartwell will request that the client to make the voting decision and will forward all proxy materials to that client.

Chartwell maintains a copy of the AFL-CIO Key Votes Survey which is a list of proposals and meetings based on the AFL-CIO Proxy Voting Guidelines. This list includes the company, item number, proposal, recommendation and date of the meeting. Chartwell votes in accordance with these recommendations and, as such, has an overall belief that voting in a pro-union manner on votes about which the AFL-CIO expresses its recommendation will have the most positive impact on shareholder economic interests.

Clients may direct Chartwell not to vote in accordance with the AFL-CIO Key Vote Survey and when directed in this manner, Chartwell will vote in accordance with client instructions or ISS recommendations (which, in turn, may or may not be the same as the AFL-CIO voting recommendation). In situations where ISS does not vote a proxy, Chartwell will vote in the best interest of the shareholders based on its knowledge of the company and issue(s) at hand.

We will update our proxy voting policies, procedures and guidelines from time to time as conditions
dictate, and will make copies available upon request. A copy of our proxy voting policies and procedures, including our voting guidelines, is available by contacting Chartwell at the address and/or phone number on the cover page of this Brochure. Clients may similarly contact us for specific record or information on how we voted proxies on their behalf. Chartwell should also be contacted if Chartwell is to be directed not to vote in accordance with AFL-CIO recommendations.

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**Item 18—Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about an adviser’s financial condition. Chartwell 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.
Supervised Persons

Client Services & Marketing

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<tr>
<th>John Andress</th>
<th>Sidney Baker</th>
<th>Stephen Binder</th>
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<tr>
<td>Zachary Crump</td>
<td>Thomas DiBari</td>
<td>Joseph Barilotti</td>
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<td>Brian Ward</td>
<td>Seth Jennings</td>
<td>Jameson Keevican</td>
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<td>Michael Honer</td>
<td>Michael Magee</td>
<td>Michael McCloskey</td>
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<td>Eric Lareau</td>
<td>Erik Ranson</td>
<td>Timothy Riddle</td>
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<td>Jason Stewart</td>
<td>Kevin Shields</td>
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1205 Westlakes Drive, Suite 100, Berwyn, PA 19312
610-296-1400

This Brochure Supplement provides information about Chartwell's Portfolio Investment, Management and Client Services teams that supplements Chartwell Investment Partners' Brochure (Form ADV Part 2). You should have received a copy of that Brochure. Please contact info@chartwellip.com if you did not receive Chartwell's Brochure or if you have any questions about the contents of this supplement.

Additional background information about Sidney Baker, Zachary Crump, Thomas DiBari, Michael Honer, Seth Jennings, Jameson Keevican, Kevin Shields, Michael Magee, Erik Ranson, Jason Stewart, and Brian Ward is available on both the SEC's website at www.adviserinfo.sec.gov and on FINRA’s BrokerCheck at https://brokercheck.finra.org.
**Professional Designations:**

**Certified Investment Management Analyst* [‘CIMA’]:** This designation is issued by the Investment Management Consultants Association and is granted to individuals who meet one of the following prerequisites: three years of verifiable financial services experience and must answer "no" to all disclosure questions on Form U-4 that cover criminal and regulatory violations, civil judicial actions and customer complaints or else satisfactorily justify a "yes" answer. The candidate is also required to follow a self-study program involving 5 months of study and one week classroom education program followed by an online examination of the self study program and an in-class final certification examination. Once the designation is issued, 40 hours every two years of Continuing Education is required.

**Chartered Financial Analyst** [‘CFA’]: This designation is issued by the CFA Institute and is granted to individuals who must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct. The CFA program curriculum provides a comprehensive framework of knowledge for investment decision making and is firmly grounded in the knowledge and skills used every day in the investment profession. The three levels of the CFA program test a proficiency with a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed-income and equity analysis, alternative and derivative investments, economics, financial reporting standards, portfolio management and wealth planning. To learn more about the CFA charter, visit [www.cfainstitute.org](http://www.cfainstitute.org).

**Chartered Retirement Planning Counselor*** [CRPC], A professional designation awarded by the College for Financial Planning to individuals who complete a study program and pass a final multiple-choice examination encompassing pre- and post-retirement needs, asset management, estate planning and the entire retirement planning process using models and techniques from real client situations. Successful applicants earn the right to use the CRPC designation with their names for two years. Every two years, CRPC professionals must complete 16 hours of continuing education and pay a small fee to continue using the designation. To learn more about the CRPC, visit [www.cffpinfo.com/crpc](http://www.cffpinfo.com/crpc).

**Certified Public Accountant [‘CPA’]:** The Uniform Certified Public Accountant (CPA) Examination is the examination that an individual must pass to qualify for licensure as a Certified Public Accountant (CPA) in any of the 55 U.S. jurisdictions (the 50 states, the District of Columbia, Puerto Rico, U.S. Virgin Islands, Guam, and the Commonwealth of Northern Mariana Islands). The Examination provides reasonable assurance to Boards of Accountancy (the state entities that have statutory authority to issue licenses) that those who pass the CPA Examination possess the level of technical knowledge and the skills necessary for initial licensure in protection of the public interest. The education and experience requirements which may vary from one jurisdiction to another, round out the requirements for CPA licensure.

**Certified Financial Planner**** [‘CFP’]:** A certified financial planner refers to the certification owned and awarded by the Certified Financial Planner Board of Standards, Inc. The CFP designation is awarded to individuals who successfully complete the CFP Board's initial and ongoing certification requirements. Individuals desiring to become a CFP professional must take extensive exams in the areas of financial planning, taxes, insurance, estate planning and retirement.
**Chartered Alternative Investment Analyst [CAIA]:** A professional designation granted by the Chartered Alternative Investment Analyst Association to candidates who have completed Level I and II examinations. The Chartered Alternative Investment Analyst Association has established the designation of CAIA to certify that the holders have met the association’s educational standard for specialists in the area of alternative investments. The alternative investments that a Chartered Alternative Investment Analyst is trained to assess include hedge funds, venture capital, private equity, funds of funds, derivatives, and real estate investment.

**Item 2- Educational Background and Business Experience**

**Institutional**

**John E. Andress,** born 1955, has been with Chartwell since 2000 and currently serves as Director of Taft Hartley Services, Marketing & Client Services. Prior to joining Chartwell, he was a Vice President of Marketing and Client Service at Delaware Investment Advisers (1995-2000). Previously, he was employed by Luxottica Group as a Manager of Marketing and Client Service (1985-1995). Mr. Andress earned a Bachelor’s degree from the Pennsylvania State University.

**Joseph A. Barilotti,** born 1975, has been with Chartwell since June 1999 and currently serves as Vice President, Marketing & Client Services. Mr. Barilotti worked as a Marketing Assistant on the proposal process (1999-2001). Prior to joining Chartwell, he was employed at SEI Investment as a Mutual Fund Analyst (1997-1999). Mr. Barilotti earned a Bachelor’s degree in Business Administration and in Human Resource Management from Cabrini College.

**Steven Binder,** born 1960, is Director of Taft Hartley Services at Chartwell Investment Partners. Prior to joining Chartwell in April 2018, Mr. Binder was the Director of Client Relations and a managing principal of Columbia Partners LLC Investment Management responsible for overseeing all marketing and client service activities at the firm. He is a unitholder of the LLC (further details are in Outside Business Activity on page 6). Prior to joining Columbia Partners in 1995, he worked as a Vice President at ASB Capital Management. Mr. Binder also worked at American Security Bank in the Treasury and Investment Division. Mr. Binder earned a B.A. in Business Management from North Carolina State University and an M.B.A in Finance and Investments from George Washington University.

**Eric P. Lareau,** born in 1969, is Director of Client Development. Mr. Lareau is responsible for developing and maintaining Chartwell’s institutional, sub advisory & consultant relationships. Mr. Lareau joins Chartwell from Baring Asset Management where he was Director, Institutional Sales and Consultant Relations from 2013 – 2017. Previously, he was employed by Principal Global Investors as Director of Institutional Sales from 2011 – 2013. Prior to 2011, Mr. Lareau was the Head of Sales at Hermes Investment Management, and spent 14 years in a variety of sales and leadership roles with Merrill Lynch Investment Managers, after beginning his career with Putnam Investments. Mr. Lareau earned a Bachelor’s degree in Business Administration from Merrimack College.

Messrs. Andress, Barilotti, Binder, and Lareau directly report to Michael McCloskey, Managing Partner, Director of Client Services, phone number: 610-407-4830, who supervises the Client Services & Marketing Team. Mr. McCloskey reports directly to Timothy J. Riddle, Managing Partner, CEO of Chartwell, phone number: 610-407-4832.
Michael J. McCloskey, born 1961, has been with Chartwell since its inception in 1997 and is currently a Managing Partner, Director Client Services. Previously, Mr. McCloskey was a Vice President at Delaware Investment Advisers in Philadelphia (1993-97), a Director of Marketing for RTE Asset Management in Philadelphia (1991-93) and an Account Manager for Travelers Insurance in Philadelphia (1988-91). Mr. McCloskey holds a B.A. in Labor Studies from Pennsylvania State University.

Mr. McCloskey who supervises the Client Services & Marketing Team reports directly to Timothy J. Riddle, Managing Partner, CEO of Chartwell, phone number: 610-407-4832.

Timothy J. Riddle, CFA**, born 1955, has been with Chartwell since its inception in 1997 and currently serves as Managing Partner, Chief Executive Officer. Previously, Mr. Riddle served as a Senior Vice President for Delaware Investment Advisers in Philadelphia (1986-97). Mr. Riddle holds a B.S.B.A. in Finance and an M.B.A with a concentration in Finance from Creighton University. He is a member of the CFA Institute and the CFA Society of Philadelphia.

Mr. Riddle reports directly to Chartwell’s Chairman, James F. Getz, Chairman & CEO of TriState Capital Holdings, phone number (412) 304-0330.

Advisor Services Group

Michael C. Honer, CFA**, born 1982, has been with Chartwell since December 2018 and is a Manager responsible for serving the RIA channel on the retail distribution team. Prior to joining Chartwell, Mike was a Senior Portfolio Manager for Lockwood Advisors, Inc. (Lockwood), an affiliate of Pershing, and a Vice President for Pershing responsible for the investment management of Lockwood’s discretionary investment solutions (2014-18). He also previously worked at UBS Financial Services as a Wealth Strategy Analyst (2008-14) and Morgan Stanley as a Financial Advisor (2006-08). Mike is a CFA charterholder and earned his undergraduate degree in Finance at Temple University.

Sidney D. Baker, CRPC***, born 1987, has been with Chartwell since October 2016 and currently serves as Southwest Regional Director, Retail Distribution. Prior to joining Chartwell, Mr. Baker worked as a Regional Advisor Consultant for Oppenheimer Funds from 2014 to October 2016. From 2011 to September 2014, he worked as a Financial Advisor at Ameriprise Financial. Mr. Baker also worked as a Finance Analyst from August 2009 to February 2011 at Fannie Mae. Mr. Baker earned a Bachelor’s degree in Finance and Marketing from the McDonough School of Business at Georgetown University. In addition, he holds a Chartered Retirement Planning Counselor certification (CRPC).

Thomas DiBari, CIMA*, born 1966, has been with Chartwell since April 2015 and currently serves as Northeast Regional Director, Retail Distribution. Prior to joining Chartwell, Mr. DiBari was the Director of Northeast Sales at Geneva Advisors (2012 to April 2015). He was employed at Pacific Income Advisors as a Senior Vice President (1999 to 2012). He was employed as a Financial Advisor at PaineWebber (1996 to 1999). He was employed at Ibbotson Associates as an Account Executive and Consultant (1994 to 1996). Mr. DiBari earned a Bachelor’s degree in Economics from Johns Hopkins University and an M.B.A in Finance from the University of Notre Dame.

Seth Jennings, born in 1987, has been with Chartwell since August 2017 and currently serves as Southeast Regional Director, Retail Distribution. Prior to joining Chartwell Mr. Jennings was most recently a Senior Internal Wholesaler at Eagle Asset Management leading the internal sales desk in the western region since 2015. Prior to his most recent role at Eagle Asset Management, he was an Internal Wholesaler and a Retail Portfolio Specialist. From 2011 to 2012, he was a Retirement Specialist at JP Morgan Chase & Co. Mr. Jennings earned a Bachelor’s degree in Marketing from the University of Tampa, Sykes College of Business.
Jameson L. Keevican, born 1984, has been with Chartwell since August 2016 and currently serves as Mid Atlantic Regional Director, Retail Distribution. Prior to joining Chartwell, Mr. Keevican was an Inside Sales Representative at TriState Capital Bank from 2013 to August of 2016. From 2007 to 2013, he was employed at Federated Investors, Inc. as a Senior Internal Sales Representative. Mr. Keevican earned a Bachelor’s degree in Economics from the Pennsylvania State University.

Zachary Crump, CIMA*, CAIA*****, born 1979, has been with Chartwell since February 2020 and currently serves as a Southwest Regional Director, Retail Distribution. Prior to joining Chartwell, Zach was a Vice President, Investment Advisory Specialist at Merrill Lynch from 2016 to January 2020. Prior to working at Merrill Lynch, he was a Senior Investment Strategist at E*Trade from 2011 to 2016. During his career, Zach also worked at Smith Barney as a Consulting Group Analyst and was the Co-Founder of a small business.

Jason B. Stewart, CIMA*, born 1971, has been with Chartwell since October 2012 and serves as Vice President, West Regional Director, Retail Distribution. Previously, Mr. Stewart was a Financial Advisor at Graystone Consulting (2010-12), a Consulting Group Senior Regional Director at Smith Barney (2000-09), and a Consulting Group Divisional Analyst at Smith Barney (1997-2000). Mr. Stewart earned a Bachelor’s degree in Economics at Stanford University. He holds the CIMA designation.

Erik Ranson, born 1980, has been with Chartwell since January 2020. Prior to joining Chartwell, Mr. Ranson held the position of Vice President of Mutual Fund Consultants at Harborside Group serving as an outside sale representative for various firms since joining in 2010. Prior to joining Harborside, he was a Senior Marketing Specialist at Legg Mason Funds and a Wealth Manager in the retail division of Legg Mason Wood Walker. Mr. Ranson earned a Bachelor’s degree in Finance and Management from Salisbury University and a Master of Business Administration degree from John’s Hopkins University.

Kevin Shields, born 1991, has been with Chartwell since January 2020. Prior to joining Chartwell, Mr. Shields held the position of Sales Associate, Mutual Fund Consultant at Harborside Group serving as an Outside Sale Representative for various firms since joining in 2013. Mr. Shields earned a Bachelor’s degree in Business, Organizations and Society from Franklin and Marshall College.

Messrs. Honer, Baker, DiBari, Jennings, Keevican, Crump, Stewart, Ranson, and Shields directly report to Brian J. Ward, Managing Partner, Director of Advisor Services, phone number 610-407-4831. Mr. Ward reports directly to Timothy J. Riddle, Managing Partner, CEO of Chartwell, phone number: 610-407-4832.

Michael P. Magee, born 1965, joined Chartwell in April 2016 and currently serves as Chief Operating Officer of the firm. Prior to joining Chartwell, he was Chief Operating Officer at The Killen Group where he oversaw all the business management operations for the firm (2013-2016). Previously, Mr. Magee was with Legg Mason’s Clearbridge Advisors division in New York City (2005-2013) as Managing Director of the firm’s daily operational needs supporting the institutional business, developed tactical and strategic business plans across a global platform and managed the separately managed account (SMA) team within the Private Client Group. Mr. Magee earned a Master of Science in Information Systems from Stevens Institute of Technology, a certificate in Financial Planning from New York University, a Master of Business Administration from Manhattan College and a Bachelor’s degree in Business/Economics from the State University of New York.

Michael P. Magee reports directly to Timothy J. Riddle, Managing Partner, CEO of Chartwell, phone number: 610-407-4832.
Brian J. Ward, CIMA*, CFA**, born 1972, has been with Chartwell since May 2007 and serves as Managing Partner, Director of Advisor Services. Previously, Mr. Ward was Executive Director and Director of Institutional Consulting at UBS Financial Services (2006-07) and a Senior Vice President and Divisional Sales Director at Smith Barney Consulting Group where he was responsible for sales and training support for over 3,000 financial advisors (1995-06). Mr. Ward earned a Bachelor’s degree in Business Administration, as well as an M.B.A from the University of Delaware. He is a member of the CFA Institute and the CFA Society of Philadelphia. He also holds the CIMA designation.

Mr. Ward reports directly to Timothy J. Riddle, Managing Partner, CEO of Chartwell, phone number: 610-407-4832.

**Item 3- 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 each supervised person providing investment advice. There are no disciplinary events relevant to the individuals listed in Item 2.

**Item 4- Other Business Activities**

To close prior disclosures of Steve Binder’s affiliation with Columbia Partners, LLP, he no longer maintains any Executive or Management Committee membership with the firm as of December 31, 2019.

There are no other investment-related business activities involving the other individuals identified in this brochure.

**Item 5- Additional Compensation**

None of the individuals listed in this brochure receive any additional compensation outside their normal salary or regular bonus.

**Item 6 - Supervision**

Chartwell maintains its compliance policies in the firm’s Compliance Manual, which is distributed to all employees upon hire, then annually, and any time the manual is amended. New employees are required to sign a certification that they have read the manual, understand the policies, and that they will fully comply with such policies. On an annual basis, each employee must sign a similar certification that he/she has fully complied with the policies over the past year. In each certification, the employees must also make other representations regarding any history of legal issues or disciplinary action by any court, regulatory agency or exchange related to investments or fraud.

Chartwell acts as an adviser to both investment companies registered under the Investment Company Act of 1940 (“registered funds”) and other clients (“investment accounts”). When registered funds and investment accounts are managed side-by-side, firm personnel must strictly follow the policies and procedures outlined in Trade Allocation Policy to ensure that accounts are treated in a fair and equitable manner, and that no client or account is favored over another.
When registered funds and investment accounts are trading under the same investment product, and thus trading the same securities, shares are allocated on a pro-rata basis based on market value, and all portfolios obtain the same average price. On a monthly basis, a Compliance Officer oversees the performance calculation process handled in Operations and completes a spreadsheet of monthly portfolio returns by client. This spreadsheet is then provided to the CEO, CFO, COO, CCO, Director of Client Services and various investment personnel for their review. Any performance dispersion noted by anyone on the distribution list is investigated by reviewing the underlying transactional detail, holdings & security weightings by portfolio. This monthly process ensures that all portfolios that are managed under the same investment product are treated fairly and traded in accordance with firm policy.

Chartwell’s Code of Ethics provides strict rules that govern employee (access person) personal trading and requires pre-clearance for all personal trading of securities and open-end mutual fund shares of funds for which Chartwell acts as a sub-adviser. Pre-clearance forms are required to be approved by a representative in Trading and a representative in Compliance. There are blackout periods and specific consequences for different types of violations. Personal securities transactions and holdings of employees are reviewed at least quarterly by a compliance officer where any unauthorized trades can be detected.

Since the inception of the firm, Chartwell’s CFO (Chief Financial Officer), also a Compliance Officer, has been part of the executive management team and has a position on Chartwell’s Management Committee. Chartwell’s CEO (Chief Executive Officer) has a position in the firm’s Compliance Group and is heavily involved in compliance communications to employees. Management has been able to establish a true compliance culture. Effective 7/1/19, Mike Magee, previously COO of our Retail Division, has been promoted to COO of the firm while Greg Hagar, formerly CFO and COO, began a new hybrid role of CFO for the firm and Senior Vice President of Finance for our affiliate TriState Capital Bank.

The monitoring of compliance with clients’ investment policies and objectives, regulatory and Subchapter M requirements is three-fold: (1) Chartwell’s order management system can automatically monitor cash levels and prevent the trading of certain restricted securities or trading with certain restricted brokers as provided by the client on a daily basis, (2) Chartwell’s portfolio managers monitor compliance with diversification requirements, as well as security type and weighting limitations as set forth by the client or by fund prospectus, at least weekly, and (3) Chartwell’s Compliance Group monitors portfolio compliance with the Investment Company Act of 1940 via daily and quarterly checklists. In addition, Chartwell’s CEO (who is part of the Compliance team) attends all weekly investment meetings and reviews the portfolios on a weekly basis at a minimum.

For client portfolio transactions, all trades are processed through the firm’s order management system. This information is downloaded to our accounting system overnight. This gives the portfolio managers the advantage of having complete, up to date account holding information available each day. The trade executions are circulated via a daily trade blotter and are reviewed daily by investment and trading personnel to judge the efficiency of our trading operation. These controls limit the risk of unauthorized trading by a firm employee.
Supervised Persons

Chartwell Income Fund Investment Team

Jeffrey Bilsky*

Thomas Coughlin*

David Dalrymple*

T. Ryan Harkins*

Andrew Toburen*

*Portfolio management reflects change effective March 1, 2019

1205 Westlakes Drive, Suite 100, Berwyn, PA 19312
610-296-1400

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Chartered Financial Analyst [‘CFA’]**: This designation is issued by the CFA Institute and is granted to individuals who must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct. The CFA program curriculum provides a comprehensive framework of knowledge for investment decision making and is firmly grounded in the knowledge and skills used every day in the investment profession. The three levels of the CFA program test a proficiency with a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed-income and equity analysis, alternative and derivative investments, economics, financial reporting standards, portfolio management and wealth planning. To learn more about the CFA charter, visit www.cfainstitute.org.

Chartered Market Technician *** [CMT] credential is the preeminent, global designation for practitioners of technical analysis. The designation is awarded to those who demonstrate mastery of a core body of knowledge of investment risk in portfolio management settings. Earning the CMT charter makes you part of a community of investment professionals recognized as specialists and value generators around the world. Candidates who successfully complete all three levels of the CMT examination, attain Membership in the MTA and agree to abide by the MTA Code of Ethics are granted the right to use the CMT credential. To learn more about the CMT designation, visit www.mta.org.

Item 2- Educational Background and Business Experience

Jeffrey D. Bilsky*, born 1984, joined Chartwell in December 2013 and currently serves as Co-Manager of the Chartwell Income Fund and Portfolio Manager/Senior Analyst on the Large Cap Investment team. Previously, Mr. Bilsky was a Portfolio Analyst with Cruiser Capital a long-short hedge fund (2011-2013), a Vice President in Institutional Sales and Trading at Hudson Securities (2008-2011) and an Analyst in Institutional Sales and Trading at Banc of America Securities (2006-2008). Mr. Bilsky received a Bachelor’s degree in Diplomatic History from the University of Pennsylvania and an MBA in Finance from the University of Pennsylvania’s Wharton School.

Thomas R. Coughlin*, CFA **, CMT***, born 1982, has been with Chartwell since April 2007 and serves as Co-Manager of the Chartwell Income Fund and Portfolio Manager/Senior Analyst on the Fixed Income Investment team. Prior to joining Chartwell, Mr. Coughlin was employed at Janney Montgomery Scott, LLC where he held multiple analyst positions (2005-2007). His most recent position was an Investment Analyst where he carried out the due diligence on their recommended list and maintained both the recommended mutual fund and money manager lists. Mr. Coughlin earned a Bachelor of Arts degree in Economics and History from Swarthmore College. He is a member of the CFA Institute and the CFA Society of Philadelphia.

David C. Dalrymple*, CFA **, born 1957, has been with Chartwell since its inception in 1997 and is currently a Managing Partner and Senior Portfolio Manager of the Chartwell Income Fund, Chartwell Mid Cap Value Fund and Chartwell Small Cap Value Fund. Previously, Mr. Dalrymple was a Portfolio Manager at Delaware Investment Advisers in Philadelphia (1991-97) and an Assistant Portfolio Manager at Lord Abbett & Co, in New York (1986-91). Mr. Dalrymple holds a B.S. in Business Administration from Clarkson University and a M.B.A. with a concentration in Finance from Cornell University. He is a member of the CFA Institute and the CFA Society of Philadelphia.
T. Ryan Harkins*, CFA**, born 1974, joined Chartwell in January 2007 and serves as a Co-Manager of the Chartwell Income Fund, Chartwell Small Cap Value Fund, and Chartwell Mid Cap Value Fund and a Senior Portfolio Manager of the Small Cap Value Investment team. Prior to joining Chartwell, Mr. Harkins was a Portfolio Manager and Research Analyst at Credit Suisse Asset Management where he co-managed the firm’s small cap value strategy (2002-2006). Previously, he was an Investment Banker at Morgan Keegan & Company where he specialized in private placements for small public and private companies (1997-2000). Mr. Harkins earned a Bachelor’s degree in Economics from Duke University and an MBA in Finance and Entrepreneurial Management from the University of Pennsylvania’s Wharton School (2002). He is a member of the CFA Institute and the CFA Society of Philadelphia.

Andrew S. Toburen*, CFA **, born 1971, has been with Chartwell since June 1999 and serves as Co-Manager of the Chartwell Income Funds, Senior Portfolio Manager of the Fixed Income Investment Team, and Lead Manager of the Chartwell Short Duration High Yield Fund. Previously, Mr. Toburen was an Analyst with Nomura Corporate Research & Asset Management in New York (1994-1997). Mr. Toburen received a B.A. in Economics from Yale University and a M.B.A. in Finance from Cornell University (1999). He is a member of the CFA Institute and the CFA Society of Philadelphia.

Item 3- 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 each supervised person providing investment advice. There are no disciplinary events relevant to the individuals listed in Item 2.

Item 4- Other Business Activities

There are no other investment-related business activities involving the individuals identified in this brochure.

Item 5- Additional Compensation

None of the individuals listed in this brochure receive any additional compensation outside their normal salary or regular bonus.
Item 6 - Supervision

Chartwell maintains its compliance policies in the firm’s Compliance Manual, which is distributed to all employees upon hire, then annually, and any time the manual is amended. New employees are required to sign a certification that they have read the manual, understand the policies, and that they will fully comply with such policies. On an annual basis, each employee must sign a similar certification that he/she has fully complied with the policies over the past year. In each certification, the employees must also make other representations regarding any history of legal issues or disciplinary action by any court, regulatory agency or exchange related to investments or fraud.

Chartwell acts as an adviser to both investment companies registered under the Investment Company Act of 1940 (“registered funds”) and other clients (“investment accounts”). When registered funds and investment accounts are managed side-by-side, firm personnel must strictly follow the policies and procedures outlined in Trade Allocation Policy to ensure that accounts are treated in a fair and equitable manner, and that no client or account is favored over another. When registered funds and investment accounts are trading under the same investment product, and thus trading the same securities, shares are allocated on a pro-rata basis based on market value, and all portfolios obtain the same average price. On a monthly basis, a Compliance Officer oversees the performance calculation process handled in Operations and completes a spreadsheet of monthly portfolio returns by client. This spreadsheet is then provided to the CEO, CFO, COO, CCO, Director of Client Services and various investment personnel for their review. Any performance dispersion noted by anyone on the distribution list is investigated by reviewing the underlying transactional detail, holdings & security weightings by portfolio. This monthly process ensures that all portfolios that are managed under the same investment product are treated fairly and traded in accordance with firm policy.

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For client portfolio transactions, all trades are processed through the firm’s order management system. This information is downloaded to our accounting system overnight. This gives the portfolio managers the advantage of having complete, up to date account holding information available each day. The trade executions are circulated via a daily trade blotter and are reviewed daily by investment and trading personnel to judge the efficiency of our trading operation. These controls limit the risk of unauthorized trading by a firm employee.
Supervised Persons
Fixed Income Investment Team

Allison Bohs
Thomas Coughlin
James Fox
John Hopkins
Andrew Toburen
Christine Williams

1205 Westlakes Drive, Suite 100, Berwyn, PA 19312
610-296-1400

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Item 2- Educational Background and Business Experience

**Allison E. Bohs**, born 1991, has been with Chartwell since June 2014 and serves as Quantitative Analyst/Trader. Ms. Bohs is a recent graduate from the Pennsylvania State University where she earned a Bachelor of Science degree in Finance. She passed the Chartered Financial Analyst level one exam in 2016.

**Thomas R. Coughlin, CFA**, born 1982, has been with Chartwell since April 2007 and serves as Co-Manager of the Chartwell Income Fund and Portfolio Manager/Senior Analyst on the Fixed Income Investment team. Prior to joining Chartwell, Mr. Coughlin was employed at Janney Montgomery Scott, LLC where he held multiple analyst positions (2005-2007). His most recent position was an Investment Analyst where he carried out the due diligence on their recommended list and maintained both the recommended mutual fund and money manager lists. Mr. Coughlin earned a Bachelor of Arts degree in Economics and History from Swarthmore College. He is a member of the CFA Institute and the CFA Society of Philadelphia.

**James W. Fox**, born 1984, has been with Chartwell since August 2010 and serves as an Assistant Portfolio Manager/Analyst. Prior to joining Chartwell, Mr. Fox was a financial consultant for RBC Wealth Management from (2007-2010). Mr. Fox earned a Bachelor in Business Administration and Finance degree from Loyola College of Maryland, and an MBA in Business Administration and Finance from Saint Joseph’s University.

**John M. Hopkins, CFA**, born 1963, has been with Chartwell since April 2007 and serves as Portfolio Manager/Senior Analyst, and Co-Manager of the Chartwell Short Duration High Yield Fund. Prior to joining Chartwell, Mr. Hopkins was a Founder and Managing Principal for Collateral Processing Group, LLC (2004-2007). Previously, he worked for Sunrock Capital Corporation where he was Chief Financial Officer (1999-2003). Prior to that, he worked for Chase Securities, Inc. where he was a Senior High Yield Analyst (1997-1999). Mr. Hopkins earned Bachelor’s degrees in both Finance and Economics and a Minor in Spanish, from the Pennsylvania State University. Mr. Hopkins is a member of the CFA Institute and the CFA Society of Philadelphia.
Andrew S. Toburen, CFA®, born 1971, has been with Chartwell since June 1999 and serves as Co-Manager of the Chartwell Income Funds, Senior Portfolio Manager of the Fixed Income Investment Team, and Lead Manager of the Chartwell Short Duration High Yield Fund. Previously, Mr. Toburen was an Analyst with Nomura Corporate Research & Asset Management in New York (1994-1997). Mr. Toburen received a B.A. in Economics from Yale University and a M.B.A. in Finance from Cornell University (1999). He is a member of the CFA Institute and the CFA Society of Philadelphia.

Ms. Bohs, Mr. Coughlin, Mr. Fox, Mr. Hopkins and Mr. Toburen directly report to Christine F. Williams, phone number 610-407-4840.

Christine F. Williams, CFA®, born 1965, has been with Chartwell since September 1997 and serves as Managing Partner, Senior Portfolio Manager and Co-Manager of the Chartwell Short Duration High Yield Fund. Previously, Ms. Williams was a Portfolio Manager specializing in fixed income securities for Meridian Investment Company in Malvern, PA (1990-97). Prior to that Ms. Williams was an Administrative Assistant for Merrill Lynch & Co. in Valley Forge, PA (1988-90). Ms. Williams holds a B.S. in Economics from the University of Delaware and an M.B.A. from St. Joseph’s University. Ms. Williams is a member of the CFA Institute and the CFA Society of Philadelphia.

Ms. Williams, who supervises the Fixed Income Team, reports directly to Michael J. McCloskey, Managing Partner, Director of Client Services, phone number: 610-407-4830 and Timothy J. Riddle, Managing Partner, CEO of Chartwell, phone number: 610-407-4832.

**Item 3- Disciplinary Information**

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Supervised Persons

Large Cap Investment Team
(Large Cap Growth and Large Cap Value)

Jeffrey Bilsky

Allen Chapracki

Douglas Kugler

Peter Schofield

Mark Tindall

1205 Westlakes Drive, Suite 100, Berwyn, PA 19312
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Certified Public Accountant** ['CPA']: The Uniform Certified Public Accountant (CPA) Examination is the examination that an individual must pass to qualify for licensure as a Certified Public Accountant (CPA) in any of the 55 U.S. jurisdictions (the 50 states, the District of Columbia, Puerto Rico, U.S. Virgin Islands, Guam, and the Commonwealth of Northern Mariana Islands). The Examination provides reasonable assurance to Boards of Accountancy (the state entities that have statutory authority to issue licenses) that those who pass the CPA Examination possess the level of technical knowledge and the skills necessary for initial licensure in protection of the public interest. The education and experience requirements which may vary from one jurisdiction to another, round out the requirements for CPA licensure.

Item 2- Educational Background and Business Experience

Jeffrey D. Bilsky, born 1984, joined Chartwell in December 2013 and currently serves as Co-Manager of the Chartwell Income Fund and Portfolio Manager/Senior Analyst on the Large Cap Investment team. Previously, Mr. Bilsky was a Portfolio Analyst with Cruiser Capital a long-short hedge fund (2011-2013), a Vice President in Institutional Sales and Trading at Hudson Securities (2008-2011) and an Analyst in Institutional Sales and Trading at Banc of America Securities (2006-2008). Mr. Bilsky received a Bachelor's degree in Diplomatic History from the University of Pennsylvania and an MBA in Finance from the University of Pennsylvania’s Wharton School.

Allen A. Chapracki, CFA*, CPA**, born 1980, has been with Chartwell since April 2016 and currently serves as Quantitative Analyst. Prior to joining Chartwell, Mr. Chapracki was Director of Analytics and Product Management from January 2014 to April 2016 and a Research Analyst from September 2010 to December 2013 at The Killen Group. Previous to that, Mr. Chapracki worked as Manager, Valuation Services at Deloitte Financial Advisory Services, LLP from April 2006 to September 2010. Mr. Chapracki earned a Bachelor’s degree in Finance from Pennsylvania State University. In addition, he is a CPA and is a member of the CFA Institute and the CFA Society of Philadelphia.

Douglas W. Kugler, CFA*, born 1961, joined Chartwell in December 2003 and currently serves as Senior Portfolio Manager. Prior to joining Chartwell, he held several positions at Morgan Stanley Investment Management (Miller Anderson & Sherrerd) including Vice President, Head of Mutual Fund Administration, Treasurer of the MAS Funds, Junior Associate in the Equity Department, and his last position held there was Senior Associate and Analyst for the Large Cap Value team (1993-2003). Previously, he was an Assistant Vice President and Senior Accounting Officer at Provident Financial Processing Corporation (1989-1993). Mr. Kugler earned a Bachelor’s degree in Accounting from the University of Delaware. He is a member of the CFA Institute and the CFA Society of Philadelphia.
Peter M. Schofield, CFA*, born 1960, joined Chartwell in December 2010 and serves as a Senior Portfolio Manager. Prior to joining Chartwell, he was a Co-Chief Investment Officer at Knott Capital (2005-2010), a Portfolio Manager at Sovereign Asset Management (1996-2005). Prior to Sovereign Asset Management, he was a portfolio manager at Geewax, Terker & Company (1984-1996). Mr. Schofield earned a Bachelor’s degree in History from the University of Pennsylvania. Mr. Schofield is a member of the CFA Institute and the CFA Society of Philadelphia.

Mark Tindall, CFA* born 1971, is a Portfolio Manager responsible for the management of the Large Cap Growth strategy at Chartwell Investment Partners. Prior to joining Chartwell in April 2018, Mr. Tindall was a member of the equity team and served as a co-team leader on their Large Cap Equity portfolios. Prior to joining Columbia Partners in 2003, Mark spent four years analyzing equity securities at Invesco. He also previously held research positions in the economics departments at Morgan Stanley and the Federal Reserve Bank of New York. Mr. Tindall earned his B.A. from Swarthmore College where he majored in economics and his MBA from the Amos Tuck School at Dartmouth College. Mr. Tindall is a CFA® charterholder and member of the CFA Institute.

Messrs. Bilsky and Chapracki report to Douglas Kugler, Senior Portfolio Manager, phone number: 610- 786-4944 and Peter Schofield, Senior Portfolio Manager, phone number: 610-407-4858 who co-supervise the Large Cap Value Team. Mr. Tindall is the lead portfolio manager for Large Cap Growth, phone number: 610-407-4835. Messrs. Kugler, Schofield and Tindall all directly report to Timothy J. Riddle, Managing Partner, CEO of Chartwell, phone number: 610-407-4832.

Item 3- 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 each supervised person providing investment advice. There are no disciplinary events relevant to the individuals listed in Item 2.

Item 4- Other Business Activities

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Item 6 - Supervision

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For client portfolio transactions, all trades are processed through the firm’s order management system. This information is downloaded to our accounting system overnight. This gives the portfolio managers the advantage of having complete, up to date account holding information available each day. The trade executions are circulated via a daily trade blotter and are reviewed daily by investment and trading personnel to judge the efficiency of our trading operation. These controls limit the risk of unauthorized trading by a firm employee.
Supervised Persons

Small Cap Growth Investment Team
(Small Cap and Mid Cap Growth)

Allen Chapracki
David Choi
Frank Sustersic

1205 Westlakes Drive, Suite 100, Berwyn, PA 19312
610-296-1400

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Certified Public Accountant** ['CPA']: The Uniform Certified Public Accountant (CPA) Examination is the examination that an individual must pass to qualify for licensure as a Certified Public Accountant (CPA) in any of the 55 U.S. jurisdictions (the 50 states, the District of Columbia, Puerto Rico, U.S. Virgin Islands, Guam, and the Commonwealth of Northern Mariana Islands). The Examination provides reasonable assurance to Boards of Accountancy (the state entities that have statutory authority to issue licenses) that those who pass the CPA Examination possess the level of technical knowledge and the skills necessary for initial licensure in protection of the public interest. The education and experience requirements which may vary from one jurisdiction to another, round out the requirements for CPA licensure.

Item 2- Educational Background and Business Experience

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David Choi, CFA*, born 1974, has been with Chartwell since February 1999. He currently serves as Senior Portfolio Analyst. Prior to joining Chartwell, Mr. Choi worked for two years at Daewoo Securities in Seoul, Korea where he was an Equity Research Analyst, entrusted with fundamental and quantitative analysis of South Korean equities (1997-1999). Mr. Choi earned a Bachelor’s degree in Economics from the University of Pennsylvania. He is a member of the CFA Institute and the CFA Society of Philadelphia.

Frank L. Sustersic, CFA*, born 1967, joined Chartwell in October 2016 and serves as Managing Partner, Senior Portfolio Manager, also Portfolio Manager of the Chartwell Small Cap Growth Fund. Prior to joining Chartwell, he was a Portfolio Manager at Lazard Asset Management (2014-2016). From 1994 to 2014, he was a Portfolio Manager at Turner Investments. From 1989 to 1994, he was a Portfolio Manager at First Fidelity Bank Corporation. Mr. Sustersic earned a Bachelor of Science degree in Economics from The University of Pennsylvania. He is a member of the CFA Institute and the CFA Society of Philadelphia.

Messrs. Chapracki and Choi directly report to Frank Sustersic, Managing Partner, Senior Portfolio Manager, phone number: 610-407-4821 who supervises the Small Cap Growth Team. Mr. Sustersic reports directly to Timothy J. Riddle, Managing Partner, CEO of Chartwell, phone number:610-407-4832.
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Supervised Persons

Small Cap Value Investment Team
(Small Cap Value, Mid Cap Value, Small Mid Cap Value)

Allen Chapracki
David Dalrymple
Reid Halloran
Ryan Harkins
Jared Marks
Thomas Mattsson

1205 Westlakes Drive, Suite 100, Berwyn, PA 19312
610-296-1400

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Item 2- Educational Background and Business Experience

Allen A. Chapracki, CFA*, CPA**, born 1980, has been with Chartwell since April 2016 and currently serves as Quantitative Analyst. Prior to joining Chartwell, Mr. Chapracki was Director of Analytics and Product Management from January 2014 to April 2016 and a Research Analyst from September 2010 to December 2013 at The Killen Group. Previous to that, Mr. Chapracki worked as Manager, Valuation Services at Deloitte Financial Advisory Services, LLP from April 2006 to September 2010. Mr. Chapracki earned a Bachelor’s degree in Finance from Pennsylvania State University. In addition, he is a CPA and is a member of the CFA Institute and the CFA Society of Philadelphia.

David C. Dalrymple, CFA*, born 1957, has been with Chartwell since its inception in 1997 and is currently a Managing Partner and Senior Portfolio Manager of the Chartwell Income Fund, Chartwell Mid Cap Value Fund and Chartwell Small Cap Value Fund. Previously, Mr. Dalrymple was a Portfolio Manager at Delaware Investment Advisers in Philadelphia (1991-97) and an Assistant Portfolio Manager at Lord Abbett & Co, in New York (1986-91). Mr. Dalrymple holds a B.S. in Business Administration from Clarkson University and a M.B.A. with a concentration in Finance from Cornell University. He is a member of the CFA Institute and the CFA Society of Philadelphia.

Reid T. Halloran, born 1983, joined Chartwell in April 2010 and serves as Portfolio Analyst. Prior to joining Chartwell, Mr. Halloran was an investment analyst for Aberdeen Asset Management in the North American Equities division (2006-2009). He earned a Bachelor of Science degree in Business Management from Babson College. He is currently a Chartered Financial Analyst level one candidate.
T. Ryan Harkins, CFA*, born 1974, joined Chartwell in January 2007 and serves as a Co-Manager of the Chartwell Income Fund, Chartwell Small Cap Value Fund, and Chartwell Mid Cap Value Fund and a Senior Portfolio Manager of the Small Cap Value Investment team. Prior to joining Chartwell, Mr. Harkins was a Portfolio Manager and Research Analyst at Credit Suisse Asset Management where he co-managed the firm’s small cap value strategy (2002-2006). Previously, he was an Investment Banker at Morgan Keegan & Company where he specialized in private placements for small public and private companies (1997-2000). Mr. Harkins earned a Bachelor’s degree in Economics from Duke University and an MBA in Finance and Entrepreneurial Management from the University of Pennsylvania’s Wharton School (2002). He is a member of the CFA Institute and the CFA Society of Philadelphia.

Jared Marks, CFA*, born 1989, joined Chartwell in May 2019 and serves as a Portfolio Analyst. Prior to joining Chartwell, Mr. Marks held various Investment Analyst and Manager roles at Aberdeen Standard Investments (2012-2019). Mr. Marks earned a Bachelor of Science in Economics from the University of Pennsylvania, Wharton School (2011). He is a member of the CFA Institute and the CFA Society of Philadelphia.

Thomas W. Mattsson, CFA*, born 1990, joined Chartwell in May 2019 and serves as a Portfolio Analyst. Prior to joining Chartwell, Mr. Mattsson he was a Research Analyst at Cohen & Steers (2018-2019). Previously, he was an Analyst at Rockefeller & Co (2013-2018) and a Wealth Management Associate at Morgan Stanley Wealth Management (2012-2013). Mr. Mattsson earned a Bachelor of Science in Political Science from the University of Pennsylvania. He is a member of the CFA Institute and the CFA Society of Philadelphia.

Messrs. Chapracki, Halloran, Harkins, Marks and Mattsson directly report to David Dalrymple, Managing Partner, Senior Portfolio Manager, phone number: 610-407-4827, who supervises the Small Cap Value Team. Mr. Dalrymple reports directly to Timothy J. Riddle, Managing Partner, CEO of Chartwell, phone number: 610-407-4832.

Item 3- Disciplinary Information

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Item 4- Other Business Activities

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Supervised Persons

Private Client Investment Team
(All Equity, Dividend Value, Balanced)

Jeffrey Bilsky
Thomas Coughlin
Robert Killen
Peter Schofield

1205 Westlakes Drive, Suite 100, Berwyn, PA 19312
610-296-1400

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**Chartered Market Technician ** [CMT] credential is the preeminent, global designation for practitioners of technical analysis. The designation is awarded to those who demonstrate mastery of a core body of knowledge of investment risk in portfolio management settings. Earning the CMT charter makes you part of a community of investment professionals recognized as specialists and value generators around the world. Candidates who successfully complete all three levels of the CMT examination, attain Membership in the MTA and agree to abide by the MTA Code of Ethics are granted the right to use the CMT credential. To learn more about the CMT designation, visit [www.mta.org](http://www.mta.org).

**Item 2- Educational Background and Business Experience**

**Jeffrey D. Bilsky**, born 1984, joined Chartwell in December 2013 and currently serves as Co-Manager of the Chartwell Income Fund and Portfolio Manager/Senior Analyst on the Large Cap Investment team. Previously, Mr. Bilsky was a Portfolio Analyst with Cruiser Capital a long-short hedge fund (2011-2013), a Vice President in Institutional Sales and Trading at Hudson Securities (2008-2011) and an Analyst in Institutional Sales and Trading at Banc of America Securities (2006-2008). Mr. Bilsky received a Bachelor’s degree in Diplomatic History from the University of Pennsylvania and an MBA in Finance from the University of Pennsylvania’s Wharton School.

**Thomas R. Coughlin, CFA*, CMT**, born 1982, has been with Chartwell since April 2007 and serves as Co-Manager of the Chartwell Income Fund and Portfolio Manager/Senior Analyst on the Fixed Income Investment team. Prior to joining Chartwell, Mr. Coughlin was employed at Janney Montgomery Scott, LLC where he held multiple analyst positions (2005-2007). His most recent position was an Investment Analyst where he carried out the due diligence on their recommended list and maintained both the recommended mutual fund and money manager lists. Mr. Coughlin earned a Bachelor of Arts degree in Economics and History from Swarthmore College. He is a member of the CFA Institute and the CFA Society of Philadelphia.

**Robert E. Killen** born 1941 – joined Chartwell in April 2016 and is currently a Consultant. Prior to joining Chartwell, Mr. Killen was the Chairman, Chief Executive Officer and Director of The Killen Group and also served as the Manager (1984-2001) and Co-Lead Manager (2001-2016) of the Berwyn Fund and Co-Lead Manager of Berwyn Cornerstone Fund (2002-2016). He holds a BS in Chemical Engineering from City College of New York and an MS in Nuclear Science from Rensselaer Polytechnic Institute.
Peter M. Schofield, CFA*, born 1960, joined Chartwell in December 2010 and serves as a Senior Portfolio Manager. Prior to joining Chartwell, he was a Co-Chief Investment Officer at Knott Capital (2005-2010), a Portfolio Manager at Sovereign Asset Management (1996-2005). Prior to Sovereign Asset Management, he was a portfolio manager at Geewax, Terker & Company (1984-1996). Mr. Schofield earned a Bachelor’s degree in History from the University of Pennsylvania. Mr. Schofield is a member of the CFA Institute and the CFA Society of Philadelphia.

Messrs. Bilsky, Coughlin, Killen and Schofield directly report to Timothy J. Riddle, Managing Partner, CEO of Chartwell, phone number: 610-407-4832.

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Chartwell acts as an adviser to both investment companies registered under the Investment Company Act of 1940 (“registered funds”) and other clients (“investment accounts”). When registered funds and investment accounts are managed side-by-side, firm personnel must strictly follow the policies and procedures outlined in Trade Allocation Policy to ensure that accounts are treated in a fair and equitable manner, and that no client or account is favored over another. When registered funds and investment accounts are trading under the same investment product, and thus trading the same securities, shares are allocated on a pro-rata basis based on market value, and all portfolios obtain the same average price. On a monthly basis, a Compliance Officer oversees the performance calculation process handled in Operations and completes a spreadsheet of monthly portfolio returns by client. This spreadsheet is then provided to the CEO, CFO, COO, CCO, Director of Client Services and various investment personnel for their review. Any performance dispersion noted by anyone on the distribution list is investigated by reviewing the underlying transactional detail, holdings & security weightings by portfolio. This monthly process ensures that all portfolios that are managed under the same investment product are treated fairly and traded in accordance with firm policy.
Chartwell’s Code of Ethics provides strict rules that govern employee (access person) personal trading and requires pre-clearance for all personal trading of securities and open-end mutual fund shares of funds for which Chartwell acts as a sub-adviser. Pre-clearance forms are required to be approved by a representative in Trading and a representative in Compliance. There are blackout periods and specific consequences for different types of violations. Personal securities transactions and holdings of employees are reviewed at least quarterly by a compliance officer where any unauthorized trades can be detected.

Since the inception of the firm, Chartwell’s CFO (Chief Financial Officer), also a Compliance Officer, has been part of the executive management team and has a position on Chartwell’s Management Committee. Chartwell’s CEO (Chief Executive Officer) has a position in the firm’s Compliance Group and is heavily involved in compliance communications to employees. Management has been able to establish a true compliance culture. Effective 7/1/19, Mike Magee, previously COO of our Retail Division, has been promoted to COO of the firm while Greg Hagar, formerly CFO and COO, began a new hybrid role of CFO for the firm and Senior Vice President of Finance for our affiliate TriState Capital Bank.

The monitoring of compliance with clients’ investment policies and objectives, regulatory and Subchapter M requirements is three-fold: (1) Chartwell’s order management system can automatically monitor cash levels and prevent the trading of certain restricted securities or trading with certain restricted brokers as provided by the client on a daily basis, (2) Chartwell’s portfolio managers monitor compliance with diversification requirements, as well as security type and weighting limitations as set forth by the client or by fund prospectus, at least weekly, and (3) Chartwell’s Compliance Group monitors portfolio compliance with the Investment Company Act of 1940 via daily and quarterly checklists. In addition, Chartwell’s CEO (who is part of the Compliance team) attends all weekly investment meetings and reviews the portfolios on a weekly basis at a minimum.

For client portfolio transactions, all trades are processed through the firm’s order management system. This information is downloaded to our accounting system overnight. This gives the portfolio managers the advantage of having complete, up to date account holding information available each day. The trade executions are circulated via a daily trade blotter and are reviewed daily by investment and trading personnel to judge the efficiency of our trading operation. These controls limit the risk of unauthorized trading by a firm employee.
PRIVACY NOTICE

Privacy Policy. In managing your account, Chartwell Investment Partners (CIP) obtains certain nonpublic personal information about you. CIP keeps this information confidential and safeguards it from being improperly disclosed. CIP only uses and discloses this information to the extent necessary to provide services to you or as otherwise permitted by law. This policy applies to existing and former clients of CIP.

Information Collected and Disclosed. This Privacy Policy relates to nonpublic personal information that is personal to you and possibly your family and generally includes:

- Your name, address and telephone numbers;
- Your employment information, including your salary and benefits;
- Information relating to your financial situation, including your income and assets, liabilities and debts; and
- Information about your account assets and transactions, brokerage and custody arrangements for your account.

CIP only discloses this nonpublic personal information about you to those persons that provide necessary services to your account or as permitted by law or authorized by you.

Safeguarding Your Information. CIP restricts access to nonpublic personal information about you only to those persons who need it to provide services to you or who are permitted by law to receive it. CIP maintains physical, electronic and procedural safeguards to protect the confidentiality of all nonpublic information CIP has about you.

If you have any questions regarding this Policy, please contact us at 610-296-1400 and ask for the Compliance Department.
Purpose. Chartwell Investment Partners (“Chartwell”) has adopted these Proxy Voting Policies and Procedures (“Policies”) to seek to ensure that it exercises voting authority on behalf of Chartwell clients in a manner consistent with the best interests of each client and its agreement with the client.

Scope. These Policies apply where clients have delegated the authority and responsibility to Chartwell to decide how to vote proxies. Chartwell does not accept or retain authority to vote proxies in accordance with individual client guidelines with the exception of those clients who wish their proxies voted in accordance with Taft-Hartley Proxy Voting Guidelines and who have instructed Chartwell to do so. In addition, Clients who wish to instruct Chartwell not to vote in accordance with AFL-CIO Key Vote Survey recommendations, as described below, retain that authority. Clients who wish to arrange to vote proxies in accordance with their own guidelines may elect to do so at any time by notifying Chartwell. Chartwell generally will follow these Policies if asked to make recommendations about proxy voting to clients who request that advice but have not delegated proxy voting responsibility to Chartwell.

Guiding Principles. Chartwell believes that voting proxies in the best interests of each client means making a judgment as to what voting decision is most likely to maximize total return to the client as an investor in the securities being voted, and casting the vote accordingly. For this reason, Chartwell’s evaluation of the possible impact of a proxy vote on the economic interests of company shareholders similarly situated to Chartwell’s clients will be the primary factor governing Chartwell’s proxy voting decisions.

Use of Independent Proxy Voting Service. Chartwell has retained ISS, an independent proxy voting service, to assist it in analyzing specific proxy votes with respect to securities held by Chartwell clients and to handle the mechanical aspects of casting votes. Historically, Chartwell has placed substantial reliance on ISS’ analyses and recommendations and generally gives instructions to ISS to vote proxies in accordance with ISS’ recommendations, unless Chartwell reaches a different conclusion than ISS about how a particular matter should be voted. ISS’ proxy voting recommendations typically are made available to Chartwell about a week before the proxy must be voted, and are reviewed and monitored by members of the Proxy Voting Committee (and, in certain cases, by Chartwell portfolio managers), with a view to determining whether it is in the best interests of Chartwell’s clients to vote proxies as recommended by ISS, or whether client proxies should be voted on a particular proposal in another manner. In addition, Chartwell generally votes in accordance with AFL-CIO Key Votes Survey, a list of proposals and meetings based on recommendations by the AFL-CIO Office of Investment. To the extent that any of the proxy voting positions stated in these Policies are inconsistent with a Key Vote Survey recommendation, Chartwell will generally vote in accordance with the Key Vote Survey recommendation on all impacted securities unless any client has chosen to instruct
Chartwell to refrain from doing so. In that case, Chartwell will vote the client’s securities position in accordance with these Policies (which may or may not cause the vote to be the same as the Key Vote Survey recommendation).

**Administration of Policies.** Chartwell has established a Proxy Voting Committee to oversee and administer the voting of proxies on behalf of clients, comprised of approximately five representatives of the firm’s compliance and operations departments. The Committee’s responsibilities include reviewing and updating these Policies as may be appropriate from time to time; identifying and resolving any material conflicts of interest on the part of Chartwell or its personnel that may affect particular proxy votes; evaluating and monitoring, on an ongoing basis, the analyses, recommendations and other services provided by ISS or another third party retained to assist Chartwell in carrying out its proxy voting responsibilities; when deemed appropriate by the Committee, consulting with Chartwell portfolio managers and investment professionals on particular proposals or categories of proposals presented for vote; and determining when and how client proxies should be voted other than in accordance with the general rules and criteria set forth in Chartwell’s Proxy Voting Guidelines or with the recommendations of ISS or another independent proxy voting service retained by Chartwell.

**Conflicts of Interest.** It is Chartwell’s policy not to exercise its authority to decide how to vote a proxy if there is a material conflict of interest between Chartwell’s interests and the interests of the client that owns the shares to be voted that could affect the vote on that matter. To seek to identify any such material conflicts, a representative of the Proxy Voting Committee screens all proxies and presents any potential conflicts identified to the Committee for determination of whether the conflict exists and if so, whether it is material.

Conflicts of interest could result from a variety of circumstances, including, but not limited to, significant personal relationships between executive officers of an issuer and Chartwell personnel, a current or prospective investment adviser-client relationship between an issuer or a pension plan sponsored by an issuer and Chartwell, a significant ownership interest by Chartwell or its personnel in the issuer and various other business, personal or investment relationships. Generally, a current or prospective adviser-client relationship will not be considered material for these purposes if the net advisory revenues to Chartwell have not in the most recent fiscal year and are not expected in the current fiscal year to exceed ½ of 1 percent of Chartwell’s annual advisory revenue.

Currently, the Proxy Voting Committee has determined that voting in accordance with AFL-CIO Key Votes Survey recommendations is not a material conflict of interest. In reaching this decision, the Committee recognized that Chartwell has many union clients and many clients that are not union-oriented. By voting all impacted securities positions in accordance with AFL-CIO recommendations, it could be said that Chartwell is attempting to retain or attract existing and prospective union clients. However, the overall number of proxy issues in the AFL-CIO Key Votes Survey on which Chartwell has historically voted is approximately 14 – 30 out of a total of approximately 500 company meetings and thousands of proxy votes cast by Chartwell each year. Chartwell does not use its AFL-CIO Key Votes Survey rankings for marketing purposes, so to the extent any client or prospect becomes aware of how Chartwell votes in the Surveys, it does so on its own. In addition, Union Clients have the ability to instruct Chartwell to vote their
proxies entirely in accordance with the Taft-Hartley policy. Recognizing that deciding this is not a material conflict of interest is fundamentally subjective, Chartwell nonetheless discloses its practices to clients and invites clients to instruct Chartwell not to change any vote in these Policies to be consistent with an AFL-CIO Key Votes Survey recommendation (even though voting consistently with these Policies may result in voting the same way).

In the event the Committee determines that there is a material conflict of interest that may affect a particular proxy vote, Chartwell will not make the decision how to vote the proxy in accordance with these Policies unless the Policies specify how votes shall be cast on that particular type of matter, i.e., “for” or “against” the proposal. Where the Policies provide that the voting decision will be made on a “case-by-case” basis, Chartwell will either request the client to make the voting decision, or the vote will be cast in accordance with the recommendations of ISS or another independent proxy voting service retained by Chartwell for that purpose. Chartwell also will not provide advice to clients on proxy votes without first disclosing any material conflicts to the client requesting such advice.

**When Chartwell Does Not Vote Proxies.** Chartwell may not vote proxies respecting client securities in certain circumstances, including, but not limited to, situations where (a) the securities are no longer held in a client’s account; (b) the proxy and other relevant materials are not received in sufficient time to allow analysis or an informed vote by the voting deadline; (c) Chartwell concludes that the cost of voting the proxy will exceed the expected potential benefit to the client; or (d) the securities have been loaned out pursuant to a client’s securities lending program and are unavailable to vote.

**Proxy Voting Guidelines**

Generally, Chartwell votes all proxies in accordance with the following guidelines provided by Institutional Shareholder Services (ISS). These guidelines may be changed or supplemented from time to time. Votes on matters not covered by these guidelines will be determined in accordance with the principles set forth above. Client guidelines may be inconsistent with these guidelines and may cause Chartwell to vote differently for different clients on the same matter.
1. Board of Directors

Voting on Director Nominees in Uncontested Elections

Four fundamental principles apply when determining votes on director nominees:

**Independence**: Boards should be sufficiently independent from management (and significant shareholders) 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.

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

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

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

**General Recommendation**: Generally vote for director nominees, except under the following circumstances (with new nominees¹ considered on case-by-case basis):

**Independence**

Vote against² 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.

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¹ 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.

² 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.
ISS Classification of Directors – U.S.

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

2. **Non-Independent Non-Executive Director**
   **Board Identification**
   2.1. Director identified as not independent by the board.
   **Controlling/Significant Shareholder**
   2.2. Beneficial owner of more than 50 percent of the company's voting power (this may be aggregated if voting power is distributed among more than one member of a group).
   **Former CEO/Interim Officer**
   2.3. Former CEO of the company.
   2.4. Former CEO of an acquired company within the past five years.
   2.5. Former interim officer if the service was longer than 18 months. If the service was between 12 and 18 months an assessment of the interim officer’s employment agreement will be made.
   **Non-CEO Executives**
   2.6. Former officer of the company, an affiliate, or an acquired firm within the past five years.
   2.7. Officer of a former parent or predecessor firm at the time the company was sold or split off from the parent/predecessor within the past five years.
   2.8. Officer, former officer, or general or limited partner of a joint venture or partnership with the company.
   **Family Members**
   2.9. Immediate family member of a current or former officer of the company or its affiliates within the last five years.
   2.10. Immediate family member of a current employee of company or its affiliates where additional factors raise concern (which may include, but are not limited to, the following: a director related to numerous employees; the company or its affiliates employ relatives of numerous board members; or a non-Section 16 officer in a key strategic role).
   **Transactional, Professional, Financial, and Charitable Relationships**
   2.11. Currently provides (or an immediate family member provides) professional services to the company, to an affiliate of the company or an individual officer of the company or one of its affiliates in excess of $10,000 per year.
   2.12. Is (or an immediate family member is) a partner in, or a controlling shareholder or an employee of, an organization which provides professional services to the company, to an affiliate of the company, or an individual officer of the company or one of its affiliates in excess of $10,000 per year.
   2.13. Has (or an immediate family member has) any material transactional relationship with the company or its affiliates (excluding investments in the company through a private placement).
   2.14. Is (or an immediate family member is) a partner in, or a controlling shareholder or an executive officer of, an organization which has any material transactional relationship with the company or its affiliates (excluding investments in the company through a private placement).
   2.15. Is (or an immediate family member is) a trustee, director, or employee of a charitable or non-profit organization that receives material grants or endowments from the company or its affiliates.
   **Other Relationships**
   2.16. Party to a voting agreement to vote in line with management on proposals being brought to shareholder vote.
   2.17. Has (or an immediate family member has) an interlocking relationship as defined by the SEC involving members of the board of directors or its Compensation Committee.
   2.18. Founder of the company but not currently an employee.
   2.19. Any material relationship with the company.

3. **Independent Director**
   3.1. No material connection to the company other than a board seat.
Footnotes:

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

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

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

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

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

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

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

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

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

10. Interlocks include: executive officers serving as directors on each other’s compensation or similar committees (or, in the absence of such a committee, on the board); or executive officers sitting on each other’s boards and at least one serves on the other’s compensation or similar committees (or, in the absence of such a committee, on the board).
11. The operating involvement of the founder with the company will be considered; if the founder was never employed by the company, ISS may deem him or her an Independent Director.

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

**Composition**

**Attendance at Board and Committee Meetings:** Generally vote against or withhold from directors (except nominees who served only part of the fiscal year) 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.

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.

**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.

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3 Nominees who served for only part of the fiscal year are generally exempted from the attendance policy.
4 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.
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:
    - 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\(^1\), who should be considered case-by-case) if:

- The company has a poison pill that was not approved by shareholders\(^5\). 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

\(^1\) Public shareholders only, approval prior to a company’s becoming public is insufficient.
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.

**Unilateral Bylaw/Charter Amendments and Problematic Capital Structures:** Generally vote against or withhold from directors individually, committee members, or the entire board (except new nominees1, 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 nominees1, 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, generally vote against or withhold from the entire board (except new nominees, who should be considered case-by-case) if, prior to or in connection with the company’s public offering, the company or its board 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, generally vote against or withhold from directors individually, committee members, or the entire board (except new nominees, who should be considered case-by-case) if, prior to or in connection with the company’s public offering, the company or its board adopted the following bylaw or charter provisions that are considered to be materially adverse to shareholder rights:

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

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

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6 Newly-public companies generally include companies that emerge from bankruptcy, spin-offs, direct listings, and those who complete a traditional initial public offering.
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\(^7\), 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.

**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).

\(^7\) 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.
Other Board-Related Proposals

**Adopt Anti-Hedging/Pledging/Speculative Investments Policy**

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

**Age/Term Limits**

General Recommendation: Vote against management and shareholder proposals to limit the tenure of outside directors through mandatory retirement ages.

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

**Board Size**

General Recommendation: Vote for proposals seeking to fix the board size or designate a range for the board size.

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

**Classification/Declassification of the Board**

General Recommendation: Vote against proposals to classify (stagger) the board.

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

**CEO Succession Planning**

General Recommendation: Generally vote for proposals seeking disclosure on a CEO succession planning policy, considering, at a minimum, the following factors:

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

**Cumulative Voting**

General Recommendation: Generally vote against management proposals to eliminate cumulative voting, and for shareholder proposals to restore or provide for cumulative voting, unless:

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

Vote for proposals for cumulative voting at controlled companies (insider voting power > 50%).

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8 A proxy access right that meets the recommended guidelines.
Director and Officer Indemnification and Liability Protection

**General Recommendation:** Vote case-by-case on proposals on director and officer indemnification and liability protection.

Vote against proposals that would:

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

Vote for only those proposals providing such expanded coverage in cases when a director’s or officer’s legal defense was unsuccessful if both of the following apply:

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

Establish/Amend Nominee Qualifications

**General Recommendation:** Vote case-by-case on proposals that establish or amend director qualifications. Votes should be based on the reasonableness of the criteria and the degree to which they may preclude dissident nominees from joining the board.

Vote case-by-case on shareholder resolutions seeking a director nominee who possesses a particular subject matter expertise, considering:

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

Establish Other Board Committee Proposals

**General Recommendation:** Generally vote against shareholder proposals to establish a new board committee, as such proposals seek a specific oversight mechanism/structure that potentially limits a company’s flexibility to determine an appropriate oversight mechanism for itself. However, the following factors will be considered:

- Existing oversight mechanisms (including current committee structure) regarding the issue for which board oversight is sought;
- Level of disclosure regarding the issue for which board oversight is sought;
- Company performance related to the issue for which board oversight is sought;
- Board committee structure compared to that of other companies in its industry sector; and
- The scope and structure of the proposal.

Filling Vacancies/Removal of Directors

**General Recommendation:** Vote against proposals that provide that directors may be removed only for cause.
Vote for proposals to restore shareholders’ ability to remove directors with or without cause. Vote against proposals that provide that only continuing directors may elect replacements to fill board vacancies. Vote for proposals that permit shareholders to elect directors to fill board vacancies.

**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.

**Majority of Independent Directors/Establishment of Independent Committees**

**General Recommendation:** Vote for shareholder proposals asking that a majority or more of directors be independent unless the board composition already meets the proposed threshold by ISS’ definition of Independent Director (See ISS’ Classification of Directors.)

Vote for shareholder proposals asking that board audit, compensation, and/or nominating committees be composed exclusively of independent directors unless they currently meet that standard.

**Majority Vote Standard for the Election of Directors**

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

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

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

Require More Nominees than Open Seats

**General Recommendation:** Vote against shareholder proposals that would require a company to nominate more candidates than the number of open board seats.

Shareholder Engagement Policy (Shareholder Advisory Committee)

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

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

**Auditor Indemnification and Limitation of Liability**

*General Recommendation:* Vote case-by-case on the issue of auditor indemnification and limitation of liability. Factors to be assessed include, but are not limited to:

- The terms of the auditor agreement—the degree to which these agreements impact shareholders' rights;
- The motivation and rationale for establishing the agreements;
- The quality of the company's disclosure; and
- The company's historical practices in the audit area.

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

**Auditor Ratification**

*General Recommendation:* Vote for proposals to ratify auditors unless any of the following apply:

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

Non-audit fees are excessive if:

- Non-audit ("other") fees > audit fees + audit-related fees + tax compliance/preparation fees

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

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

**Shareholder Proposals Limiting Non-Audit Services**

*General Recommendation:* Vote case-by-case on shareholder proposals asking companies to prohibit or limit their auditors from engaging in non-audit services.

**Shareholder Proposals on Audit Firm Rotation**

*General Recommendation:* Vote case-by-case on shareholder proposals asking for audit firm rotation, taking into account:

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

**Advance Notice Requirements for Shareholder Proposals/Nominations**

*General Recommendation:* Vote case-by-case on advance notice proposals, giving support to those proposals which allow shareholders to submit proposals/nominations as close to the meeting date as reasonably possible and within the broadest window possible, recognizing the need to allow sufficient notice for company, regulatory, and shareholder review.

To be reasonable, the company’s deadline for shareholder notice of a proposal/nominations must not be more than 60 days prior to the meeting, with a submittal window of at least 30 days prior to the deadline. The submittal window is the period under which a shareholder must file his proposal/nominations prior to the deadline.

In general, support additional efforts by companies to ensure full disclosure in regard to a proponent’s economic and voting position in the company so long as the informational requirements are reasonable and aimed at providing shareholders with the necessary information to review such proposals.

**Amend Bylaws without Shareholder Consent**

*General Recommendation:* Vote against proposals giving the board exclusive authority to amend the bylaws.

Vote case-by-case on proposals giving the board the ability to amend the bylaws in addition to shareholders, taking into account the following:

- Any impediments to shareholders’ ability to amend the bylaws (i.e. supermajority voting requirements);
- The company's ownership structure and historical voting turnout;
- Whether the board could amend bylaws adopted by shareholders; and
- Whether shareholders would retain the ability to ratify any board-initiated amendments.

**Control Share Acquisition Provisions**

*General Recommendation:* Vote for proposals to opt out of control share acquisition statutes unless doing so would enable the completion of a takeover that would be detrimental to shareholders.

Vote against proposals to amend the charter to include control share acquisition provisions.

Vote for proposals to restore voting rights to the control shares.

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

**Control Share Cash-Out Provisions**

*General Recommendation:* Vote for proposals to opt out of control share cash-out statutes.

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

**General Recommendation:** Vote for proposals to opt out of state disgorgement provisions.

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

**Fair Price Provisions**

**General Recommendation:** Vote case-by-case on proposals to adopt fair price provisions (provisions that stipulate that an acquirer must pay the same price to acquire all shares as it paid to acquire the control shares), evaluating factors such as the vote required to approve the proposed acquisition, the vote required to repeal the fair price provision, and the mechanism for determining the fair price.

Generally vote against fair price provisions with shareholder vote requirements greater than a majority of disinterested shares.

**Freeze-Out Provisions**

**General Recommendation:** Vote for proposals to opt out of state freeze-out provisions. Freeze-out provisions force an investor who surpasses a certain ownership threshold in a company to wait a specified period of time before gaining control of the company.

**Greenmail**

**General Recommendation:** Vote for proposals to adopt anti-greenmail charter or bylaw amendments or otherwise restrict a company’s ability to make greenmail payments.

Vote case-by-case on anti-greenmail proposals when they are bundled with other charter or bylaw amendments.

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

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

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

**General Recommendation:** Vote case-by-case on bylaws which impact shareholders’ litigation rights, taking into account factors such as:

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

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

**Net Operating Loss (NOL) Protective Amendments**

**General Recommendation:** Vote against proposals to adopt a protective amendment for the stated purpose of protecting a company’s net operating losses (NOL) if the effective term of the protective amendment would exceed the shorter of three years and the exhaustion of the NOL.

Vote case-by-case, considering the following factors, for management proposals to adopt an NOL protective amendment that would remain in effect for the shorter of three years (or less) and the exhaustion of the NOL:

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

**Poison Pills (Shareholder Rights Plans)**

**Shareholder Proposals to Put Pill to a Vote and/or Adopt a Pill Policy**

**General Recommendation:** Vote for shareholder proposals requesting that the company submit its poison pill to a shareholder vote or redeem it unless the company has: (1) A shareholder-approved poison pill in place; or (2) The company has adopted a policy concerning the adoption of a pill in the future specifying that the board will only adopt a shareholder rights plan if either:

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

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

**Management Proposals to Ratify a Poison Pill**

**General Recommendation:** Vote case-by-case on management proposals on poison pill ratification, focusing on the features of the shareholder rights plan. Rights plans should contain the following attributes:

- No lower than a 20 percent trigger, flip-in or flip-over;
- A term of no more than three years;
- No dead-hand, slow-hand, no-hand, or similar feature that limits the ability of a future board to redeem the pill;
Shareholder redemption feature (qualifying offer clause); if the board refuses to redeem the pill 90 days after a qualifying offer is announced, 10 percent of the shares may call a special meeting or seek a written consent to vote on rescinding the pill.

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

**Management Proposals to Ratify a Pill to Preserve Net Operating Losses (NOLs)**

General Recommendation: Vote against proposals to adopt a poison pill for the stated purpose of protecting a company’s net operating losses (NOL) if the term of the pill would exceed the shorter of three years and the exhaustion of the NOL.

Vote case-by-case on management proposals for poison pill ratification, considering the following factors, if the term of the pill would be the shorter of three years (or less) and the exhaustion of the NOL:

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

**Proxy Voting Disclosure, Confidentiality, and Tabulation**

General Recommendation: Vote case-by-case on proposals regarding proxy voting mechanics, taking into consideration whether implementation of the proposal is likely to enhance or protect shareholder rights. Specific issues covered under the policy include, but are not limited to, confidential voting of individual proxies and ballots, confidentiality of running vote tallies, and the treatment of abstentions and/or broker non-votes in the company's vote-counting methodology.

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

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

**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.

**Reimbursing Proxy Solicitation Expenses**

**General Recommendation:** Vote case-by-case on proposals to reimburse proxy solicitation expenses.

When voting in conjunction with support of a dissident slate, vote for the reimbursement of all appropriate proxy solicitation expenses associated with the election.

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

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

**Reincorporation Proposals**

**General Recommendation:** Management or shareholder proposals to change a company’s state of incorporation should be evaluated case-by-case, giving consideration to both financial and corporate governance concerns including the following:

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

Vote for reincorporation when the economic factors outweigh any neutral or negative governance changes.

**Shareholder Ability to Act by Written Consent**

**General Recommendation:** Generally vote against management and shareholder proposals to restrict or prohibit shareholders’ ability to act by written consent.

Generally vote for management and shareholder proposals that provide shareholders with the ability to act by written consent, taking into account the following factors:

- Shareholders’ current right to act by written consent;
- The consent threshold;
- The inclusion of exclusionary or prohibitive language;
- Investor ownership structure; and
- Shareholder support of, and management’s response to, previous shareholder proposals.
Vote case-by-case on shareholder proposals if, in addition to the considerations above, the company has the following governance and antitakeover provisions:

- An unfettered\(^9\) right for shareholders to call special meetings at a 10 percent threshold;
- A majority vote standard in uncontested director elections;
- No non-shareholder-approved pill; and
- An annually elected board.

**Shareholder Ability to Call Special Meetings**

**General Recommendation:** Vote against management or shareholder proposals to restrict or prohibit shareholders’ ability to call special meetings.

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

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

**Stakeholder Provisions**

**General Recommendation:** Vote against proposals that ask the board to consider non-shareholder constituencies or other non-financial effects when evaluating a merger or business combination.

**State Antitakeover Statutes**

**General Recommendation:** Vote case-by-case on proposals to opt in or out of state takeover statutes (including fair price provisions, stakeholder laws, poison pill endorsements, severance pay and labor contract provisions, and anti-greenmail provisions).

**Supermajority Vote Requirements**

**General Recommendation:** Vote against proposals to require a supermajority shareholder vote.

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

\(^9\) "Unfettered" means no restrictions on agenda items, no restrictions on the number of shareholders who can group together to reach the 10 percent threshold, and only reasonable limits on when a meeting can be called: no greater than 30 days after the last annual meeting and no greater than 90 prior to the next annual meeting.
4. Capital/Restructuring

Capital

Adjustments to Par Value of Common Stock

**General Recommendation:** Vote for management proposals to reduce the par value of common stock unless the action is being taken to facilitate an anti-takeover device or some other negative corporate governance action.

Vote for management proposals to eliminate par value.

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.
**Dual Class Structure**

**General Recommendation:** Generally vote against proposals to create a new class of common stock unless:

- The company discloses a compelling rationale for the dual-class capital structure, such as:
  - The company's auditor has concluded that there is substantial doubt about the company's ability to continue as a going concern; or
  - The new class of shares will be transitory;
- The new class is intended for financing purposes with minimal or no dilution to current shareholders in both the short term and long term; and
- The new class is not designed to preserve or increase the voting power of an insider or significant shareholder.

**Issue Stock for Use with Rights Plan**

**General Recommendation:** Vote against proposals that increase authorized common stock for the explicit purpose of implementing a non-shareholder-approved shareholder rights plan (poison pill).

**Preemptive Rights**

**General Recommendation:** Vote case-by-case on shareholder proposals that seek preemptive rights, taking into consideration:

- The size of the company;
- The shareholder base; and
- The liquidity of the stock.

**Preferred Stock Authorization**

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

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

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

- Past Board Performance:
  - The company's use of authorized preferred shares during the last three years;

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

**Recapitalization Plans**

**General Recommendation:** Vote case-by-case on recapitalizations (reclassifications of securities), taking into account the following:
- More simplified capital structure;
- Enhanced liquidity;
- Fairness of conversion terms;
- Impact on voting power and dividends;
- Reasons for the reclassification;
- Conflicts of interest; and
- Other alternatives considered.

**Reverse Stock Splits**

**General Recommendation:** Vote for management proposals to implement a reverse stock split if:

- The number of authorized shares will be proportionately reduced; or
- The effective increase in authorized shares is equal to or less than the allowable increase calculated in accordance with ISS' Common Stock Authorization policy.

Vote case-by-case on proposals that do not meet either of the above conditions, taking into consideration the following factors:

- Stock exchange notification to the company of a potential delisting;
- Disclosure of substantial doubt about the company's ability to continue as a going concern without additional financing;
- The company's rationale; or
- Other factors as applicable.

**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.

**Stock Distributions: Splits and Dividends**

**General Recommendation:** Generally vote for management proposals to increase the common share authorization for stock split or stock dividend, provided that the effective increase in authorized shares is equal to or is less than the allowable increase calculated in accordance with ISS' Common Stock Authorization policy.
**Tracking Stock**

**General Recommendation:** Vote case-by-case on the creation of tracking stock, weighing the strategic value of the transaction against such factors as:

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

**Restructuring**

**Appraisal Rights**

**General Recommendation:** Vote for proposals to restore or provide shareholders with rights of appraisal.

**Asset Purchases**

**General Recommendation:** Vote case-by-case on asset purchase proposals, considering the following factors:

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

**Asset Sales**

**General Recommendation:** Vote case-by-case on asset sales, considering the following factors:

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

**Bundled Proposals**

**General Recommendation:** Vote case-by-case on bundled or “conditional” proxy proposals. In the case of items that are conditioned upon each other, examine the benefits and costs of the packaged items. In instances when the joint effect of the conditioned items is not in shareholders’ best interests, vote against the proposals. If the combined effect is positive, support such proposals.
Conversion of Securities

General Recommendation: Vote case-by-case on proposals regarding conversion of securities. When evaluating these proposals, the investor should review the dilution to existing shareholders, the conversion price relative to market value, financial issues, control issues, termination penalties, and conflicts of interest.

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

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

General Recommendation: Vote case-by-case on proposals to increase common and/or preferred shares and to issue shares as part of a debt restructuring plan, after evaluating:

- Dilution to existing shareholders’ positions;
- Terms of the offer - discount/premium in purchase price to investor, including any fairness opinion; termination penalties; exit strategy;
- 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.

Formation of Holding Company

General Recommendation: Vote case-by-case on proposals regarding the formation of a holding company, taking into consideration the following:

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

Absent compelling financial reasons to recommend for the transaction, vote against the formation of a holding company if the transaction would include either of the following:

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

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

General Recommendation: Vote case-by-case on going private transactions, taking into account the following:

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

Vote case-by-case on going dark transactions, determining whether the transaction enhances shareholder value by taking into consideration:

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

**Joint Ventures**

*General Recommendation:* Vote case-by-case on proposals to form joint ventures, taking into account the following:

- Percentage of assets/business contributed;
- Percentage ownership;
- Financial and strategic benefits;
- Governance structure;
- Conflicts of interest;
- Other alternatives; and
- Non-completion risk.

**Liquidations**

*General Recommendation:* Vote case-by-case on liquidations, taking into account the following:

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

Vote for the liquidation if the company will file for bankruptcy if the proposal 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.

**Private Placements/Warrants/Convertible Debentures**

**General Recommendation**: Vote case-by-case on proposals regarding private placements, warrants, and convertible debentures taking into consideration:

▪ Dilution to existing shareholders' position: The amount and timing of shareholder ownership dilution should be weighed against the needs and proposed shareholder benefits of the capital infusion. Although newly issued common stock, absent preemptive rights, is typically dilutive to existing shareholders, share price appreciation is often the necessary event to trigger the exercise of "out of the money" warrants and convertible debt. In these instances from a value standpoint, the negative impact of dilution is mitigated by the increase in the company's stock price that must occur to trigger the dilutive event.

▪ Terms of the offer (discount/premium in purchase price to investor, including any fairness opinion, conversion features, termination penalties, exit strategy):
  - The terms of the offer should be weighed against the alternatives of the company and in light of company's financial condition. Ideally, the conversion price for convertible debt and the exercise price for warrants should be at a premium to the then prevailing stock price at the time of private placement.
  - When evaluating the magnitude of a private placement discount or premium, consider factors that influence the discount or premium, such as, liquidity, due diligence costs, control and monitoring costs, capital scarcity, information asymmetry, and anticipation of future performance.

▪ Financial issues:
  - The company's financial condition;
  - Degree of need for capital;
  - Use of proceeds;
  - Effect of the financing on the company's cost of capital;
  - Current and proposed cash burn rate;
  - Going concern viability and the state of the capital and credit markets.

▪ Management's efforts to pursue alternatives and whether the company engaged in a process to evaluate alternatives: A fair, unconstrained process helps to ensure the best price for shareholders. Financing alternatives can include joint ventures, partnership, merger, or sale of part or all of the company.

▪ Control issues:
- Change in management;
- Change in control;
- Guaranteed board and committee seats;
- Standstill provisions;
- Voting agreements;
- Veto power over certain corporate actions; and
- Minority versus majority ownership and corresponding minority discount or majority control premium.

▪ Conflicts of interest:
  ▪ Conflicts of interest should be viewed from the perspective of the company and the investor.
  ▪ Were the terms of the transaction negotiated at arm's length? Are managerial incentives aligned with shareholder interests?

▪ Market reaction:
  ▪ The market’s response to the proposed deal. A negative market reaction is a cause for concern. Market reaction may be addressed by analyzing the one-day impact on the unaffected stock price.

Vote for the private placement, or for the issuance of warrants and/or convertible debentures in a private placement, if it is expected that the company will file for bankruptcy if the transaction is not approved.

**Reorganization/Restructuring Plan (Bankruptcy)**

**General Recommendation:** Vote case-by-case on proposals to common shareholders on bankruptcy plans of reorganization, considering the following factors including, but not limited to:

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

**Special Purpose Acquisition Corporations (SPACs)**

**General Recommendation:** Vote case-by-case on SPAC mergers and acquisitions taking into account the following:

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

- **Voting agreements** - Are the sponsors entering into any voting agreements/tender offers with shareholders who are likely to vote against the proposed merger or exercise conversion rights?
- **Governance** - What is the impact of having the SPAC CEO or founder on key committees following the proposed merger?

**Special Purpose Acquisition Corporations (SPACs) - Proposals for Extensions**

**General Recommendation:** Vote case-by-case on SPAC extension proposals taking into account the length of the requested extension, the status of any pending transaction(s) or progression of the acquisition process, any added incentive for non-redeeming shareholders, and any prior extension requests.

- **Length of request:** Typically, extension requests range from two to six months, depending on the progression of the SPAC’s acquisition process.
- **Pending transaction(s) or progression of the acquisition process:** Sometimes an initial business combination was already put to a shareholder vote, but, for varying reasons, the transaction could not be consummated by the termination date and the SPAC is requesting an extension. Other times, the SPAC has entered into a definitive transaction agreement, but needs additional time to consummate or hold the shareholder meeting.
- **Added incentive for non-redeeming shareholders:** Sometimes the SPAC sponsor (or other insiders) will contribute, typically as a loan to the company, additional funds that will be added to the redemption value of each public share as long as such shares are not redeemed in connection with the extension request. The purpose of the “equity kicker” is to incentivize shareholders to hold their shares through the end of the requested extension or until the time the transaction is put to a shareholder vote, rather than electing redemption at the extension proposal meeting.
- **Prior extension requests:** Some SPACs request additional time beyond the extension period sought in prior extension requests.

**Spin-offs**

**General Recommendation:** Vote case-by-case on spin-offs, considering:

- Tax and regulatory advantages;
- Planned use of the sale proceeds;
- Valuation of spinoff;
- Fairness opinion;
- Benefits to the parent company;
- Conflicts of interest;
- Managerial incentives;
- Corporate governance changes;
- Changes in the capital structure.

**Value Maximization Shareholder Proposals**

**General Recommendation:** Vote case-by-case on shareholder proposals seeking to maximize shareholder value by:

- Hiring a financial advisor to explore strategic alternatives;
- Selling the company; or
- Liquidating the company and distributing the proceeds to shareholders.

These proposals should be evaluated based on the following factors:

- Prolonged poor performance with no turnaround in sight;
- Signs of entrenched board and management (such as the adoption of takeover defenses);
- Strategic plan in place for improving value;
- Likelihood of receiving reasonable value in a sale or dissolution; and
- The company actively exploring its strategic options, including retaining a financial advisor.
5. 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, this analysis considers the following:

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

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

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:

- 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 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;

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10 The Russell 3000E Index includes approximately 4,000 of the largest U.S. equity securities.
11 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.
12 Only Russell 3000 Index companies are subject to the Absolute Alignment analysis.
13 ISS research reports include realizable pay for S&P1500 companies.
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.

Options Backdating

The following factors should be examined case-by-case to allow for distinctions to be made between “sloppy” plan administration versus deliberate action or fraud:

- Reason and motive for the options backdating issue, such as inadvertent vs. deliberate grant date changes;
- Duration of options backdating;
- Size of restatement due to options backdating;
- Corrective actions taken by the board or compensation committee, such as canceling or re-pricing backdated options, the recouping of option gains on backdated grants; and
- Adoption of a grant policy that prohibits backdating and creates a fixed grant schedule or window period for equity grants in the future.

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.

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

**General Recommendation:** Vote for annual advisory votes on compensation, which provide the most consistent and clear communication channel for shareholder concerns about companies' executive pay programs.

**Voting on Golden Parachutes in an Acquisition, Merger, Consolidation, or Proposed Sale**

**General Recommendation:** Vote case-by-case on say on Golden Parachute proposals, including consideration of existing change-in-control arrangements maintained with named executive officers but also considering new or extended arrangements.

Features that may result in an “against” recommendation include one or more of the following, depending on the number, magnitude, and/or timing of issue(s):

- Single- or modified-single-trigger cash severance;
- Single-trigger acceleration of unvested equity awards;
- Full acceleration of equity awards granted shortly before the change in control;
- Acceleration of performance awards above the target level of performance without compelling rationale;
- Excessive cash severance (generally >3x base salary and bonus);
- Excise tax gross-ups triggered and payable;
- Excessive golden parachute payments (on an absolute basis or as a percentage of transaction equity value); or
- Recent amendments that incorporate any problematic features (such as those above) or recent actions (such as extraordinary equity grants) that may make packages so attractive as to influence merger agreements that may not be in the best interests of shareholders; or
- The company's assertion that a proposed transaction is conditioned on shareholder approval of the golden parachute advisory vote.

Recent amendment(s) that incorporate problematic features will tend to carry more weight on the overall analysis. However, the presence of multiple legacy problematic features will also be closely scrutinized.

In cases where the golden parachute vote is incorporated into a company's advisory vote on compensation (management say-on-pay), ISS will evaluate the say-on-pay proposal in accordance with these guidelines, which may give higher weight to that component of the overall evaluation.

**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 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);
  - 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.

Further Information on certain EPSC Factors:

**Shareholder Value Transfer (SVT)**

The cost of the equity plans is expressed as Shareholder Value Transfer (SVT), which is measured using a binomial option pricing model that assesses the amount of shareholders’ equity flowing out of the company to employees and directors. SVT is expressed as both a dollar amount and as a percentage of market value, and includes the new

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14 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.
shares proposed, shares available under existing plans, and shares granted but unexercised (using two measures, in the case of plans subject to the Equity Plan Scorecard evaluation, as noted above). All award types are valued. For omnibus plans, unless limitations are placed on the most expensive types of awards (for example, full-value awards), the assumption is made that all awards to be granted will be the most expensive types.

For proposals that are not subject to the Equity Plan Scorecard evaluation, Shareholder Value Transfer is reasonable if it falls below a company-specific benchmark. The benchmark is determined as follows: The top quartile performers in each industry group (using the Global Industry Classification Standard: GICS) are identified. Benchmark SVT levels for each industry are established based on these top performers’ historic SVT. Regression analyses are run on each industry group to identify the variables most strongly correlated to SVT. The benchmark industry SVT level is then adjusted upwards or downwards for the specific company by plugging the company-specific performance measures, size and cash compensation into the industry cap equations to arrive at the company’s benchmark.\(^{15}\)

**Three-Year Burn Rate**

Burn-rate benchmarks (utilized in Equity Plan Scorecard evaluations) are calculated as the greater of: (1) the mean (\(\mu\)) plus one standard deviation (\(\sigma\)) of the company’s GICS group segmented by S&P 500, Russell 3000 index (less the S&P500), and non-Russell 3000 index; and (2) two percent of weighted common shares outstanding. In addition, year-over-year burn-rate benchmark changes will be limited to a maximum of two (2) percentage points plus or minus the prior year’s burn-rate benchmark. See the U.S. Equity Compensation Plans FAQ for the benchmarks.

**Egregious Factors**

**Liberal Change in Control Definition**

Generally vote against equity plans if the plan has a liberal definition of change in control and the equity awards could vest upon such liberal definition of change in control, even though an actual change in control may not occur. Examples of such a definition include, but are not limited to, announcement or commencement of a tender offer, provisions for acceleration upon a “potential” takeover, shareholder approval of a merger or other transactions, or similar language.

**Repricing Provisions**

Vote against plans that expressly permit the repricing or exchange of underwater stock options/stock appreciate rights (SARs) without prior shareholder approval. “Repricing” typically includes the ability to do any of the following:

- Amend the terms of outstanding options or SARs to reduce the exercise price of such outstanding options or SARs;
- Cancel outstanding options or SARs in exchange for options or SARs with an exercise price that is less than the exercise price of the original options or SARs;
- Cancel underwater options in exchange for stock awards; or
- Provide cash buyouts of underwater options.

\(^{15}\) For plans evaluated under the Equity Plan Scorecard policy, the company’s SVT benchmark is considered along with other factors.
While the above cover most types of repricing, ISS may view other provisions as akin to repricing depending on the facts and circumstances.

Also, vote against or withhold from members of the Compensation Committee who approved repricing (as defined above or otherwise determined by ISS), without prior shareholder approval, even if such repricings are allowed in their equity plan.

Vote against plans that do not expressly prohibit repricing or cash buyout of underwater options without shareholder approval if the company has a history of repricing/buyouts without shareholder approval, and the applicable listing standards would not preclude them from doing so.

**Problematic Pay Practices or Significant Pay-for-Performance Disconnect**

If the equity plan on the ballot is a vehicle for problematic pay practices, vote against the plan.

ISS may recommend a vote against the equity plan if the plan is determined to be a vehicle for pay-for-performance misalignment. Considerations in voting against the equity plan may include, but are not limited to:

- Severity of the pay-for-performance misalignment;
- Whether problematic equity grant practices are driving the misalignment; and/or
- Whether equity plan awards have been heavily concentrated to the CEO and/or the other NEOs.

**Amending Cash and Equity Plans (including Approval for Tax Deductibility (162(m)))**

**General Recommendation:** Vote case-by-case on amendments to cash and equity incentive plans.

Generally vote for proposals to amend executive cash, stock, or cash and stock incentive plans if the proposal:

- Addresses administrative features only; or
- Seeks approval for Section 162(m) purposes only, and the plan administering committee consists entirely of independent directors, per ISS’ Classification of Directors. Note that if the company is presenting the plan to shareholders for the first time for any reason (including after the company’s initial public offering), or if the proposal is bundled with other material plan amendments, then the recommendation will be case-by-case (see below).

Vote against proposals to amend executive cash, stock, or cash and stock incentive plans if the proposal:

- Seeks approval for Section 162(m) purposes only, and the plan administering committee does not consist entirely of independent directors, per ISS’ Classification of Directors.

Vote case-by-case on all other proposals to amend cash incentive plans. This includes plans presented to shareholders for the first time after the company’s IPO and/or proposals that bundle material amendment(s) other than those for Section 162(m) purposes.

Vote case-by-case on all other proposals to amend equity incentive plans, considering the following:

- If the proposal requests additional shares and/or the amendments include a term extension or addition of full value awards as an award type, the recommendation will be based on the Equity Plan Scorecard evaluation as well as an analysis of the overall impact of the amendments.
- If the plan is being presented to shareholders for the first time (including after the company’s IPO), whether or not additional shares are being requested, the recommendation will be based on the Equity Plan Scorecard evaluation as well as an analysis of the overall impact of any amendments.
If there is no request for additional shares and the amendments do not include a term extension or addition of full value awards as an award type, then the recommendation will be based entirely on an analysis of the overall impact of the amendments, and the EPSC evaluation will be shown only for informational purposes.

In the first two case-by-case evaluation scenarios, the EPSC evaluation/score is the more heavily weighted consideration.

**Specific Treatment of Certain Award Types in Equity Plan Evaluations**

### Dividend Equivalent Rights

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

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

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

### Other Compensation Plans

**401(k) Employee Benefit Plans**

**General Recommendation:** Vote for proposals to implement a 401(k) savings plan for employees.

**Employee Stock Ownership Plans (ESOPs)**

**General Recommendation:** Vote for proposals to implement an ESOP or increase authorized shares for existing ESOPs, unless the number of shares allocated to the ESOP is excessive (more than five percent of outstanding shares).

**Employee Stock Purchase Plans—Qualified Plans**

**General Recommendation:** Vote case-by-case on qualified employee stock purchase plans. Vote for employee stock purchase plans where all of the following apply:

- Purchase price is at least 85 percent of fair market value;
- Offering period is 27 months or less; and
- The number of shares allocated to the plan is 10 percent or less of the outstanding shares.

Vote against qualified employee stock purchase plans where when the plan features do not meet all of the above criteria.

**Employee Stock Purchase Plans—Non-Qualified Plans**

**General Recommendation:** Vote case-by-case on nonqualified employee stock purchase plans. Vote for nonqualified employee stock purchase plans with all the following features:

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

Vote against nonqualified employee stock purchase plans when the plan features do not meet all of the above criteria. If the matching contribution or effective discount exceeds the above, ISS may evaluate the SVT cost of the plan as part of the assessment.

**Option Exchange Programs/Repricing Options**

**General Recommendation:** Vote case-by-case on management proposals seeking approval to exchange/reprice options taking into consideration:

- Historic trading patterns—the stock price should not be so volatile that the options are likely to be back “in-the-money” over the near term;
- Rationale for the re-pricing—was the stock price decline beyond management’s control?;
- Is this a value-for-value exchange?;
- Are surrendered stock options added back to the plan reserve?;
- Timing—repricing should occur at least one year out from any precipitous drop in company’s stock price;
- Option vesting—does the new option vest immediately or is there a black-out period?;
- Term of the option—the term should remain the same as that of the replaced option;
- Exercise price—should be set at fair market or a premium to market;
- Participants—executive officers and directors must be excluded.

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

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

Vote for shareholder proposals to put option repricings to a shareholder vote.

**Stock Plans in Lieu of Cash**

**General Recommendation:** Vote case-by-case on plans that provide participants with the option of taking all or a portion of their cash compensation in the form of stock.

Vote for non-employee director-only equity plans that provide a dollar-for-dollar cash-for-stock exchange.

Vote case-by-case on plans which do not provide a dollar-for-dollar cash for stock exchange. In cases where the exchange is not dollar-for-dollar, the request for new or additional shares for such equity program will be considered using the binomial option pricing model. In an effort to capture the total cost of total compensation, ISS will not make any adjustments to carve out the in-lieu-of cash compensation.

**Transfer Stock Option (TSO) Programs**

**General Recommendation:** One-time Transfers: Vote against or withhold from compensation committee members if they fail to submit one-time transfers to shareholders for approval.

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

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

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

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

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

**Director Compensation**

**Shareholder Ratification of Director Pay Programs**

*General Recommendation:* Vote case-by-case on management proposals seeking ratification of non-employee director compensation, based on the following factors:

- If the equity plan under which non-employee director grants are made is on the ballot, whether or not it warrants support; and
- An assessment of the following qualitative factors:
  - The relative magnitude of director compensation as compared to companies of a similar profile;
  - The presence of problematic pay practices relating to director compensation;
  - Director stock ownership guidelines and holding requirements;
  - Equity award vesting schedules;
  - The mix of cash and equity-based compensation;
  - Meaningful limits on director compensation;
  - The availability of retirement benefits or perquisites; and
  - The quality of disclosure surrounding director compensation.

**Equity Plans for Non-Employee Directors**

*General Recommendation:* Vote case-by-case on compensation plans for non-employee directors, based on:

- 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) based on new shares requested plus shares remaining for future grants, plus outstanding unvested/unexercised grants;
- The company’s three-year burn rate relative to its industry/market cap peers (in certain circumstances); and
The presence of any egregious plan features (such as an option repricing provision or liberal CIC vesting risk).

On occasion, non-employee director stock plans will exceed the plan cost or burn-rate benchmarks when combined with employee or executive stock plans. In such cases, vote case-by-case on the plan taking into consideration the following qualitative factors:

- The relative magnitude of director compensation as compared to companies of a similar profile;
- The presence of problematic pay practices relating to director compensation;
- Director stock ownership guidelines and holding requirements;
- Equity award vesting schedules;
- The mix of cash and equity-based compensation;
- Meaningful limits on director compensation;
- The availability of retirement benefits or perquisites; and
- The quality of disclosure surrounding director compensation.

Non-Employee Director Retirement Plans

**General Recommendation:** Vote against retirement plans for non-employee directors. Vote for shareholder proposals to eliminate retirement plans for non-employee directors.

Shareholder Proposals on Compensation

**Bonus Banking/Bonus Banking “Plus”**

**General Recommendation:** Vote case-by-case on proposals seeking deferral of a portion of annual bonus pay, with ultimate payout linked to sustained results for the performance metrics on which the bonus was earned (whether for the named executive officers or a wider group of employees), taking into account the following factors:

- The company’s past practices regarding equity and cash compensation;
- Whether the company has a holding period or stock ownership requirements in place, such as a meaningful retention ratio (at least 50 percent for full tenure); and
- Whether the company has a rigorous claw-back policy in place.

**Compensation Consultants—Disclosure of Board or Company’s Utilization**

**General Recommendation:** Generally vote for shareholder proposals seeking disclosure regarding the company, board, or compensation committee’s use of compensation consultants, such as company name, business relationship(s), and fees paid.

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

**General Recommendation:** Generally vote for shareholder proposals seeking additional disclosure of executive and director pay information, provided the information requested is relevant to shareholders’ needs, would not put the company at a competitive disadvantage relative to its industry, and is not unduly burdensome to the company.

Generally vote against shareholder proposals seeking to set absolute levels on compensation or otherwise dictate the amount or form of compensation (such as types of compensation elements or specific metrics) to be used for executive or directors.

Generally vote against shareholder proposals that mandate a minimum amount of stock that directors must own in order to qualify as a director or to remain on the board.
Vote case-by-case on all other shareholder proposals regarding executive and director pay, taking into account relevant factors, including but not limited to: company performance, pay level and design versus peers, history of compensation concerns or pay-for-performance disconnect, and/or the scope and prescriptive nature of the proposal.

**Golden Coffins/Executive Death Benefits**

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

**Hold Equity Past Retirement or for a Significant Period of Time**

**General Recommendation:** Vote case-by-case on shareholder proposals asking companies to adopt policies requiring senior executive officers to retain a portion of net shares acquired through compensation plans. The following factors will be taken into account:

- The percentage/ratio of net shares required to be retained;
- The time period required to retain the shares;
- Whether the company has equity retention, holding period, and/or stock ownership requirements in place and the robustness of such requirements;
- Whether the company has any other policies aimed at mitigating risk taking by executives;
- Executives’ actual stock ownership and the degree to which it meets or exceeds the proponent’s suggested holding period/retention ratio or the company’s existing requirements; and
- Problematic pay practices, current and past, which may demonstrate a short-term versus long-term focus.

**Pay Disparity**

**General Recommendation:** Vote case-by-case on proposals calling for an analysis of the pay disparity between corporate executives and other non-executive employees. The following factors will be considered:

- The company’s current level of disclosure of its executive compensation setting process, including how the company considers pay disparity;
- If any problematic pay practices or pay-for-performance concerns have been identified at the company; and
- The level of shareholder support for the company’s pay programs.

Generally vote against proposals calling for the company to use the pay disparity analysis or pay ratio in a specific way to set or limit executive pay.

**Pay for Performance/Performance-Based Awards**

**General Recommendation:** Vote case-by-case on shareholder proposals requesting that a significant amount of future long-term incentive compensation awarded to senior executives shall be performance-based and requesting that the board adopt and disclose challenging performance metrics to shareholders, based on the following analytical steps:

- First, vote for shareholder proposals advocating the use of performance-based equity awards, such as performance contingent options or restricted stock, indexed options or premium-priced options, unless the proposal is overly restrictive or if the company has demonstrated that it is using a “substantial” portion of performance-based awards for its top executives. Standard stock options and performance-accelerated awards do not meet the criteria to be considered as performance-based awards. Further, premium-priced options should have a meaningful premium to be considered performance-based awards.
Second, assess the rigor of the company’s performance-based equity program. If the bar set for the performance-based program is too low based on the company’s historical or peer group comparison, generally vote for the proposal. Furthermore, if target performance results in an above target payout, vote for the shareholder proposal due to program’s poor design. If the company does not disclose the performance metric of the performance-based equity program, vote for the shareholder proposal regardless of the outcome of the first step to the test.

In general, vote for the shareholder proposal if the company does not meet both of the above two steps.

**Pay for Superior Performance**

**General Recommendation:** Vote case-by-case on shareholder proposals that request the board establish a pay-for-superior performance standard in the company’s executive compensation plan for senior executives. These proposals generally include the following principles:

- Set compensation targets for the plan’s annual and long-term incentive pay components at or below the peer group median;
- Deliver a majority of the plan’s target long-term compensation through performance-vested, not simply time-vested, equity awards;
- Provide the strategic rationale and relative weightings of the financial and non-financial performance metrics or criteria used in the annual and performance-vested long-term incentive components of the plan;
- Establish performance targets for each plan financial metric relative to the performance of the company’s peer companies;
- Limit payment under the annual and performance-vested long-term incentive components of the plan to when the company’s performance on its selected financial performance metrics exceeds peer group median performance.

Consider the following factors in evaluating this proposal:

- What aspects of the company’s annual and long-term equity incentive programs are performance driven?
- If the annual and long-term equity incentive programs are performance driven, are the performance criteria and hurdle rates disclosed to shareholders or are they benchmarked against a disclosed peer group?
- Can shareholders assess the correlation between pay and performance based on the current disclosure?
- What type of industry and stage of business cycle does the company belong to?

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

**General Recommendation:** Generally vote for shareholder proposals calling for certain principles regarding the use of prearranged trading plans (10b5-1 plans) for executives. These principles include:

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

**Prohibit Outside CEOs from Serving on Compensation Committees**

**General Recommendation:** Generally vote against proposals seeking a policy to prohibit any outside CEO from serving on a company’s compensation committee, unless the company has demonstrated problematic pay practices that raise concerns about the performance and composition of the committee.
**Recoupment of Incentive or Stock Compensation in Specified Circumstances**

**General Recommendation:** Vote case-by-case on proposals to recoup incentive cash or stock compensation made to senior executives if it is later determined that the figures upon which incentive compensation is earned turn out to have been in error, or if the senior executive has breached company policy or has engaged in misconduct that may be significantly detrimental to the company's financial position or reputation, or if the senior executive failed to manage or monitor risks that subsequently led to significant financial or reputational harm to the company. Many companies have adopted policies that permit recoupment in cases where an executive's fraud, misconduct, or negligence significantly contributed to a restatement of financial results that led to the awarding of unearned incentive compensation. However, such policies may be narrow given that not all misconduct or negligence may result in significant financial restatements. Misconduct, negligence or lack of sufficient oversight by senior executives may lead to significant financial loss or reputational damage that may have long-lasting impact.

In considering whether to support such shareholder proposals, ISS will take into consideration the following factors:

- If the company has adopted a formal recoupment policy;
- The rigor of the recoupment policy focusing on how and under what circumstances the company may recoup incentive or stock compensation;
- Whether the company has chronic restatement history or material financial problems;
- Whether the company’s policy substantially addresses the concerns raised by the proponent;
- Disclosure of recoupment of incentive or stock compensation from senior executives or lack thereof; or
- Any other relevant factors.

**Severance Agreements for Executives/Golden Parachutes**

**General Recommendation:** Vote for shareholder proposals requiring that golden parachutes or executive severance agreements be submitted for shareholder ratification, unless the proposal requires shareholder approval prior to entering into employment contracts.

Vote case-by-case on proposals to ratify or cancel golden parachutes. An acceptable parachute should include, but is not limited to, the following:

- The triggering mechanism should be beyond the control of management;
- The amount should not exceed three times base amount (defined as the average annual taxable W-2 compensation during the five years prior to the year in which the change of control occurs);
- Change-in-control payments should be double-triggered, i.e., (1) after a change in control has taken place, and (2) termination of the executive as a result of the change in control. Change in control is defined as a change in the company ownership structure.

**Share Buyback Impact on Incentive Program Metrics**

**General Recommendation:** Vote case-by-case on proposals requesting the company exclude the impact of share buybacks from the calculation of incentive program metrics, considering the following factors:

- The frequency and timing of the company's share buybacks;
- The use of per-share metrics in incentive plans;
- The effect of recent buybacks on incentive metric results and payouts; and
- Whether there is any indication of metric result manipulation.

**Supplemental Executive Retirement Plans (SERPs)**

**General Recommendation:** Generally vote for shareholder proposals requesting to put extraordinary benefits contained in SERP agreements to a shareholder vote unless the company’s executive pension plans do not contain excessive benefits beyond what is offered under employee-wide plans.
Generally vote for shareholder proposals requesting to limit the executive benefits provided under the company’s supplemental executive retirement plan (SERP) by limiting covered compensation to a senior executive’s annual salary or those pay elements covered for the general employee population.

**Tax Gross-Up Proposals**

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

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

**General Recommendation:** Vote case-by-case on shareholder proposals seeking a policy requiring termination of employment prior to severance payment and/or eliminating accelerated vesting of unvested equity.

The following factors will be considered:

- The company’s current treatment of equity upon employment termination and/or in change-in-control situations (i.e., vesting is double triggered and/or pro rata, does it allow for the assumption of equity by acquiring company, the treatment of performance shares, etc.);
- Current employment agreements, including potential poor pay practices such as gross-ups embedded in those agreements.

Generally vote for proposals seeking a policy that prohibits automatic acceleration of the vesting of equity awards to senior executives upon a voluntary termination of employment or in the event of a change in control (except for pro rata vesting considering the time elapsed and attainment of any related performance goals between the award date and the change in control).
6. **Routine/Miscellaneous**

**Adjourn Meeting**
- **General Recommendation:** Generally vote against proposals to provide management with the authority to adjourn an annual or special meeting absent compelling reasons to support the proposal.

Vote for proposals that relate specifically to soliciting votes for a merger or transaction if supporting that merger or transaction. Vote against proposals if the wording is too vague or if the proposal includes "other business."

**Amend Quorum Requirements**
- **General Recommendation:** Vote against proposals to reduce quorum requirements for shareholder meetings below a majority of the shares outstanding unless there are compelling reasons to support the proposal.

**Amend Minor Bylaws**
- **General Recommendation:** Vote for bylaw or charter changes that are of a housekeeping nature (updates or corrections).

**Change Company Name**
- **General Recommendation:** Vote for proposals to change the corporate name unless there is compelling evidence that the change would adversely impact shareholder value.

**Change Date, Time, or Location of Annual Meeting**
- **General Recommendation:** Vote for management proposals to change the date, time, or location of the annual meeting unless the proposed change is unreasonable.

Vote against shareholder proposals to change the date, time, or location of the annual meeting unless the current scheduling or location is unreasonable.

**Other Business**
- **General Recommendation:** Vote against proposals to approve other business when it appears as a voting item.
7. 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.

Endorsement of Principles

General Recommendation: Generally vote against proposals seeking a company’s endorsement of principles that support a particular public policy position. Endorsing a set of principles may require a company to take a stand on an issue that is beyond its own control and may limit its flexibility with respect to future developments. Management and the board should be afforded the flexibility to make decisions on specific public policy positions based on their own assessment of the most beneficial strategies for the company.

Animal Welfare

Animal Welfare Policies

General Recommendation: Generally vote for proposals seeking a report on a company’s animal welfare standards, or animal welfare-related risks, unless:

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

**General Recommendation:** Generally vote against proposals to phase out the use of animals in product testing, unless:

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

Animal Slaughter

**General Recommendation:** Generally vote against proposals requesting the implementation of Controlled Atmosphere Killing (CAK) methods at company and/or supplier operations unless such methods are required by legislation or generally accepted as the industry standard.

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

Consumer Issues

Genetically Modified Ingredients

**General Recommendation:** Generally vote against proposals requesting that a company voluntarily label genetically engineered (GE) ingredients in its products. The labeling of products with GE ingredients is best left to the appropriate regulatory authorities.

Vote case-by-case on proposals asking for a report on the feasibility of labeling products containing GE ingredients, taking into account:

- The potential impact of such labeling on the company's business;
- The quality of the company’s disclosure on GE product labeling, related voluntary initiatives, and how this disclosure compares with industry peer disclosure; and
- Company’s current disclosure on the feasibility of GE product labeling.

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

Generally vote against proposals to eliminate GE ingredients from the company's products, or proposals asking for reports outlining the steps necessary to eliminate GE ingredients from the company’s products. Such decisions are more appropriately made by management with consideration of current regulations.

Reports on Potentially Controversial Business/Financial Practices

**General Recommendation:** Vote case-by-case on requests for reports on a company’s potentially controversial business or financial practices or products, taking into account:

- Whether the company has adequately disclosed mechanisms in place to prevent abuses;
- Whether the company has adequately disclosed the financial risks of the products/practices in question;
- Whether the company has been subject to violations of related laws or serious controversies; and
- Peer companies’ policies/practices in this area.
Pharmaceutical Pricing, Access to Medicines, and Prescription Drug Reimportation

General Recommendation: Generally vote against proposals requesting that companies implement specific price restraints on pharmaceutical products unless the company fails to adhere to legislative guidelines or industry norms in its product pricing practices.

Vote case-by-case on proposals requesting that a company report on its product pricing or access to medicine policies, considering:

- The potential for reputational, market, and regulatory risk exposure;
- Existing disclosure of relevant policies;
- Deviation from established industry norms;
- Relevant company initiatives to provide research and/or products to disadvantaged consumers;
- Whether the proposal focuses on specific products or geographic regions;
- The potential burden and scope of the requested report;
- Recent significant controversies, litigation, or fines at the company.

Generally vote for proposals requesting that a company report on the financial and legal impact of its prescription drug reimportation policies unless such information is already publicly disclosed.

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

Product Safety and Toxic/Hazardous Materials

General Recommendation: Generally vote for proposals requesting that a company report on its policies, initiatives/procedures, and oversight mechanisms related to toxic/hazardous materials or product safety in its supply chain, unless:

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

Vote case-by-case on resolutions requesting that companies develop a feasibility assessment to phase-out of certain toxic/hazardous materials, or evaluate and disclose the potential financial and legal risks associated with utilizing certain materials, considering:

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

Generally vote against resolutions requiring that a company reformulate its products.

Tobacco-Related Proposals

General Recommendation: Vote case-by-case on resolutions regarding the advertisement of tobacco products, considering:

- Recent related fines, controversies, or significant litigation;
- Whether the company complies with relevant laws and regulations on the marketing of tobacco;
▪ Whether the company’s advertising restrictions deviate from those of industry peers;
▪ Whether the company entered into the Master Settlement Agreement, which restricts marketing of tobacco to youth; and
▪ Whether restrictions on marketing to youth extend to foreign countries.

Vote case-by-case on proposals regarding second-hand smoke, considering:

▪ Whether the company complies with all laws and regulations;
▪ The degree that voluntary restrictions beyond those mandated by law might hurt the company’s competitiveness; and
▪ The risk of any health-related liabilities.

Generally vote against resolutions to cease production of tobacco-related products, to avoid selling products to tobacco companies, to spin-off tobacco-related businesses, or prohibit investment in tobacco equities. Such business decisions are better left to company management or portfolio managers.

Generally vote against proposals regarding tobacco product warnings. Such decisions are better left to public health authorities.

Climate Change

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.

**Energy Efficiency**

**General Recommendation:** Generally vote for proposals requesting that a company report on its energy efficiency policies, unless:

- The company complies with applicable energy efficiency regulations and laws, and discloses its participation in energy efficiency policies and programs, including disclosure of benchmark data, targets, and performance measures; or
- The proponent requests adoption of specific energy efficiency goals within specific timelines.

**Renewable Energy**

**General Recommendation:** Generally vote for requests for reports on the feasibility of developing renewable energy resources unless the report would be duplicative of existing disclosure or irrelevant to the company’s line of business.

Generally vote against proposals requesting that the company invest in renewable energy resources. Such decisions are best left to management’s evaluation of the feasibility and financial impact that such programs may have on the company.

Generally vote against proposals that call for the adoption of renewable energy goals, taking into account:

- The scope and structure of the proposal;
- The company’s current level of disclosure on renewable energy use and GHG emissions; and
- The company’s disclosure of policies, practices, and oversight implemented to manage GHG emissions and mitigate climate change risks.

**Diversity**

**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.
Equality of Opportunity

**General Recommendation:** Generally vote for proposals requesting a company disclose its diversity policies or initiatives, or proposals requesting disclosure of a company’s comprehensive workforce diversity data, including requests for EEO-1 data, unless:

- The company publicly discloses equal opportunity policies and initiatives in a comprehensive manner;
- The company already publicly discloses comprehensive workforce diversity data; and
- The company has no recent significant EEO-related violations or litigation.

Generally vote against proposals seeking information on the diversity efforts of suppliers and service providers. Such requests may pose a significant burden on the company.

Gender Identity, Sexual Orientation, and Domestic Partner Benefits

**General Recommendation:** Generally vote for proposals seeking to amend a company’s EEO statement or diversity policies to prohibit discrimination based on sexual orientation and/or gender identity, unless the change would be unduly burdensome.

Generally vote against proposals to extend company benefits to, or eliminate benefits from, domestic partners. Decisions regarding benefits should be left to the discretion of the company.

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.

Environment and Sustainability

Facility and Workplace Safety

**General Recommendation:** Vote case-by-case on requests for workplace safety reports, including reports on accident risk reduction efforts, taking into account:

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

Vote case-by-case on resolutions requesting that a company report on safety and/or security risks associated with its operations and/or facilities, considering:

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

**General Environmental Proposals and Community Impact Assessments**

**General Recommendation:** Vote case-by-case on requests for reports on policies and/or the potential (community) social and/or environmental impact of company operations, considering:

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

**Hydraulic Fracturing**

**General Recommendation:** Generally vote for proposals requesting greater disclosure of a company’s (natural gas) hydraulic fracturing operations, including measures the company has taken to manage and mitigate the potential community and environmental impacts of those operations, considering:

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

**Operations in Protected Areas**

**General Recommendation:** Generally vote for requests for reports on potential environmental damage as a result of company operations in protected regions, unless:

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

**Recycling**

**General Recommendation:** Vote case-by-case on proposals to report on an existing recycling program, or adopt a new recycling program, taking into account:

- The nature of the company’s business;
- The current level of disclosure of the company’s existing related programs;
- The timetable and methods of program implementation prescribed by the proposal;
- The company’s ability to address the issues raised in the proposal; and
- How the company’s recycling programs compare to similar programs of its industry 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.

**Water Issues**

**General Recommendation:** Vote case-by-case on proposals requesting a company report on, or adopt a new policy on, water-related risks and concerns, taking into account:

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

**General Corporate Issues**

**Charitable Contributions**

**General Recommendation:** Vote against proposals restricting a company from making charitable contributions. Charitable contributions are generally useful for assisting worthwhile causes and for creating goodwill in the community. In the absence of bad faith, self-dealing, or gross negligence, management should determine which, and if, contributions are in the best interests of the company.

**Data Security, Privacy, and Internet Issues**

**General Recommendation:** Vote case-by-case on proposals requesting the disclosure or implementation of data security, privacy, or information access and management policies and procedures, considering:

- The level of disclosure of company policies and procedures relating to data security, privacy, freedom of speech, information access and management, and Internet censorship;
- Engagement in dialogue with governments or relevant groups with respect to data security, privacy, or the free flow of information on the Internet;
- The scope of business involvement and of investment in countries whose governments censor or monitor the Internet and other telecommunications;
- Applicable market-specific laws or regulations that may be imposed on the company; and
- Controversies, fines, or litigation related to data security, privacy, freedom of speech, or Internet censorship.

**Environmental, Social, and Governance (ESG) Compensation-Related Proposals**

**General Recommendation:** Vote case-by-case on proposals to link, or report on linking, executive compensation to sustainability (environmental and social) criteria, considering:

- The scope and prescriptive nature of the proposal;
- Whether the company has significant and/or persistent controversies or regulatory violations regarding social and/or environmental issues;
- Whether the company has management systems and oversight mechanisms in place regarding its social and environmental performance;
- The degree to which industry peers have incorporated similar non-financial performance criteria in their executive compensation practices; and
- The company's current level of disclosure regarding its environmental and social performance.
Human Rights, Labor Issues, and International Operations

**Human Rights Proposals**

**General Recommendation:** Generally vote for proposals requesting a report on company or company supplier labor and/or human rights standards and policies unless such information is already publicly disclosed.

Vote case-by-case on proposals to implement company or company supplier labor and/or human rights standards and policies, considering:

- The degree to which existing relevant policies and practices are disclosed;
- Whether or not existing relevant policies are consistent with internationally recognized standards;
- Whether company facilities and those of its suppliers are monitored and how;
- Company participation in fair labor organizations or other internationally recognized human rights initiatives;
- Scope and nature of business conducted in markets known to have higher risk of workplace labor/human rights abuse;
- Recent, significant company controversies, fines, or litigation regarding human rights at the company or its suppliers;
- The scope of the request; and
- Deviation from industry sector peer company standards and practices.

Vote case-by-case on proposals requesting that a company conduct an assessment of the human rights risks in its operations or in its supply chain, or report on its human rights risk assessment process, considering:

- The degree to which existing relevant policies and practices are disclosed, including information on the implementation of these policies and any related oversight mechanisms;
- The company’s industry and whether the company or its suppliers operate in countries or areas where there is a history of human rights concerns;
- Recent significant controversies, fines, or litigation regarding human rights involving the company or its suppliers, and whether the company has taken remedial steps; and
- Whether the proposal is unduly burdensome or overly prescriptive.

**Operations in High Risk Markets**

**General Recommendation:** Vote case-by-case on requests for a report on a company’s potential financial and reputational risks associated with operations in “high-risk” markets, such as a terrorism-sponsoring state or politically/socially unstable region, taking into account:

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

**Outsourcing/Offshoring**

**General Recommendation:** Vote case-by-case on proposals calling for companies to report on the risks associated with outsourcing/plant closures, considering:

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

**Weapons and Military Sales**

**General Recommendation:** Vote against reports on foreign military sales or offsets. Such disclosures may involve sensitive and confidential information. Moreover, companies must comply with government controls and reporting on foreign military sales.

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

**Political Activities**

**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.

**Political Ties**

**General Recommendation:** Generally vote against proposals asking a company to affirm political nonpartisanship in the workplace, so long as:

• There are no recent, significant controversies, fines, or litigation regarding the company’s political contributions or trade association spending; and
• The company has procedures in place to ensure that employee contributions to company-sponsored political action committees (PACs) are strictly voluntary and prohibit coercion.
Vote against proposals asking for a list of company executives, directors, consultants, legal counsels, lobbyists, or investment bankers that have prior government service and whether such service had a bearing on the business of the company. Such a list would be burdensome to prepare without providing any meaningful information to shareholders.
8. Mutual Fund Proxies

**Election of Directors**

*General Recommendation:* Vote case-by-case on the election of directors and trustees, following the same guidelines for uncontested directors for public company shareholder meetings. However, mutual fund boards do not usually have compensation committees, so do not withhold for the lack of this committee.

**Converting Closed-end Fund to Open-end Fund**

*General Recommendation:* Vote case-by-case on conversion proposals, considering the following factors:

- Past performance as a closed-end fund;
- Market in which the fund invests;
- Measures taken by the board to address the discount; and
- Past shareholder activism, board activity, and votes on related proposals.

**Proxy Contests**

*General Recommendation:* Vote case-by-case on proxy contests, considering the following factors:

- Past performance relative to its peers;
- Market in which the fund invests;
- Measures taken by the board to address the issues;
- Past shareholder activism, board activity, and votes on related proposals;
- Strategy of the incumbents versus the dissidents;
- Independence of directors;
- Experience and skills of director candidates;
- Governance profile of the company;
- Evidence of management entrenchment.

**Investment Advisory Agreements**

*General Recommendation:* Vote case-by-case on investment advisory agreements, considering the following factors:

- Proposed and current fee schedules;
- Fund category/investment objective;
- Performance benchmarks;
- Share price performance as compared with peers;
- Resulting fees relative to peers;
- Assignments (where the advisor undergoes a change of control).

**Approving New Classes or Series of Shares**

*General Recommendation:* Vote for the establishment of new classes or series of shares.

**Preferred Stock Proposals**

*General Recommendation:* Vote case-by-case on the authorization for or increase in preferred shares, considering the following factors:

- Stated specific financing purpose;
- Possible dilution for common shares;
- Whether the shares can be used for antitakeover purposes.
1940 Act Policies

General Recommendation: Vote case-by-case on policies under the Investment Advisor Act of 1940, considering the following factors:

- Potential competitiveness;
- Regulatory developments;
- Current and potential returns; and
- Current and potential risk.

Generally vote for these amendments as long as the proposed changes do not fundamentally alter the investment focus of the fund and do comply with the current SEC interpretation.

Changing a Fundamental Restriction to a Nonfundamental Restriction

General Recommendation: Vote case-by-case on proposals to change a fundamental restriction to a non-fundamental restriction, considering the following factors:

- The fund’s target investments;
- The reasons given by the fund for the change; and
- The projected impact of the change on the portfolio.

Change Fundamental Investment Objective to Nonfundamental

General Recommendation: Vote against proposals to change a fund’s fundamental investment objective to non-fundamental.

Name Change Proposals

General Recommendation: Vote case-by-case on name change proposals, considering the following factors:

- Political/economic changes in the target market;
- Consolidation in the target market; and
- Current asset composition.

Change in Fund’s Subclassification

General Recommendation: Vote case-by-case on changes in a fund’s sub-classification, considering the following factors:

- Potential competitiveness;
- Current and potential returns;
- Risk of concentration;
- Consolidation in target industry.

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

General Recommendation: Vote for proposals authorizing the board to issue shares below Net Asset Value (NAV) if:

- The proposal to allow share issuances below NAV has an expiration date no more than one year from the date shareholders approve the underlying proposal, as required under the Investment Company Act of 1940;
- The sale is deemed to be in the best interests of shareholders by (1) a majority of the company’s independent directors and (2) a majority of the company’s directors who have no financial interest in the issuance; and
- The company has demonstrated responsible past use of share issuances by either:
  - Outperforming peers in its 8-digit GICS group as measured by one- and three-year median TSRs; or
  - Providing disclosure that its past share issuances were priced at levels that resulted in only small or moderate discounts to NAV and economic dilution to existing non-participating shareholders.
### Disposition of Assets/Termination/Liquidation

**General Recommendation:** Vote case-by-case on proposals to dispose of assets, to terminate or liquidate, considering the following factors:

- Strategies employed to salvage the company;
- The fund’s past performance;
- The terms of the liquidation.

### Changes to the Charter Document

**General Recommendation:** Vote case-by-case on changes to the charter document, considering the following factors:

- The degree of change implied by the proposal;
- The efficiencies that could result;
- The state of incorporation;
- Regulatory standards and implications.

Vote against any of the following changes:

- Removal of shareholder approval requirement to reorganize or terminate the trust or any of its series;
- Removal of shareholder approval requirement for amendments to the new declaration of trust;
- Removal of shareholder approval requirement to amend the fund’s management contract, allowing the contract to be modified by the investment manager and the trust management, as permitted by the 1940 Act;
- Allow the trustees to impose other fees in addition to sales charges on investment in a fund, such as deferred sales charges and redemption fees that may be imposed upon redemption of a fund’s shares;
- Removal of shareholder approval requirement to engage in and terminate subadvisory arrangements;
- Removal of shareholder approval requirement to change the domicile of the fund.

### Changing the Domicile of a Fund

**General Recommendation:** Vote case-by-case on re-incorporations, considering the following factors:

- Regulations of both states;
- Required fundamental policies of both states;
- The increased flexibility available.

### Authorizing the Board to Hire and Terminate Subadvisers Without Shareholder Approval

**General Recommendation:** Vote against proposals authorizing the board to hire or terminate subadvisers without shareholder approval if the investment adviser currently employs only one subadviser.

### Distribution Agreements

**General Recommendation:** Vote case-by-case on distribution agreement proposals, considering the following factors:

- Fees charged to comparably sized funds with similar objectives;
- The proposed distributor’s reputation and past performance;
- The competitiveness of the fund in the industry;
- The terms of the agreement.

### Master-Feeder Structure

**General Recommendation:** Vote for the establishment of a master-feeder structure.
Mergers

**General Recommendation:** Vote case-by-case on merger proposals, considering the following factors:

- Resulting fee structure;
- Performance of both funds;
- Continuity of management personnel;
- Changes in corporate governance and their impact on shareholder rights.

Shareholder Proposals for Mutual Funds

**Establish Director Ownership Requirement**

**General Recommendation:** Generally vote against shareholder proposals that mandate a specific minimum amount of stock that directors must own in order to qualify as a director or to remain on the board.

**Reimburse Shareholder for Expenses Incurred**

**General Recommendation:** Vote case-by-case on shareholder proposals to reimburse proxy solicitation expenses. When supporting the dissidents, vote for the reimbursement of the proxy solicitation expenses.

**Terminate the Investment Advisor**

**General Recommendation:** Vote case-by-case on proposals to terminate the investment advisor, considering the following factors:

- Performance of the fund’s Net Asset Value (NAV);
- The fund’s history of shareholder relations;
- The performance of other funds under the advisor’s management.