

# PROXY VOTING GUIDELINES: 2017

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## OVERVIEW

For accounts where the client has authorized First Affirmative Financial Network to vote proxies, First Affirmative contracts with Institutional Shareholder Services (ISS), an independent governance analysis and proxy voting firm, to vote ballots for all securities in which First Affirmative clients have a material interest. For the purposes of proxy voting, material interest is defined as 250 shares or more held collectively by all First Affirmative voting clients of record at custodian Folio Institutional and for all such authorized voting shares held at custodian Charles Schwab Institutional.

First Affirmative and ISS recognize that socially conscious investors have dual objectives. In addition to economic gain, First Affirmative clients are concerned with good corporate governance, the ethical behavior of corporations, and the impact of corporate actions on a healthy society and the natural environment that supports it. First Affirmative believes that companies implementing best practices with regard to social, environmental and corporate governance issues enhance their ability to maximize shareowner value.

In consultation with ISS, First Affirmative has developed Proxy Voting Guidelines consistent with these objectives. On matters of social and environmental impact, the Guidelines seek to reflect the broad views of the responsible investment community. On matters of corporate governance, executive compensation, and corporate structure, First Affirmative's Proxy Voting Guidelines are based on a commitment to create and preserve economic value for shareowners and to advance corporate governance best practices.

These Guidelines provide an overview of how ISS administers proxy votes on behalf of First Affirmative clients. They are guidelines, not absolute instructions. Therefore, there may be instances when the final vote cast on a particular issue before a company's shareowners varies from the Guidelines due to judgments made by First Affirmative after thorough examination of the merits of the proposal and consideration of company-specific information.

ISS provides First Affirmative with proxy analysis, vote execution services, and reports indicating how individual votes have been cast. If First Affirmative determines that it may have a conflict of interest regarding a particular security, ISS' recommendations will apply for that meeting.

## A NOTE ON TERMINOLOGY

Reference is made throughout this document to shareowner and shareholder. "Shareowner" is used in reference to long-term investors in the company, including First Affirmative and our clients. "Shareholder" is a commonly used term that encompasses all holders of a stock, and is used to identify specific proxy proposals or resolutions.

## CAUTION: NON-U.S. COMPANIES

Although the following Proxy Voting Guidelines generally reflect the principles applied to management and shareholder proposals at both U.S. and non-U.S. companies, we note that specific votes may vary for companies domiciled outside of the United States. Many of the basic governance concepts and social objectives transcend national boundaries, but differences in corporate governance standards, shareholder rights, and legal restrictions necessitate a more customized approach to voting in non-U.S. markets. In many countries, the requirements for filing shareholder resolutions are prohibitive, resulting in a much lower number of shareholder proposals. Differences in compensation practices, board structures, and capital structures can necessitate a customized approach to evaluating proposals in different countries.

Shareowners are sometimes required to approve certain management resolutions that do not require shareowner approval in the United States. Mechanisms such as restricted voting rights, “share-blocking,” a mechanism that requires investors who intend to vote their shares to surrender the right to dispose of their shares during the blocking period, and requirements to be represented in person at meetings, complicate the voting process. Finally, lower levels of disclosure in non-U.S. markets often make it difficult to apply the same policy that would apply to U.S. companies. In instances where companies fail to provide sufficient information to make a complete evaluation of a proposal, First Affirmative will abstain from voting on that proposal.

## THE GUIDELINES

First Affirmative and ISS update these Guidelines annually to take into account new social issues and the latest trends in corporate governance. The Guidelines are divided into two categories: Management Proposals and Shareholder Proposals. For management proposals, First Affirmative will vote according to ISS recommendations when this document does not provide specific direction. For shareholder proposals that do not have specific direction outlined in these Guidelines, First Affirmative will review each proposal on a *case-by-case* basis.

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## MANAGEMENT PROPOSALS

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### DIRECTOR-RELATED ISSUES

Including Director Elections, Classified Boards, Majority Voting, Cumulative Voting, and Board Size

We consider director elections to be one of the most important voting decisions that shareowners make. Boards should be comprised of a majority of independent directors and reflect gender and racial diversity. Key board committees should consist entirely of independent directors. Boards are expected to engage in critical evaluation of themselves and of individual members.

- We *oppose* slates of director nominees that are not comprised of a significant majority of independent directors. Where more than one-third of the members are not independent, we will *oppose* the inside and/or affiliated directors. We *withhold* votes from non-independent directors who sit on key board committees. We *withhold* votes for members of the Nomination Committee in situations where the board lacks gender diversity, defined as at least 30% women directors. We *withhold* votes for members of the Nomination Committee in situations where the board lacks racial diversity, defined as at least one director of color.
- We *withhold* votes for members of the Compensation Committee if we vote against the annual “say on pay” proposal. We *oppose* the election of directors who serve on the compensation committee who also serve as CEO of any public company.
- We *oppose* the election of directors who have failed to attend a minimum of 75% of board meetings held during the year, unless there is a valid reason for the absence.
- We *oppose* the election of directors who serve as a named executive officer of any public company while serving on more than two other public company boards. This clause does not apply at the public company where the director is a named executive officer.
- We *oppose* the election of directors who serve on more than three other public company boards.
- We *oppose* directors who fail to adequately respond to shareholder resolutions that receive majority shareowner support. In addition, an evaluation of board response to shareholder resolutions and say on pay resolutions that receive 30% or more support will be conducted to determine if the board responded appropriately following the vote. Based on this evaluation, we will vote *case-by-case* on future resolutions addressing the same issues.
- We *support* management proposals to declassify the board and adopt majority voting, with a plurality carve-out for contested elections.
- We *oppose* efforts to classify the board or eliminate cumulative voting.

- Proposals which would allow management to increase or decrease the size of the board at its own discretion are often used by companies as a takeover defense. First Affirmative *supports* management proposals to fix the size of the board at a specific number.
- We vote *case-by-case* on proposals that seek to change the size or range of the board.
- We *oppose* management proposals that give management the ability to alter the size of the board without shareholder approval.
- We *support* management proposals to adopt majority voting unless they are poorly constructed, such as applying majority voting to both contested and uncontested elections.
- We *oppose* a director who is also the CEO of a company where a serious and material restatement has occurred after the CEO had previously certified the pre-restatement financial statements.
- We *oppose* the election of directors if the board lacks accountability and oversight, coupled with sustained poor performance relative to peers. Sustained poor performance is measured by one- and three-year total shareholder returns in the bottom half of a company's four-digit GICS industry group, taking into consideration the company's five-year total shareholder return and operational metrics.

## AUDITORS

Annual election of the outside accountants is standard practice. While we recognize that the company is in the best position to evaluate the competence of its outside accountants, we believe that outside accountants must ultimately be accountable to shareowners. Furthermore, audit committees have been studied by the Blue Ribbon Commission on Improving the Effectiveness of Corporate Audit Committees in conjunction with the New York Stock Exchange (NYSE) and the Financial Industry Regulatory Authority (FINRA), which concluded that audit committees must improve their current level of oversight of independent accountants. Given the rash of accounting irregularities in recent years that were not detected by auditors or audit panels, as well as widespread accounting restatements related to options backdating, shareholder ratification is an essential step in restoring investor confidence.

- First Affirmative will *oppose* the ratification of the auditor in cases where non-audit fees represent more than 25% of the total fees paid to the auditor in the previous year.
- We *oppose* the ratification of the auditor in cases where the auditor requires the company to sign an arbitration agreement.

## PROXY CONTEST DEFENSES / TENDER OFFER DEFENSES

Including Shareowner Ability to Call a Special Meeting or Act by Written Consent, Poison Pills, Unequal Voting Rights, Fair Price Provisions, Control Share Acquisition Provisions, Greenmail, Supermajority Votes, and Director and Officer Liability and Indemnification

We generally *oppose* takeover defenses, as they can limit shareholder value by eliminating the takeover or control premium for the company. As owners of the company, shareowners should be given the opportunity to decide on the merits of takeover offers. Further, takeover devices can be used to entrench a board that is unresponsive to shareowners on both governance and corporate social responsibility issues. However, we recognize that there are certain instances when these provisions can be protective of shareholder rights. Specifically:

- We *oppose* eliminating or reducing the supermajority voting threshold if it would enhance the rights of a controlling or significant shareowner (generally 30% or greater) to the detriment of minority shareowners.
- We *support* D&O liability and indemnification provisions where the changes are being made to conform with state law.

## MISCELLANEOUS GOVERNANCE PROVISIONS

Including Confidential Voting, Adjourn Meeting, and Bundled Proposals

We evaluate proposals that concern governance issues on a *case-by-case* basis, taking into account their impact on shareholder rights. We believe that good corporate governance can have an impact on a company and its ability to maximize shareholder value.

## CAPITAL STRUCTURES

Including the Issuance of Additional Shares of Authorized Stock, Stock Splits and Reverse Stock Splits, Blank Check Preferred Stock, Dual-Class Stock, Debt Restructurings, and Share Repurchase Plans

- We *support* a one-share, one-vote policy, and *oppose* mechanisms that skew voting rights.
- We *support* capital requests that provide companies with adequate financing flexibility while protecting shareowners from excessive dilution of their economic and voting interests.
- Proposals to increase common stock are evaluated on a *case-by-case* basis, taking into account the size and purpose of the increase, the company's need for additional shares, and the company's past use of share authorizations.

## EXECUTIVE AND DIRECTOR COMPENSATION

Including "Say on Pay" proposals, Stock-Based Incentive Plans, Employee Stock Purchase Plans, Outside Director Option Plans, and Cash and Cash and Stock Based Awards

Although shareowner action such as "Say-on-Pay" resolution campaigns was intended to reign in excessive executive compensation, executive compensation remains a sensitive and visible corporate governance issue. Say-on-Pay resolutions do not appear to have remedied the disconnect between executive compensation and many measures of economic or societal health.

Mainstream evaluation of executive pay by corporations and investors is focused on “pay for performance” metrics with heavy emphasis on comparison to peers and relatively short time periods. As You Sow conducted an analysis, *The 100 Most Overpaid CEOs*, that highlights the limitations of current analytical approaches and the consequences of our over reliance on short-term and narrowly focused performance metrics ([http://www.asyousow.org/ays\\_report/the-100-most-overpaid-ceos/](http://www.asyousow.org/ays_report/the-100-most-overpaid-ceos/)).

Until alternative research is readily available, we continue to rely on existing quantitative methods for evaluation along with qualitative judgment to make our voting decisions, but the thresholds we have set are intended to support only those companies with exemplary compensation practices based on the qualitative metrics provided by ISS. First Affirmative will *oppose* Management Say-on-Pay (MSOP) proposals if:

- There is a misalignment between CEO pay and company performance;
- The company maintains problematic pay practices without clear rationale; or
- The board exhibits a significant level of poor communication responsiveness to shareholders.

Executive and director compensation proposals are evaluated on a *case-by-case* basis taking into account cost/dilution levels and specific plan features. For example, we *oppose* proposals that allow for the re-pricing of stock options without shareowner approval. In addition, any recent controversies surrounding a company’s pay practices are also factored into the analysis of compensation proposals.

- We *oppose* such proposals when compensation plans are poorly designed, implemented or managed; and where there is insufficient or unclear disclosure regarding the overall compensation structure and/or the company engages in other egregious compensation practices.
- We vote *case-by-case* on incentive plans after assessing the company’s entire compensation program and determining whether such plans appropriately tie executive compensation to company performance.
- We generally *support* Employee Stock Purchase Plans (ESPP) because they encourage savings and investment and allow employees to become shareowners in the company.
- We evaluate and vote *case-by-case* on incentive stock plans based on an a quantitative analysis of the plan’s cost compared with the business’s operating metrics, to project the annual cost relative to the company’s financial performance to determine whether the plan is excessive in light of company performance compared with the company’s peer group.
- We therefore *oppose* plans that allow for an excessive number of shares based on this analysis.
- We *oppose* plans that allow for egregious compensation practices such as option re-pricing.
- Management requests for option exchanges or re-pricings are analyzed on a *case-by-case* basis, and generally will only be supported if they exclude executive officers and directors, result in an equal or lesser value than the options being replaced, and contain features designed to enhance employee retention, such as extended vesting periods. Because

shareowners do not have the ability to re-price or exchange their investment during stock price declines, any requests to re-price stock options should be backed by a compelling shareholder value argument and should be subject to a separate shareowner vote.

- Proposals requesting shareowners to ratify executive compensation and related disclosures are voted on a *case-by-case* basis taking into account compensation and performance at the company relative to peers.

## MERGERS AND CORPORATE RESTRUCTURINGS

Mergers, leveraged buyouts, acquisitions, spin-offs, re-incorporations, tax inversions, and other corporate restructuring plans are evaluated on a *case-by-case* basis, given the potential for significant impacts on shareholder value and on shareowners' economic interests. In addition, these corporate actions can have important effects on a company's workforce and community stakeholders, including but not limited to job loss, community lending, equal opportunity, and environmental impacts.

Advisory votes on "Golden Parachutes" in an acquisition, merger, consolidation, or proposed sale will be voted *case-by-case*, with due consideration given to inappropriate windfalls and inappropriate coverage of tax liabilities for executive officers.

## EXCLUSIVE FORUM PROVISIONS

First Affirmative believes that charter or bylaw provisions limiting a shareowner's choice of legal venue are not in the best interests of shareowners. Such clauses may effectively discourage the use of shareholder derivative claims by increasing their associated costs and making them more difficult to pursue.

- We *oppose* any bylaw or charter amendment seeking to adopt an exclusive forum provision.
- In the event a board seeks shareowner approval of a forum selection clause pursuant to a bundled bylaw amendment rather than as a separate proposal, we weigh the importance of the other bundled provisions and vote on a *case-by-case* basis on such proposals.

## MUTUAL FUND PROXIES

*Including Election of Trustees, Investment Advisory Agreements, and Distribution Agreements*

There are a number of proposals that are specific to mutual fund proxies. We evaluate these proposals on a *case-by-case* basis in conjunction with recent trends and best practices at other mutual fund companies.

- We *support* proposals that seek to establish an independent chair of the board of directors or trustees. ISS will determine whether board members, including the board chair, are in fact "independent."

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## SHAREHOLDER PROPOSALS

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### CORPORATE GOVERNANCE AND EXECUTIVE COMPENSATION

Including Shareholder Meetings/Housekeeping Issues, Board-Related Issues, Shareholder Rights and Board Accountability Issues, Compensation Issues, and Strategic Issues

Each year shareowners or their advocates file numerous proposals that focus on key issues regarding corporate governance and executive compensation. We evaluate these proposals from the perspective that good corporate governance can have positive implications for a company and its shareowners.

- We *support* proposals that seek to improve a board's accountability to its shareowners and other stakeholders.
- We *support* initiatives that seek to strengthen the link between executive pay and long-term performance, including performance issues related to corporate social responsibility.

#### Corporate Governance

- We *support* proposals providing shareowners with the ability to nominate board candidates.
- We *support* proposals seeking the establishment of a majority vote standard in the election of directors.
- We *support* proposals requesting adoption of the SEC vote-counting standard used for establishing eligibility for resubmitting shareholder-sponsored proposals (votes cast FOR, divided by the FOR plus AGAINST votes) for all matters voted upon by shareowners.
- We *support* proposals requesting the separation of the chair and CEO.
- We *support* proposals to appoint a lead director.
- We vote *case-by-case* on proposals seeking to limit the tenure of non-employee directors.
- We vote *case-by-case* on proposals to increase board or committee independence.
- We *support* proposals requesting that the company rotate auditors every five years or more.
- We *support* proposals allowing shareowners to be reimbursed for solicitation expenses including legal fees when proposal receives approval by majority votes cast.
- We vote *case-by-case* on CEO succession policy.
- We vote *case-by-case* on proxy access proposals where adoption of this provision allows for improved shareholder rights and ensures that shareowners who maintain a long-term interest in the target company have an ability to nominate candidates for the board.



- We vote *case-by-case* on proposals requiring senior executives to hold company shares until retirement.

#### Take-Over Defenses

- We *support* proposals to declassify the board.
- We *support* proposals providing for cumulative voting.
- We *support* proposals making it easier for shareowners to act by written consent if they contain appropriate thresholds.
- We *support* proposals providing shareowners with the ability to call special meetings if they contain appropriate thresholds.
- We *support* proposals allowing shareowners to amend the company's bylaws by majority vote.
- We vote *case-by-case* on proposals reducing or eliminating supermajority voting.
- We *support* the elimination of dual-class stock with unequal voting rights.
- We *support* proposals to put poison pills to a shareholder vote or redeem them.
- We *support* proposals to eliminate fair price or control share provisions.
- We *support* proposals to adopt anti-greenmail provisions.
- We vote *case-by-case* on proposals to consider strategic alternatives to maximize value.
- We *support* proposals to establish reasonable advance notice provisions for shareholder proposals or director nominations to be presented at the annual meeting (no more than 90 days before the annual meeting).

#### Compensation

- We *support* proposals seeking greater disclosure of compensation, unless they contain inappropriate thresholds or other provisions.
- We *support* proposals asking companies to disclose the salaries of top management beyond those the SEC requires in the proxy statement.
- We *support* proposals seeking an annual advisory vote on executive compensation, sometimes known as "say on pay" resolutions.
- We *support* proposals asking for disclosure of the compensation consultant's relationships with the company and management, or to adopt or disclose a policy on consultant's services.
- We *oppose* proposals to prohibit compensation consultants from performing other services for the company.
- We *support* proposals requesting the establishment of fixed option grant dates.

- We *support* proposals to limit change-in-control payments through the use of double-triggers.
- We vote *case-by-case* on proposals seeking a shareholder vote on Severance or Supplemental Executive Retirement Plan (SERP) payments.
- We vote *case-by-case* on proposals that will alter compensation practices, establish stock holding/retention requirements, establish pay caps, or abolish stock options.
- We vote *case-by-case* on proposals seeking to limit the term of executive employment agreements, limit tax gross-ups or consider internal pay equity in setting CEO pay.
- We *support* proposals to eliminate or require shareholder approval of death benefits (“golden coffins”), which provide for payments and/or benefits to an executive’s beneficiaries following death.
- We vote *case-by-case* on proposals to adopt a policy to recoup unearned executive bonuses or incentive pay when performance targets have not been met as a result of a financial restatement.
- We vote *case-by-case* on proposals to establish a “pay-for-superior-performance” standard for executive pay—we support these proposals when CEO or executive pay is excessive and it is unclear how pay is linked to meaningful performance targets.
- We vote *case-by-case* on proposals to prohibit executives from selling stock during buy-back periods or to adopt policies to prevent abuses of pre-arranged stock sale plans.
- We *oppose* proposals seeking to impose, or vote on, specific terms of a SERP, but support proposals requesting better or more specific disclosure of executive pension benefits.
- We *support* proposals to limit hedging or prohibit executives from hedging the value of their stock.
- We *support* proposals calling for linkage of executive pay to non-financial factors including performance against social and environmental goals, customer/employee satisfaction, corporate downsizing, community involvement, human rights, or predatory lending.

## SOCIAL RESPONSIBILITY ISSUES

Including consumer issues, corporate accountability, diversity issues, environment, affordable healthcare, global labor practices, and military involvement

Social responsibility proposals are receiving higher levels of support as institutional investors recognize that such proposals have tangible connections to shareholder value. In our view, companies that embrace corporate social responsibility best practices are better positioned for long-term success.

- We generally *support* proposals that seek to enhance a company’s corporate citizenship, including proposals on workplace practices, human rights, and environmental stewardship.

- We believe that corporations should be accountable and transparent to their shareowners and stakeholders, and we will generally *support* proposals that seek additional information on a company’s environmental performance and/or its impact on communities and people.
- We review and vote *case-by-case* on proposals that request that the company cease certain actions that the proponent believes are harmful to particular populations or environments, taking into account the company’s legal and ethical obligations, its ability to remain profitable, and any potential negative publicity or reputational risk if the company fails to honor the request.

## CONSUMER ISSUES

### Adult Entertainment

- We *support* proposals requesting that the company report on its involvement in the pornography industry and assess potential associated risks.
- We *support* proposals requesting that the company report on its practices relating to the sale of violent video games to children.

### Animal Welfare

- We *support* proposals seeking to limit animal testing where alternative testing methods are feasible or where not required by law.
- We *support* proposals asking the company to adopt and/or report on animal welfare standards used in company laboratories or contract laboratories.
- We *support* proposals asking the company to report on or require animal welfare standards applied to laboratories in the supply chain.
- We support proposals asking the company to report on or require animal welfare standards applied to producers in the food and other animal product supply chains.
- We *support* proposals asking the company to report on the feasibility of utilizing more humane ways of animal slaughter.

### Genetic Engineering

- We *support* proposals asking the company to report on the use of Genetic Engineering “GE” organisms in its products, and/or the potential adverse impacts associated with GE organisms.
- We *support* proposals calling on the company to label GE products.
- We *support* proposals asking the company to adopt a policy to phase out GE products.

## Lending Practices

- We *support* proposals asking companies to undertake specific actions to guard against predatory lending practices or redlining, and/or report on lending practices to vulnerable groups, such as minorities.
- We *support* proposals asking for disclosure on lending practices in developing countries, unless the company has clearly demonstrated a proactive record on the issue.
- We *support* proposals to restructure the terms of appropriate non-performing loans.
- We review and vote *case-by-case* on proposals calling on banks to forgive loans made to developing countries.
- We *support* proposals to disclose off-balance sheet liabilities, including structured investment vehicles, structured securities and conduits or to disclose mortgage practices and risks, including exposure to subprime loans.
- We review and vote *case-by-case* on proposals to establish board compliance committees.
- We review and vote *case-by-case* on proposals to implement controls on relationships with credit ratings agencies.

## Tobacco

- We *support* proposals seeking to limit the sale of tobacco products to children.
- We *support* proposals requesting companies do more to apprise consumers of the health risks of smoking.
- We *support* proposals asking restaurants to make their facilities smoke-free.
- We *support* proposals calling on companies to sell, phase out, or divest of all production and marketing of tobacco products.
- We *support* proposals asking producers of cigarette components to halt sales to tobacco companies, or to prepare a report on the potential risks and liabilities of supplying these components.

## Toxic Chemicals and Product Safety

- We *support* proposals requesting disclosure of the company's policy on toxic chemicals.
- We *support* proposals seeking greater disclosure of the potential financial and legal risks associated with the usage of certain chemicals.
- We *support* proposals requesting a report on the feasibility of phasing out or reformulating certain products.

- We *support* proposals requesting companies phase out the use of certain chemicals when safer alternatives are available, or reformulate their products to meet stricter toxic chemical standards used in certain other jurisdictions.
- We *support* proposals asking companies to report on efforts to phase out the production of paper using chlorine bleaching.
- We review and vote *case-by-case* on proposals asking companies to phase-out the use of chlorine bleaching.

## CORPORATE INFLUENCE AND ACCOUNTABILITY

### Charitable Contributions

- We *oppose* proposals seeking to require shareholder ratification of charitable grants or the imposition of grant criteria.
- We generally *oppose* proposals calling on a company to produce a report disclosing charitable contributions unless there is a history of problems involving questionable contributions or self-dealing at the company, or if the total contributions appear excessive.

### Political Contributions and Trade Organizations

- We *support* proposals calling for a company to maintain a policy of non-partisanship.
- We *support* proposals calling for the company to produce a report disclosing its political contributions and its policies and procedures governing those contributions.
- We *support* proposals calling for the company to publish a report on its political contributions on its website.
- We *oppose* proposals calling for the company to publish its political contributions in newspapers.
- We *support* proposals requesting disclosure of trade organization dues and/or clarification of company positions that differ from the positions taken by trade organizations of which the company is a member.
- We *oppose* proposals requesting companies to project recipients and amounts of future political contributions.
- We vote *case-by-case* on proposals requesting companies to refrain from using corporate funds for political purposes.

### Lobbying Activities

- We *support* proposals calling for the company to produce a report disclosing its lobbying expenditures and its policies and procedures governing those expenditures.

- We *support* proposals calling for the company to publish a report on its lobbying expenditures on its website.
- We *support* proposals requesting disclosure of payments to trade organizations that support that organization’s lobbying activities.
- We *support* proposals that request disclosure of participation in organizations that draft and support model legislation.

#### Prior Government Service

- We *support* proposals calling for the disclosure of prior government service of the company’s key executives.

## DIVERSITY ISSUES

#### Board Diversity

- We *support* proposals asking the board to take additional measures to ensure that more women and minorities are considered for nomination, or to otherwise commit to a policy of board inclusiveness.
- We *support* proposals requesting that a company endorse and/or implement the “Women’s Empowerment Principles,” which have been developed by the United Nations Development Fund for Women and the United Nations Global Compact.
- We *withhold* our vote for directors on the nomination committee that do not include at least two women and one person of color.
- We are highly supportive of diversified boards but will *oppose* proposals that impose unreasonable quotas.

#### Equal Employment Opportunity

- We *support* proposals asking for the company to report on its efforts to promote diversity in the workplace and marketplace.
- We *support* proposals requesting the disclosure of EEO-1 data.
- We *support* proposals asking the company to take additional action on equal employment opportunity and anti-discrimination.
- We *support* proposals asking how the company is working to eliminate “glass ceilings” for women and minorities, including requests that the company take additional action.
- We *support* proposals requesting that companies ensure that women and minorities are not discriminated against in wages and employee benefits.

### Racial Stereotypes in Advertising

- We *support* proposals requesting that companies review their use of racial stereotypes in advertising campaigns.

### Sexual Orientation

- We *support* proposals asking companies to explicitly prohibit discrimination based on sexual orientation and gender identity in their written employment policy, including proposals that call for the adoption of the “Equality Principles.”
- We *support* proposals seeking reports on a company’s initiatives to create a workplace free of discrimination on the basis of sexual orientation and gender identity.
- We *oppose* proposals requesting that companies remove sexual orientation anti-discrimination policies.

## ENERGY AND ENVIRONMENT ISSUES

### Agriculture

- We *support* proposals requesting reports on the use of pesticides, antibiotics and other chemical inputs in food production, including proposals calling for setting goals related to the reduction of pesticide antibiotics and chemical use.

### Ceres Principles

- We *support* proposals urging companies to endorse the Ceres Principles. Ceres (pronounced “series”) is a national network of investors, environmental organizations and other public interest groups working with companies and investors to address sustainability challenges such as global climate change.

### Climate Change and Greenhouse Gas Emissions

- We *support* proposals requesting reports, or the disclosure of liabilities, relating to the company’s response to rising regulatory, competitive, and public pressures surrounding climate change and/or greenhouse gas emissions and energy efficiency.
- We *support* proposals requesting reports on strategy to address the risk of stranded assets presented by global climate change and associated demand reductions for oil and gas including proposals asking for scenario analysis consistent with carbon restrictions and related rules or commitments adopted by governments consistent with the globally agreed upon 2°C degree target.
- We *support* proposals calling for setting goals related to the reduction of greenhouse gas emissions from company operations, supply chains, and/or products.

- We *support* proposals requesting a report on the company’s efforts to develop renewable energy and to establish renewable energy goals.
- We generally *support* proposals calling for increased investment in alternative energy sources, except in cases where the terms of the request are excessive.
- We take a *case-by-case* approach to proposals requesting a report on the scientific evidence underlying a company’s policy position on climate change, greenhouse gas emissions and/or energy efficiency, evaluating the relevancy of the requested report to the company’s business model and operations.
- We *support* proposals requesting an assessment of lending institution exposure to climate change risk in lending, investing, and financing activities.
- We *support* proposals requesting that financial institutions review and report on inconsistencies between publicly stated climate positions and their proxy voting record on climate related shareholder proposals.

#### Environmental Risks and Sustainability Issues

- We *support* proposals asking companies to produce a sustainability report.
- We *support* proposals asking companies to provide additional information about the risks and liabilities associated with the company’s environmental practices.
- We *support* proposals asking companies to report on the environmental impact of their operations or sourcing practices, including on issues such as toxic emissions, environmentally sensitive areas, and biodiversity.
- We *support* proposals requesting disclosure of known and potential environmental and community impacts of hydraulic fracturing operations and/or policy options for the company to adopt, to reduce, or to eliminate hazards to air, water, and soil quality. Known risks include chemical use, drinking water contamination, ground water pollution, methane flaring, “fugitive” methane releases, chemical storage, and waste disposal.
- We *support* proposals requesting disclosure on environmental damage that would result from oil sands operations, including oil sands product transportation (e.g. pipeline, road, and sea transport).
- We *support* proposals that seek to encourage companies to source products from environmentally sustainable operations, including with respect to fisheries, lumber, and agricultural products (e.g. palm oil, coffee).
- We *support* proposals asking companies to report on operations in, or to adopt policies not to mine, drill, or log in environmentally sensitive areas such as the Arctic National Wildlife Refuge.
- We *support* proposals requesting a report on the risks related to the company’s use of water in regions of water scarcity or conflict.



- We *support* proposals—including bylaw amendments—to appoint a director with environmental expertise, to retain an environmental sustainability expert who reports directly to the board, and/or to establish a board-level committee on environmental responsibility.

#### Nuclear Energy

- We *support* proposals requesting companies reassess their involvement in nuclear power or to report on operational issues related to nuclear power generation.
- We *support* proposals requesting that the company cease development of and financing of new nuclear power projects.

#### Recycling

- We *support* proposals urging companies to take responsibility for recycling or safe disposal for the products they manufacture, including takeback programs and industry supported recycling programs.
- We *support* proposals urging companies to increase the recycled content of materials and products produced by the companies or sourced through their supply chains.
- We *support* proposals requesting companies to adopt policies and practices that reduce the environmental, occupational and community health hazards from manufacturing and recycling lead batteries.

#### Security of Chemical Facilities

- We *support* proposals seeking greater disclosure of the company's efforts to reduce the threat of potentially catastrophic chemical releases from their operations, in particular those stemming from a terrorist attack or natural disaster.

#### Environmental Justice and Community Accountability

- We *support* disclosure proposals requesting information on how the company seeks to mitigate the health and environmental hazards of its operations on local communities.
- We *support* proposals requesting a report on how the company ensures that it is accountable for its environmental impact on local communities.
- We *support* proposals asking companies to adopt a plan to reduce toxic emissions, including proposals that request companies take responsibility for toxic cleanup.

#### Health Related Issues

- We *support* proposals calling for companies to provide access to doctors and medicine for all workers, and prenatal care for women workers, especially in developing countries.
- We *abstain* on proposals that address abortion issues.

### Access to Healthcare and Drug Pricing

- We *support* proposals asking pharmaceutical companies to review and report on their price restraint policies, including proposals that request companies implement a formal policy on drug pricing.
- We *support* proposals seeking more information on the risks associated with restricting the export of prescription drugs to Canada.
- We *support* proposals calling for a report on how the company is addressing rising healthcare costs as a public policy issue; review on a *case-by-case* basis any proposal that calls for specific actions.
- We *support* proposals requesting that the board adopt a conflict of interest policy involving directors with health industry affiliations, requiring their recusal from involvement in discussions on public policy issues that may relate to the board member's health industry affiliations.

### Health Pandemics

- We *support* proposals asking pharmaceutical companies to develop policies to provide HIV/AIDS, TB, malaria, and other drug treatments that are affordable to the affected populations in the developing world.
- We *support* proposals seeking reports on the impact of health pandemics on company business operations.

## HUMAN RIGHTS AND LABOR PRACTICES

### Human Rights and Global Labor Practices

- We *support* proposals asking for a report and/or review of the company's code of conduct with respect to workplace practices and human rights.
- We *support* proposals asking companies to adopt codes of conduct addressing global labor and human rights practices, to establish credible monitoring programs, and to publicly report on these efforts.
- We *support* proposals asking companies to embrace the "Guiding Principles on Business and Human Rights" as a framework for preventing human rights abuses, providing greater transparency and accountability around human rights issues that might affect the company, and mitigating adverse human rights impacts.
- We *support* proposals asking companies to adopt supply chain and vendor codes of conduct that incorporate recognized international standards of worker's rights, including proposals that request the company take steps to ensure compliance and credible monitoring.

- We *support* proposals asking the company to report on and/or investigate particular human rights challenges it faces, including proposals that request the adoption of specific principles or codes relating to the issue.
- We *support* bylaw amendments to establish a board-level committee on human rights, unless there is a compelling reason not to do so.
- We *support* proposals requesting that companies adopt principles for minimum wage reform.

#### Indigenous Rights

- We *support* proposals asking companies to report on the impact of their operations on indigenous communities, and/or to take steps to ensure that they respect the rights of such communities.
- We *support* proposals asking companies to consider the impacts and to provide an opportunity for free, prior, and informed consent regarding planned development and operations that may impact indigenous communities.

#### Operations in Sudan

- We *support* proposals asking the company to report on its operations or investments in Sudan and the costs associated with this business.
- We vote *case-by-case* on proposals to pull out of Sudan.

#### Operations in China

- We *support* proposals seeking more disclosure on a company's involvement in China.
- We *support* proposals asking companies to implement the "Business Principles for Human Rights of Workers in China," which reflect basic labor standards defined by the International Labor Organization, and basic human rights defined by the United Nations Universal Declaration of Human Rights and encoded in the International Covenants on Economic, Social and Cultural Rights, and Civil and Political Rights.
- We vote *case-by-case* on proposals asking a company to terminate specific investments or ventures in China.

#### Internet-Related Product Sales to China

- We *support* proposals asking the company to establish a set of standards to enforce policies to protect freedom of access to the Internet across the globe.
- We *support* proposals seeking a report on efforts to reduce the likelihood of product abuse.
- We vote *case-by-case* on proposals requesting that the company no longer sell products in China.

## Operations in Occupied Palestinian Territories

- We vote *case-by-case* on proposals asking companies to report on operations in the occupied Palestinian territories or to sign the Holy Lang Principles.

## MILITARY INVOLVEMENT AND VIOLENCE

### Depleted Uranium

- We *support* proposals asking companies to report on their involvement in the manufacture of depleted uranium munitions.

### Foreign Military Sales

- We *support* proposals asking the company to report on its foreign military sales.
- We *support* proposals asking the company to review and/or amplify the company's ethical criteria for military contracts.
- We vote *case-by-case* on proposals that call for restrictions on foreign military sales.

### Firearms

- We *support* proposals requesting companies report on efforts to promote firearm safety or prevent gun violence.
- We *support* proposals asking the company to end the sale of firearms and related ammunition.

### Landmine Production

- We *support* proposals asking companies to report on future landmine production or adopt a policy to cease production of landmines.

*The views expressed in these Proxy Voting Guidelines are those of First Affirmative Financial Network, LLC and guide how we vote client proxies, when authorized to do so.*

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