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Engine No. 1 Proxy Voting Guidelines

Engine No. 1 LLC

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INTRODUCTION

Engine No. 1 is an investment firm that drives performance by tying companies' environmental and social (E&S) actions to economic outcomes. We believe that companies that understand their impact on their employees, customers, communities, and the environment are economically stronger as a result. And we believe that what we do as active owners—how we vote our shares, how we engage with our companies, and how we work with other shareholders and stakeholders—are some of the most important actions we take as investors.

Every year shareholders vote on tens of thousands of proposals at public companies. That's our right and responsibility as shareholders: to vote. Through that right we're able to elect boards and ratify auditors. We're able to hold companies and their leaders accountable. We're able to support critical E&S proposals where we see a clear connection to companies' abilities to drive long-term shareholder and stakeholder value.

In 2021 we saw a record number of E&S proposals put forth, and we saw a record number pass. But with most proposals still failing to earn significant support, there's still a long way to go.

We developed these voting guidelines to harness our power as shareholders. They are designed to best create and protect long-term shareholder value, which we believe requires that we focus on the E&S impacts that companies have on their stakeholders, in addition to traditional financial, operational, and governance factors. By incorporating impact analysis into overall financial analysis and then voting to hold companies accountable, we can drive real value.

One core goal with these voting guidelines is to accelerate the economy's transition toward the recommendations of the Intergovernmental Panel on Climate Change to meet a 1.5° Celsius scenario. For many companies, we believe that this requires significant changes in transparency, accountability, strategy, and operations to achieve net-zero emissions. This includes ensuring that the company's board and senior management are properly considering the environmental, social, and governance (ESG) risks relevant to climate change, which may require the adoption of net-zero-aligned transition plans with specific targets that investors can track.

These voting guidelines are also intended to encourage companies to strengthen the investments they make in their stakeholders, including their employees, customers, and communities. Companies' workers should be compensated fairly, without discrimination, and at a livable wage; customers should be treated fairly, with their rights and privacy protected; and communities should see the benefits of the innovation, production, and development that companies bring.

Encouraging companies to strengthen investments in their stakeholders starts with transparency. By increasing transparency, investors can properly assess their investments and collaboratively work with companies toward creating long-term shareholder and stakeholder value.

The following sections detail the primary topics presented at annual and special meetings:

- Leadership and Oversight
- Environmental and Social Proposals
- Incentive Alignment
- General Governance
- Capital Structure
- Mergers and Acquisitions
- Auditor Related

While these voting guidelines are intended to provide an overview of how Engine No. 1 may vote on particular agenda items, they are most often applied at individual companies based on the particular facts and circumstances at those organizations. Therefore, we may at times diverge from voting per the guidelines if the circumstances are merited.

These voting guidelines are entirely custom to Engine No. 1, and all decisions are made by the firm's investment and active ownership teams. We have contracted with Institutional Shareholder Services (ISS) to execute our voting decisions. We occasionally reference ISS in these guidelines where specific definitions (e.g., of *independent directors*) are required.

LEADERSHIP AND OVERSIGHT

Engine No. 1 determines how well a company's board represents its investors' interests. In cases where we believe directors are failing to act in the best interests of investors, we may withhold our support or vote against them.

Absence of Auditor Ratification on the Agenda. Generally, we vote against or withhold votes from incumbent Audit Committee members when auditor ratification is not included on the proxy ballot.

Board Committee. Generally, we support proposals to establish a new board committee that is committed to addressing and overseeing material ESG issues when the formation of such a committee appears to be a potentially effective method of protecting or enhancing shareholder and stakeholder value.

Board Diversity. We believe that diversity—including diversity of relevant experience and background—can be an important driver of a board's ability to best oversee a company's leadership, strategy, and operations. For us to consider voting in favor of an entire board slate, the slate should include at least 30% gender diversity and at least one director who identifies as a member of an underrepresented group. The board should also have a demonstrated pathway to get to at least 30% racial/ethnic diversity by 2030. If it doesn't, we may consider voting against or withholding votes from incumbent Nominating Committee members. We also generally support requests for reports on a company's efforts to diversify the board and for proposals asking that a company increase the gender and racial minority representation on its board.

Board Independence. The majority of the board should be composed of *independent directors*, which we define as individuals with no material connection to the company other than a board seat. In situations where this is not the case, we vote against the Nominating and Governance Committee of the board.

Board Size. We typically defer setting the size of the board to the board, although boards that are too small or too large may not function efficiently.

CEO and Management Succession Planning. We support transparency into the executive succession planning process, including board responsibility, recognizing appropriate sensitivity.

Classified/Staggered Board. We believe that directors should be elected annually but may support staggered boards in some circumstances.

Climate-Related Risks. Generally, we vote against or withhold votes from directors, or relevant responsible committee members, individually due to a failure to adequately address climate-related risks or to capitalize on climate-related opportunities. We believe that the entire board is responsible for climate governance processes and reporting weaknesses, and we consider holding boards accountable when they have failed in their oversight of material climate-related risks, including providing adequate disclosure on material issues.

Contests for Control. Assessed on a case-by-case basis, we consider the qualifications of the candidates on both slates, the validity of the concerns identified by the dissident, the viability of the plans from the competing slates, the likelihood that the dissident's plan will produce the desired impact, and whether the dissident represents the best option for enhancing long-term shareholder value.

Cumulative Voting. We believe that a majority vote standard is in the best long-term interests of shareholders, and we generally oppose proposals requesting the adoption of cumulative voting.

Director Compensation. Compensation for directors should be structured to attract, retain, and align directors' interests with those of shareholders. It should be linked with long-term value creation, and directors should build share ownership over time.

Director Tenure. Tenure is not a factor in our assessment of director classification.

Independent Chair and Separation of CEO/Chair Positions. Generally, we 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
- The company's performance
- Any other relevant factors that may be applicable

Key Committee Independence. Generally, we vote against or withhold votes from non-independent director nominees if they serve on the Audit, Compensation, or Nominating Committee or if the company lacks a key board committee such that the full board functions as that committee.

Majority Vote Requirements. We believe that directors should be elected by a majority of the shares voted, and we support proposals that require a majority vote standard for director elections.

Non-Management Employees as Directors. Generally, we vote in favor of employee involvement in corporate governance and employee share ownership, as we believe that these practices can help align the interests of shareholders and employees over the long term.

Overboarding. Generally, we vote against or withhold votes from CEOs serving on more than two outside boards and non-CEO board members serving on more than five boards.

Reimbursement of Expenses for Successful Shareholder Campaigns. Generally, we support shareholder proposals seeking the reimbursement of proxy contest expenses if the contest is merited in our view.

Responsiveness to Shareholders. If we believe that a board has not been responsive to shareholders, we will vote against the responsible committee or individual director and, if the circumstances merit, the entire board.

Risk Oversight Failure. We may vote against directors due to their failure to manage material E&S risks. We may also vote against or withhold votes from individual directors on a committee, or potentially the entire board due to material failures of governance, stewardship, risk oversight, or fiduciary responsibilities—including failure to adequately manage or mitigate ESG risks or due to a lack of sustainability reporting in the company's public documents and website in conjunction with a failure to adequately manage or mitigate ESG risks.

Shareholder Rights. We expect a board to act with integrity and to uphold governance best practices. Where we believe that a board has not acted in the best interests of its shareholders, we will vote against the responsible committee or individual director(s) and, if the circumstances merit, the entire board.

ENVIRONMENTAL AND SOCIAL PROPOSALS

We firmly believe that shareholder proposals, especially on E&S issues, represent an important tool for investors to address issues that may have historically not been deemed financially relevant but that are increasingly accepted as critical to a company's ability to create long-term value for shareholders.

Shareholder proposals tend to fall into two categories: those requesting reports or additional disclosure and those that are more prescriptive. Prescriptive proposals may be requests for policies or for the company to take action beyond issuing a report.

Generally, we support requests for additional disclosure when we believe that it would help managers more effectively run their companies and help investors hold them accountable, and we evaluate requests for action beyond that on a case-by-case basis. In both circumstances we rely in part on the Sustainability Accounting Standards Board (SASB) definition of *materiality*, which identifies the most relevant metrics to a company on a sector-by-sector basis. Shareholder proposals that are aligned with SASB may be more likely to gain our support than those that are not aligned or that we view as wasteful. For shareholder proposals that do not necessarily align with SASB, we assess related industries and the potential for financial relevance in determining our vote.

In determining how to vote on E&S proposals, the following issue categories are considered in terms of the financial, environmental, and social impacts.

Air Pollution. Generally, we support requests for disclosure to understand a company's contribution to air pollution. A leading cause of respiratory disease, allergies, and premature deaths, it has been associated with lost labor income and negative impacts on job performance, recruitment, and consumer spending. For proposals that dictate a particular action, we are inclined to support but will evaluate on a case-by-case basis.

Animal Welfare/Rights. We tend to support requests for additional disclosure or reporting, particularly as it relates to limiting unnecessary animal testing where alternative testing methods are feasible or not barred by law. We also support proposals to publicly adopt or adhere to an animal welfare policy at both a company and a contracted laboratory level. If a proposal requests that a company take a particular action beyond disclosure, we will evaluate on a case-by-case basis.

Climate Change. We tend to support shareholder proposals that seek additional disclosure on the impacts of climate change, approaches to energy efficiency, and renewable energy. This can include climate-related lobbying and financing, disclosure, targets, and "Say on Climate" proposals, which are related to reporting on net-zero-aligned transition plans and annual nonbinding votes on such plans. We believe that companies should generally disclose in alignment with the Climate Action 100+ Net-Zero Company Benchmark Indicators and sector-specific investor expectations, as well as the Task Force on Climate-Related Financial Disclosures.

Climate change impacts may include human health, agriculture and food security, and significant financial losses throughout multiple sectors, including fossil fuels, thus driving a preference toward cleaner technologies and renewable energy. For proposals calling for specific reductions in greenhouse gas emissions, or actions to be taken on energy efficiency and renewable energy, we tend to support based on a case-by-case review of materiality.

Community Relations. Generally, we support requests for additional disclosure or reporting on community relationship building. How a business interacts with the community may have positive economic benefits or, conversely, negative impacts if not managed appropriately. If a proposal requests that a company take a particular action in a community beyond disclosure, we will evaluate on a case-by-case basis.

Consumer Health. Generally, we support requests for additional disclosure or reporting on the health impacts of a particular product or service. The production of goods or services with inherent negative impacts—including cigarettes, alcoholic beverages, and fast food—can affect consumers both directly and indirectly (e.g., smoking versus secondhand smoking) and both physically and mentally and can be linked to single-use or long-term excessive use. Conversely, certain products and services may have positive impacts. If a proposal requests that a company take a particular action beyond disclosure, we will evaluate based on our assessment of relevance and appropriateness to the company's operations.

Customer Privacy and Data Security. Generally, we support requests for additional disclosure or reporting on a company's approach to privacy and security. Breaches can result in significant financial losses and reputational damage. We support additional disclosure related to data security, privacy, freedom of speech, information access and management, and internet censorship. If a proposal requests that a company take a particular action beyond disclosure, we will evaluate based on our assessment of materiality and relevance.

Consumer Utility of Products and Services. Generally, we support requests for additional disclosure or reporting. The production of certain goods or services that provide consumer utility benefits may go beyond what is accounted for in the price of the good/service. In other words, inherent benefits may exert positive externalities on the consumer; for example, the use of exercise equipment may improve health, or educational services may increase productivity. If a proposal requests that a company take a particular action beyond disclosure, we will evaluate based on our assessment of materiality.

Corruption. Generally, we support requests for additional disclosure or reporting on business activities if it helps avoid potential fraud. Bribery and fraud can lead to economic inefficiency as capital is misallocated, leading to damage to the environment and an impact on human rights. Financial consequences, reputational damage, and withdrawn lines of credit may also result. If a proposal requests that a company take a particular action beyond disclosure to avoid corruption-related activities, we tend to support but will evaluate case by case to avoid unintended consequences.

Diversity and Inclusion. We tend to support requests for additional disclosure or reporting on diversity and inclusion (D&I) strategies, approaches, and metrics. Valuable in their own right by contributing to a fairer society and driving long-term economic performance, D&I efforts have also shown many corporate benefits, such as improved culture, revenue, readiness to innovate, and employee retention. This affects not only an organization's internal structure but also its supply chain, consumers, and broader stakeholders.

In addition to supporting general reporting and additional D&I disclosure, we will evaluate, on a case-by-case basis, proposals asking that a company conduct an independent racial equity and/or civil rights audit; provide detailed workforce demographic information, inclusive of publicly releasing an EEO-1 form; disclose whether a company has an established process or framework for addressing racial inequity and discrimination internally; assess if a company is creating a workplace free of discrimination on the basis of sexual orientation or gender identity; and disclose whether a company has been the subject of recent controversy, litigation, or regulatory actions related to racial inequity or discrimination. If a proposal requests that a company take action beyond these listed, we will evaluate with a tendency to support more inclusivity.

Employee Health and Safety. We tend to support requests for additional disclosure or reporting, particularly as it relates to worksite injuries or fatalities. Injuries and illnesses lead to an increase in employee morbidities and premature deaths. In addition, reduced productivity due to incidents can result in employees moving out of the workforce, temporarily or permanently, making it more expensive to run the business. If a proposal requests that a company take a particular action beyond disclosure, we will evaluate on a case-by-case basis.

ESG-Linked Compensation Programs. Generally, we support requests for additional disclosure or reporting on compensation and support the concept of linking ESG metrics to executive compensation. Management teams must be incentivized to create value across various metrics, including E&S criteria. If a proposal seeks to micromanage the metrics or approach taken by the company, we will evaluate case by case.

Human Rights. We tend to support requests for additional disclosure, assessments, or reporting on a company's approach to human rights. Fairness, equality, and respect result in greater levels of productivity, innovation, more predictable supply, better retention and motivation, and more robust due diligence. If a proposal requests that a company take a particular action on human rights beyond disclosure, we will evaluate case by case based on our assessment of relevance and appropriateness.

Labor Practices and Employee Engagement. Generally, we support requests for additional disclosure or reporting to help us understand how a company manages its employee resources. We recognize that a decent wage can make good business sense as it tends to improve a company's reputation in the market and increase employee motivation and productivity. If a proposal requests that a company take a particular action beyond disclosure, we will evaluate based on our assessment of materiality and relevance.

Land Use, Nature, and Biodiversity. We tend to support additional disclosure on land use and biodiversity impacts. As the global population increases pressure on land, it also threatens biodiversity, putting agricultural and forestry profits and yields at risk. If a proposal requests that a company take a particular action beyond disclosure, we will evaluate it case by case based on our assessment of materiality and appropriateness.

Link Executive Pay to Social Criteria. We tend to support shareholder proposals calling for linkage of executive pay to sustainability factors as they relate to creating long-term value for all stakeholders. These factors may include performance based on E&S goals, customer/employee satisfaction, corporate downsizing, community involvement, human rights, and predatory lending. Additionally, we review on a case-by-case basis proposals seeking reports on linking executive pay to nonfinancial factors.

Mandatory Arbitration. We tend to support requests for additional disclosure, assessments, or reporting on a company's use of mandatory arbitration on employment-related claims. We support requests for a report on company actions taken to strengthen policies and oversight to prevent workplace sexual harassment, as well as a report on risks posed by a company's failure to prevent workplace sexual harassment. If a proposal requests that a company take a particular action beyond disclosure, we will evaluate case by case based on our assessment of relevance and appropriateness.

Pay Equity. Generally, we support reporting or additional disclosure on a company's pay gap data by gender, race, and/or ethnicity or a report on a company's policies and goals to reduce any such pay gap.

Political Contributions. Generally, we support requests for additional disclosure or reporting on direct and indirect political contributions, payments to lobbying groups, and trade association spending policies and activities. Understanding how a business deploys resources on public policy issues—and the board's oversight related to a company's direct and indirect political contributions and any payments that may be used for political purposes—allows investors to ensure alignment with business strategy. If a proposal requests that a company be barred from making political contributions or similar attempts to micromanage the company's approach, we will evaluate on a case-by-case basis.

Product Quality and Safety. We tend to support requests for additional disclosure or reporting. To prevent significant financial issues, companies need to manage consumer health and safety issues in the process of developing a product or service. This includes design defects, manufacturing defects, and advertising failures where consumers are not warned of a hazard. If a proposal requests that a company take a particular action beyond disclosure, we will evaluate based on our assessment of materiality.

Selling Practices and Product Labeling. Generally, we support requests for additional disclosure or reporting in advertising. There is significant evidence that deceptive advertising is not good for businesses, consumers, or society. If a proposal requests that a company take a particular action beyond disclosure of process or approach, for example requiring product labels, we will evaluate case by case.

Sustainability Reporting. Consistent with our preference for additional transparency, we generally support requests for sustainability and related reporting.

Training and Development. Generally, we support requests for additional disclosure or reporting on employee training and development. Employees have greater productivity after undertaking training and development, which benefits both current and future employers. If a proposal requests that a company take a particular action beyond disclosure, we will evaluate based on our assessment of relevance.

Waste. We tend to support proposals seeking additional disclosure on waste management approaches and impacts. Inappropriate waste disposal can be hazardous in many ways, such as impacts on health, while innovations in waste removal reduce reliance on imports, reduce supply-chain risk, and provide opportunities for circular economy solutions. Proposals that seek to implement particular waste management processes, such as recycling measures, will be evaluated on a case-by-case basis to ensure that they are reasonable.

Water Consumption. Generally, we support proposals requesting disclosure on water consumption, particularly in industries that are water intensive. Corporate activities may lead to water scarcity, which will have impacts on human health and the environment. Unsustainable water use can lead to price fluctuations, disrupt production and supply chains, and increase operating costs. Proposals dictating that particular action be taken to reduce water consumption may be supported but will be evaluated on a case-by-case basis to determine materiality.

Water Pollution. We tend to support additional disclosure on water pollution. Child growth, brain development, and other health impacts may be the result of poor water quality, which may also lead to increased healthcare spending, reduced agricultural yields, and costs of ecosystem damage. If a proposal seeks a particular action with regard to mitigating water pollution, our tendency is to support, but we will evaluate on a case-by-case basis to ensure it's appropriate and relevant.

INCENTIVE ALIGNMENT

Claw-Back Proposals. Generally, we favor recoupment from compensation based on faulty financial reporting or deceptive business practices.

Equity-Based Compensation Plans. We 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" approach with three pillars: plan cost, plan features, and grant practices.

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 on only new shares requested plus shares remaining for future grants.

Plan Features:

- Quality of disclosure around vesting upon a change in control
- 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 most recent CEO equity grants (three-year look-back)
- The estimated duration of the plan (based on the sum of shares remaining available and the new shares requested divided by the average annual shares granted in the prior three years)
- The proportion of the CEO's most recent equity grants/awards subject to performance conditions
- Whether the company maintains a claw-back policy
- Whether the company maintains sufficient post-exercise/vesting shareholding requirements

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

- Awards may vest in connection with a liberal change-of-control definition
- The plan would permit repricing or cash buyout of underwater options without shareholder approval (either by expressly permitting it—for New York Stock Exchange and Nasdaq listed companies—or by not prohibiting it when the company has a history of repricing—for nonlisted 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
- Any other plan features are determined to have a significant negative impact on shareholder interests

Frequency of "Say on Pay" Advisory Proposals. Generally, we support annual advisory votes and consider biennial and triennial if we have no compensation concerns.

Golden Parachutes. Golden parachutes may encourage management to consider transactions that might be beneficial to shareholders. A large potential payout, however, presents risk of a suboptimal sale price. When evaluating a golden parachute plan, we consider whether the triggering event is in the interests of shareholders. Generally, we support proposals requiring shareholder approval of plans that exceed 2.99 times an executive's current salary and bonus, including equity compensation. We will evaluate on a case-by-case basis.

Incentive Bonus Plans. Generally, we 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 Administration Committee consists entirely of independent directors, per ISS's classification.

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 (IPO), or if the proposal is bundled with other material plan amendments, the recommendation will be case by case.

Generally, we 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's classification.

On all other proposals to amend cash incentive plans, we vote case by case. 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.

We vote case by case on all other proposals to amend equity incentive plans.

Management Say on Pay. We vote case by case on management proposals seeking advisory votes on executive compensation, with closer scrutiny on pay magnitude and performance alignment, internal pay disparity, performance-based equity, and problematic change-in-control and/or severance provisions. We consider not voting for pay packages or compensation plans that we believe do not sufficiently incentivize oversight and management of climate, social, or other business risks and opportunities.

Option Exchanges. There may be instances in which underwater options cause an overhang on a company's capital structure and a repricing or option exchange may be warranted. We will evaluate on a case-by-case basis.

Qualified Employee Stock Purchase Plans. Generally, we vote against qualified employee stock purchase plans when any of the following apply:

- Purchase price is less than 85% of fair market value
- Offering period is longer than 27 months
- Number of shares allocated to the plan is more than 10% of the outstanding shares

Supplemental Executive Retirement Plans. We may support shareholder proposals requesting to put supplemental executive retirement plan benefits to a shareholder vote. We will evaluate on a case-by-case basis.

GENERAL GOVERNANCE

Adjourn Meeting. Generally, we support unless the agenda items are not aligned with shareholders' best long-term economic interests.

Amendment to Charter/Articles/Bylaws. Shareholders should have the right to vote on key governance concerns and amendments. When voting we consider the stated rationale, the company's governance profile and history, relevant jurisdictional laws, and situational or contextual circumstances.

Bundled Proposals. Shareholders should have the opportunity to review substantial governance changes individually without having to accept bundled proposals.

Exclusive Forum Provisions. Generally, we support exclusive forum for certain shareholder litigation.

IPO Governance. One vote for one share is our preferred structure for public companies. We also recognize that dual class shares may be beneficial to newly public companies. We have a one-year grace period for boards to take steps to bring corporate governance standards in line with market expectations.

Other Business. We oppose these proposals because we may not have had an opportunity to review and understand the measures and carry out an appropriate assessment.

Poison Pill Plans. Although we oppose most poison pill plans, we may support plans that include:

- Shareholder ratification of the pill and the stipulation of a sunset provision whereby the pill expires unless it is renewed
- A reasonable "qualifying offer clause"
- An all-cash bid for all shares that includes a fairness opinion and evidence that financing does not trigger the pill
- The protection of tax or economic benefits

For shareholder proposals, we generally vote to rescind poison pills.

Proxy Access. We believe that shareholders should be able to nominate directors on the company's proxy card. Generally, we support proxy access proposals that allow a shareholder (or a group of up to 20 shareholders) holding 3% of a company's outstanding shares for at least three years the right to nominate the greater of up to two directors or 20% of the board.

Public Benefit Corporation. Generally, we vote for proposals to convert to a public benefit corporation, or B Corp, where we see potential long-term value to the company from doing so. We support proposals requesting analysis, a feasibility study, or a report on such a conversion where appropriate.

Reincorporation. We will evaluate on a case-by-case basis the strategic rationale behind the proposal to reincorporate.

Right to Act by Written Consent. We believe that shareholders should have the right to solicit votes by written consent under certain circumstances.

Right to Call a Special Meeting. Shareholders should have the opportunity to raise matters without having to wait for management to schedule a meeting. Accordingly, shareholders should be able to call a special meeting when a minimum of 15% but no more than 25% of shareholders are required to agree to such a meeting before it is called.

Simple Majority Voting. Generally, we favor a simple majority requirement to pass proposals. We support the reduction or elimination of supermajority voting, although in situations where there is a substantial or dominant shareholder, supermajority voting may be protective of minority shareholders.

Virtual Meetings. Shareholders should be able to participate in annual and special meetings. Virtual meetings may facilitate accessibility, inclusiveness, and efficiency, but we are concerned if the technology is used to limit shareholder participation.

CAPITAL STRUCTURE

Authorized Capital Increase. Requests for additional capital are analyzed on a case-by-case basis after considering the company's use of authorized shares during the past three years, disclosure in the proxy statement of the specific purposes of the proposed increase, disclosure in the proxy statement of specific and severe risks to shareholders of not approving the request, and the dilutive impact of the request as determined by an allowable increase (typically 100% of existing authorized shares) that reflects the company's need for shares and total shareholder returns.

Generally, we 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.

Blank Check Preferred. Generally, we oppose the authorization of "blank check" preferred stock because it may be a possible entrenchment or anti-takeover device. We may support a blank check when the company has committed to not use it for anti-takeover and has a legitimate need for financing with this being an advantageous method.

Equal Voting Rights. Shareholders should be entitled to votes in proportion to their economic interests. Companies with multiple share classes should regularly engage shareholders on the topic. Generally, we vote against multiple share classes when we believe they are inhibiting accountability and oversight.

Increase or Issuance of Preferred Stock. Generally, we support proposals to increase or issue preferred stock in cases where the company specifies the voting, dividend, conversion, and other rights of such stock and where the terms of the preferred stock appear reasonable.

Reverse Stock Splits. We vote for management proposals to implement a reverse stock split when:

- 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's common stock authorization policy.

Share Repurchase Programs. We 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.

We vote case by case on proposals to repurchase shares directly from specified shareholders.

MERGERS AND ACQUISITIONS

We vote case by case generally, considering the following features:

- The premium relative to the unaffected share price
- A clear strategic, operational, and/or financial rationale
- Unanimous board approval and arm's-length negotiations
- The fairness opinion of a reputable financial adviser assessing the value of the transaction to shareholders in comparison with recent similar transactions

AUDITOR RELATED

Auditor Rotation. We vote case by case on auditor rotation, taking into account the auditor's tenure, the rotation period in the proposal, whether there is a renewal process for evaluating audit quality and price, the number of Audit Committee meetings held each year, the number of financial experts serving on the committee, and any significant audit-related issues.

Auditor Tenure. We do not factor in tenure in auditor ratification proposals.

Non-Audit Fees. Generally, we vote against the ratification of auditors when a company's non-audit fees (i.e., consulting fees) are greater than 25% of total fees paid to the auditor.

Reflecting Climate Risk. We consider not reinstating auditors when they have failed to ensure that the company's accounts properly reflect climate risk.

IMPORTANT NOTES AND DISCLOSURES

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