

NORTHSTAR ASSET MANAGEMENT

Progressive Wealth
Management Since 1990

Proxy Voting Guidelines

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NorthStar Asset Management, Inc.
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Introduction

Every year shareholders are asked to vote on a range of issues from approving the Board of Directors slate and executive compensation packages to shaping policies that ensure fair labor practices and combat global warming. Shareholders' rights allow individual and institutional owners to bring pertinent issues to the proxy ballot for a vote. In a majority of cases, these resolutions raise social, environmental, and corporate governance concerns in an effort to encourage more responsible corporate practices.

To influence a corporation's activities, shareholder activists employ two general tactics: negotiating directly with the company, and submitting shareholder proposals. Frequently, engagement with corporations begins with negotiation upon a particular topic. When these dialogues are fruitless, activists take their engagement to the next level: asking the shareholders themselves to affirm the importance of the issue. With the intention of eliciting policy changes from the management, activists file shareholder proposals, meeting specific Securities and Exchange Commission guidelines, which are then voted on by shareholders at the company's annual shareholder meeting. Exercising shareholder voting power is a critical way to shape corporate decision-making. Working to raise awareness among corporate management with the goal of ultimately creating corporate policies that change the way the company approaches its business and responsibilities is an integral piece of shareholder activism.

Shareholders' Rights

The Securities and Exchange Commission (SEC) rules allow any shareholder who has owned \$2,000 worth of a stock in a particular company for a full year the right to present a resolution to the company's shareholders. Nonprofit activist groups, pension funds, religious groups, socially responsible investment companies, and individuals, by virtue of owning shares of stock in the company, can submit shareholder resolutions.

SEC rules protect the shareholder's right to bring important issues to the attention of any publicly traded company. However, the SEC also restricts what a shareholder resolution can ask a company to do. For example, shareholders are allowed to address corporate policy issues but are not allowed to get involved in the specifics of managements' operations of the firm ("ordinary business"). Shareholder concerns about the details of the firm's operations are disallowed by the SEC unless they can demonstrate that the behavior is an issue due to a larger social or public policy concern. This is why many resolutions appear to be relatively inconsequential in relation to the gravity of the social issue presented.

Even so, when shareholders communicate their concerns to the companies they own, they exercise ownership responsibility – one of their most important avenues of holding companies more accountable. Despite the seemingly insignificant requests of shareholder proposals, over time corporations and lawmakers respond to shareholder requests by making lasting change. Examples abound, such as the current “say on [executive] pay” advisory votes (now required by the SEC at all U.S. publically traded corporations), EEO policies that once (but no longer) omitted LGBT individuals’ right to equal employment, and the many corporate officials that are finally taking steps to reverse their companies’ effects on the climate. Expressing our social as well as financial goals makes the market more democratic and responsive to societal concerns.

According to SEC rules, a specific resolution must receive 3% of the vote in the first year it is filed, 6% in the second, and 10% thereafter to be included on the proxy the following year. Each vote cast helps to ensure that these issues will be brought to the attention of the management and other shareholders in future years.

NorthStar Asset Management, Inc. does not hire outside service providers to vote the proxies of its clients. All proxy voting is completed within the firm by NorthStar staff as designated by the CEO/CCO. As a socially responsible investment firm, we consider it a fiduciary duty to vote our clients’ proxies in line with the overarching principles that guide our firm’s work. Namely, these principles are commitments to:

1. Seeking solutions to **economic inequality**;
2. Working towards **racial justice and gender equality**;
3. Protecting **human rights**;
4. Seeking **environmental justice, solving climate change, protecting health and safety of employees and communities**;
5. Enhancing **corporate governance**.

The sections below entail the general guidelines that our staff follows when voting proxies for our clients. Due to the ever-evolving nature of corporate proxies, this document cannot be exhaustive or provide strict limitations, but is intended to provide a general outline of operating procedures. When significant questions arise, the firm proxy voter relies on the CEO/CCO for instruction.

A. Company-Sponsored Resolutions

VOTING FOR BOARDS OF DIRECTORS

One of the most pervasive misconceptions in corporate America is that shareholders actually elect the Board of Directors. In fact, the sitting Board of Directors nominates the candidates for any open board seats, and shareholders often have no way to nominate a board member. Nominees are generally drawn from the networks of the current board members – other CEOs, top managers, lawyers, etc. – creating an “old boys’ network” with all the inherent problems exemplified by the likes of Enron, WorldCom, Sprint, Wells Fargo, and Tyco. As in any election, a director must win more votes than any other candidate, however, company-sponsored directors nearly always run unopposed for their specific board seat, and a great many corporations still utilize “plurality voting.” In plurality voting situations, a director only needs to garner one “yes” vote to win a seat on the board.

We take voting for the board of directors very seriously, and we approach it with great scrutiny. At each company, we evaluate the board slate in many ways:

1. We identify whether the *entire* board slate up for election each year. If not, if the board has a “classified” structure in which only one class of the board is voted on each year, we vote against the entire class each year until the company declassifies the board.
2. Next, we evaluate the level of diversity that exists on the board. We seek a reasonable level of diversity which will allow the voices of women and minorities to be heard in decision-making. In order for us to consider evaluating and voting in favor of an entire board slate, the board slate must be comprised of 30% women and 30% racial/ethnic minorities. Should the company meet these minimum standards for diversity, we will evaluate all board members on the below remaining features of the board overall and the individual members. Should the company fail to meet our diversity minimums, we vote against board members that appear to be male and non-diverse, but consider voting in favor of female and diverse candidates based upon the additional evaluations below.
3. For board members we will consider voting in favor of, we closely scrutinize many issues including but not limited to: qualifications and expertise, board tenure, seats on other boards, and attendance record at board meetings.
4. Before submitting our final vote, we take a look at the board overall, and ask a series of ever-evolving questions such as:

- a. Is the company moving in a positive direction for all of its stakeholders (shareholders, employees, communities)?
- b. Are compensation committee members appropriately evaluating executive officer compensation, including setting reasonable non-financial metrics which encourage the CEO to plan long-term for the betterment of stakeholders such employees, communities, as well as the environment and levels of diversity?
- c. Are there sufficient and appropriate “outside” board members—board members with no business or personal ties to the company or its top executives?
- d. Is the board sufficiently diverse in expertise, or does it appear that the board’s members are homogenous in some way (such as education, expertise, or career highlights)?
- e. What is the makeup of each board committee? For example, are there non-CEO executives on the compensation committee? Does it appear that the nominating committee has constructed the board thoughtfully over time with the intention of having a well-rounded set of directors that will serve shareholders well? In general, we prefer the nominating committee to be comprised of at least one woman and one person of color, which we believe aids in the overall diversification of the board. We also carefully review the compensation committee members. We prefer to see all non-CEOs on the compensation committee because we believe that sitting and former CEOs are more likely to approve compensation packages for fellow CEOs without due scrutiny. In circumstances where we feel executive compensation is concerning, we may vote against women and minority directors that sit on the compensation committee.

In considering our position on voting for board members, we also review the number of other public boards on which the candidate sits. To avoid “overboarding,” we generally prefer that actively employed board members serve on no more than 3 boards total, and that retired candidates are limited to 5 boards total. We take into consideration both for-profit corporate boards as well as non-profit or academic boards, and whether the board member is in a leadership position on any of those boards.

EXECUTIVE COMPENSATION PACKAGES

For many years, NorthStar and our shareholder advocate colleagues filed Say on Pay resolutions

at corporations of all sizes and sectors. Shareholders illustrated their support for “say on pay” by voting in favor of these resolutions time and time again. Thanks to these efforts and in response to corporate actions that brought on the 2008 recession, President Obama signed into law the Dodd–Frank Wall Street Reform and Consumer Protection Act in July 2010. Among its many requirements, the Dodd-Frank Act requires an official Say on Pay advisory vote at the annual shareholder meeting of each publically traded U.S. corporation. In the 2011 shareholder meeting season, companies began implementing the Act by disclosing company executives’ pay, then solicit a “say” on these pay packages through an advisory vote in the annual shareholder proxy booklet. Advisory votes are not binding for the company, but they certainly have influential value as shareholders are able to weigh in on executive management compensation packages worth millions of dollars.

NorthStar uses a ratio system to determine appropriate executive pay in terms of whether to vote in favor or against named executive pay packages. Inspired first by proposed California Senate Bill 1372, which seeks to raise the corporate tax rate if the CEO of a publicly traded company doing business in California makes more than 100 times the pay of an average employee, NorthStar limits its approval of CEO and executive pay packages to 100x the average U.S.A. worker salary. Relying on Bureau of Labor Statistics data and that of AFL-CIO Executive Paywatch, the maximum executive pay package that NorthStar would currently approve is \$3,763,200 annually, allowing for a nominal pay to that executive of at least \$75,000,000 over the course of a twenty year career. We feel that \$75+ million throughout one’s career remains an attractive and competitive pay package, allowing a corporation to attract and retain high quality talent. NorthStar looks at overall compensation (base salary, bonuses, stock options, etc., in total) for this ratio system. NorthStar prefers pay packages that are not excessive, but still encourage executives take a long term view (including stock or options as a portion of the pay package). This maximum pay package is reevaluated by NorthStar annually and adjusted as appropriate when the average worker pay increases or decreases.

FREQUENCY OF SAY ON PAY

Additionally, the Dodd-Frank Act calls for a shareholder advisory vote on the frequency of the aforementioned vote on executive compensation. Across the board, we vote for a one-year frequency (an annual vote), so that shareholders could have repeated opportunities to evaluate their companies’ leadership.

VOTING FOR AUDITORS

Enron’s collapse and the role that its accounting firm played in its demise focused shareholders’ attention on the auditors’ role and the veracity of financial information presented to

shareholders, employees, and the public. Part of the problem is a dual role many accounting firms play within one company: that of auditor and that of inside accounting consultant. Auditors review a company's financial statements to ensure they truly reflect the company's financial situation. Audits, by design, are independent assessments. If an auditor is working inside the company as a consultant, its independence is already compromised, and we will oppose the confirmation of the company's choice for auditor.

DISTRIBUTION OF STOCK OPTIONS

In general, we oppose changes to company stock ownership and share dilution, through outright gift, options, share repurchases and so on by the firm's management. None of these mechanisms are necessarily harmful, of themselves, however, the redistribution of ownership introduces a potential conflict of interest between the influence management exerts over firm policies versus shareholders.

DILUTION OF SHAREHOLDER'S RIGHTS

Traditionally, management presented shareholders with the option to ratify board members, auditors and various company business required by the SEC, such as mergers or compensation. However, as shareholders have become more active in setting corporate policies, management's response has been increasingly to introduce counterproposals aimed at diluting shareholder's rights – specifically, voting rights. In some instances, management even introduces a voting option which displaces a stronger resolution to prevent shareholders from achieving more influence in setting policy. We oppose these types of resolutions by management, unless the result is a clear improvement over the current situation.

STOCKHOLDER-INSPIRED RESOLUTIONS

Alternately, we've begun to see the fruits of shareholder activists' labor paying off in the company-sponsored proposals section. At several companies, we've found proposals such as an "amendment . . . to allow stockholder action by majority written consent" or "allow proxy access" (wherein shareholders of a certain stature can nominate board members). After careful review and consideration, to ensure that they are actually representative of what shareholders would want, we have generally support these proposals.

BOARD AMENDMENT RIGHTS

Allowing the board to make changes to company charters, except as explicitly denied by the SEC, places undue power in the hands of boards which may be hand-picked and acting at the

direction of management. We oppose the assignment of these shareholder’s rights to the board or management.

DISCHARGE COMPANY AND BOARD LIABILITY

The purpose of having a board of directors and corporate management is to make sure that shareholders best interests are served. Therefore, we oppose resolutions discharging company or board liability for their decisions and actions.

OTHER BUSINESS

We consider other business, such as the ratification of a merger proposal, on a case-by-case basis.

B. Shareholder Resolutions – Governance Issues

COMPENSATION REFORM

In 2016, a study conducted by the Rock Center for Corporate Governance at Stanford University surveyed¹ a representative sample of Americans about their impressions of CEO pay. According to the study, “74 percent of Americans believe that CEOs are not paid the correct amount relative to the average worker.” In fact, according to the lead author on the project, “there is a clear sense among the American public that CEOs are taking home much more in compensation than they deserve.” With the average CEO earning 371 times the wage of the average worker, it’s no wonder. The AFL-CIO Executive Paywatch’s most recent data on CEO pay in comparison to the average worker is from 2015, when Alphabet’s CEO Sundar Pichai took home a total compensation package of over \$100 million, an outstanding 2,674 times the median worker’s pay for that year.

In the absence of Say on Pay shareholder proposals (see the above section on Executive Compensation for our discussion on this change), there are still multiple shareholder proposals related to executive pay and benefits. After careful consideration, we generally support a variety of shareholder resolutions on this general topic, including proposals requesting stockholder approval of future severance agreements with senior executives, “lock-up” requirements for senior executive awards, enhanced compensation disclosure, requests to make incentive awards performance-based, requiring that executives hold equity compensation through retirement, delaying incentive payouts to new executives, and pay-disparity reporting.

¹ <https://www.gsb.stanford.edu/faculty-research/publications/americans-ceo-pay-2016-public-perception-survey-ceo-compensation>

This wide range of proposals all work to subvert exorbitant or inappropriate executive pay by asserting that shareholders have a say in executive compensation packages.

There have also been recent proposals which have requested a “say” on director pay. A specific proposal at Apple in 2012 noted some important disparities in that “only one yes-vote from our 900 million shares was all it took to reelect each of our current directors. On the other hand, we cannot elect a director by written consent to fill a vacancy created by removal except by a 100%-vote from our 900 million shares. Two of our directors owned less than 200 shares each, including a member of our Audit committee.” Given these facts and that “some of ... directors are paid more than \$1 million for work that may take less than 400 hours per year—or \$2500-plus per hour,” we agree with the shareholder that giving stockholders an advisory vote on the salary of the Board of Directors would be a very smart move.

BOARD COMPOSITION AND CEO PLANNING

In recent years, there have been many proposals that focus on issues of board composition or CEO succession planning. One proposal we’ve seen several times in the past is the request to separate the CEO and chairman of the board. The primary purpose of the board of directors is to protect shareholder interests by providing independent oversight of company management and the CEO. When the chairman of the board and the chief executive of the company are the same person, independence is impossible. The board is responsible for defining the strategic direction of the company and to address complex policy issues facing the company. A board chairman who is unencumbered by the day-to-day running of the company will better serve the company.

Several other board-related resolutions have cropped up in recent years. They include a request that the board chairman be an independent director (entirely unaffiliated with the company), to disallow the service on key committees of board members receiving more than 20% vote against them at the annual meeting, a desire for limitations upon directors involved in bankruptcy, requests to declassify the board (so that shareholders vote on the entire board slate each year), and a proposal for the ability to remove a director with or without cause. After careful evaluation, we generally support these types of proposals.

STRENGTHENING SHAREHOLDER’S RIGHTS

The rights of shareholders depend largely on provisions in each corporation’s charter and by-laws. Shareholders generally enjoy voting rights on issues that affect the corporation as a whole. There are often a number of shareholder resolutions aimed at improving shareholder’s rights, especially voting rights. For example, according to the SEC, “cumulative voting is a type

of voting process that helps strengthen the ability of minority shareholders to elect a director...This method allows shareholders to cast all of their votes for a single nominee for the board of directors when the company has multiple openings on its board.” Other examples include changing the rules to allow for a simple majority of shareholder votes, including simple majority voting for directors, reducing the threshold required to call special shareholder meetings down to 10%, and even requests to reincorporate the company in North Dakota (a state with corporate law more favorable to shareholders).

At some corporations (particularly tech companies), a proposal has bloomed which requests that all shareholders be given equal voting power. This proposal is particularly important at companies where there exists a class of shareholders which has as many as *ten votes* per share of stock, significantly limiting the power of other shareholders. Especially given the fact that the proposal simply asks for the company to negotiate with that special class of shareholders and request that they voluntarily relinquish their extra voting rights “for the common good of all shareholders,” we heartily supported this proposal, and have joined some of our colleagues in filing this proposal at certain companies.

While we screen all proposals to ensure that they are truly in the best interest of shareholders, we generally support all resolutions to strengthen shareholder rights.

CORPORATE POLITICAL CONTRIBUTIONS

For many years, shareholder activists have engaged companies regarding their corporate political spending. Historically, shareholder resolutions have asked exclusively for disclosure of political spending. Since the *Citizens United v. Federal Election Commission* ruling in 2010, corporate exposure around political giving has been reported on widely and in some cases has led to public scrutiny, criticism and diminished shareholder value. In July 2010, Target Corporation infamously donated \$150,000 to the political group Minnesota Forward, which ignited substantial negative publicity. Minnesota Forward is a 527 organization that supported a gubernatorial candidate who opposed same-sex marriage, a position which contrasts Target Corporation’s longstanding public support of LGBT rights. LGBT and LGBT-allied customers, employees, and shareholders felt betrayed by the \$150,000 contribution, which quickly spurred vocal outrage, threatened boycotts, and eventually an apology from the company.

Although various disclosure requirements for political contributions still stand, it can be difficult for shareholders to access them and they are not always complete. The Sunlight Foundation, a nonprofit organization focusing on government transparency and accountability through the use of modern technology and digitization, notes that “the current disclosure system is insufficiently ‘rapid and informative’ and does not make effective use of modern technology.”

For this reason, we believe that it is each company's responsibility to disclose directly to shareholders how corporate funds have been allocated in the political arena. Proponents of the political contributions disclosure shareholder proposals state that "our company should be using its resources to win in the marketplace through superior products and services to its customers, not because it has superior access to political leaders." A significant number of companies have adopted the standards in this resolution due to shareholder pressure and the attendant media attention. The resolution seeks a clear written policy to disclose political contributions to the shareholders.

We agree, and we generally support resolution resolutions seeking disclosure of corporate political contributions.

Additionally, a cohort of activist shareholders has created a proposal asking major corporations to refrain from political spending entirely. This resolution cites the "risks and potential negative impact on shareholder value" brought about by corporate political contributions, including data from a Harris Poll released in October 2010 which reported that "a sizable portion (46%) of respondents indicated that if there were option, they would shop elsewhere if they learned that a business they patronized had contributed to a candidate or a cause that they oppose."

Finally, our firm -- NorthStar Asset Management, Inc. -- has been active in the field of shareholder proposals on the topic of congruency between political contributions and company policies and values (such as the company's nondiscrimination policy and environmental policies). Risks to brand name and shareholder value exist when a corporation's political contributions (from the company treasury or PAC) fail to align with the company's internal values and policies. Our newest shareholder proposal on these topics also includes a request for a cost-benefit analysis of these contributions.

Given these potential risks, we support resolutions asking the corporation to refrain from political spending, as well as a resolution requesting more comprehensive lobbying reporting, and NorthStar's proposals asking for alignment between company and PAC political contributions and company values and policies, an advisory shareholder vote on such contributions, and/or a cost-benefit analysis of political contributions.

ADD SEXUAL ORIENTATION AND GENDER IDENTITY TO NON-DISCRIMINATION POLICY

It is still legal in twenty-eight states to fire employees simply because they are gay or lesbian; in thirty states (60% of the nation), it is legal to fire someone simply because he or she is transgender. State and local laws remain inconsistent with respect to employment discrimination of gay and lesbian employees. As a result, company-wide policies are necessary

to protect employees from discrimination, resolve complaints internally, and ensure a respectful and supportive work environment. Lawmakers continue to seek nationwide protection for LGBT employees. The Employment Non-Discrimination Act (ENDA), which would simply afford all Americans safety from workplace discrimination based upon sexual orientation or gender identity, has been introduced into Congress regularly since 1994 (the last time being early 2013). The Equality Act² was introduced in 2015, and would amend the Civil Rights Act of 1964 to include sex, sexual orientation, and gender identity among the prohibited categories of discrimination or segregation in places of public accommodation. As of this writing, neither bill has succeeded in securing employment protections for LGBT employees. In fact, 2017 saw several concerning steps back in LGBT rights as President Trump first signed an executive order revoking key components of the Obama administration's ban on federal contractors discriminating against employees on the basis of sexual orientation or identity, and later in the year announced that plans to reinstate a ban on transgender individuals from serving "in any capacity" in the US armed forces.

In an effort to end workplace discrimination, investors have turned to corporations to commit to equality and protection of LGBT employees. Shareholder resolutions on this topic seek to add the words "sexual orientation and gender identity or expression" to the company's non-discrimination policies. As of mid-2017, 89% of Fortune 500 companies have adopted policies including non-discrimination based upon sexual orientation, and 66% also protect their employees against discrimination based upon gender identity. Until recently, and after more than a decade of work by activists and activist shareholders, Exxon Mobil was a notable exception that did not protect its LGBT employees. In response to state-encouraged discrimination like the infamous "bathroom bill" HB2 in North Carolina which (among other things) forced transgender individuals to use public facilities associated with sex stated on their birth certificates, our firm put forward a novel shareholder proposal in recent years asking several companies to evaluate the cost to the company of these pro-discrimination state legislation.

After careful evaluation to ensure that the proposal is not a "Trojan Horse" actually meant to covertly reduce LGBT rights, we support proposals adding LGBT protections to company nondiscrimination policies.

EMPLOYMENT DIVERSITY REPORT

As described by one particular shareholder resolution, "the median income for women working full time in the U.S. is reported to be 79 percent of that of their male counterparts. According to

² <https://www.congress.gov/bill/114th-congress/house-bill/3185>

the Economic Policy Institute, average hourly wages for black men are 78 percent of those of similarly situated white men. Wages for black women are 66 percent of those of comparable white men and 88 percent of those received by white women.” It is clear from these statistics that employment and advancement barriers persist. Accordingly, we have sought mechanisms of change at corporations to bring equality in pay for all employees, despite race, gender, ethnicity, or LGBT status.

For at least a decade, shareholders have brought proposals to companies seeking company analysis and reporting to explain “the Company’s policies and goals to identify and reduce inequities in compensation due to gender, race, or ethnicity within its workforce.” Not only do we believe that this reporting is crucial in order to reduce economic inequality because a company cannot correct issues it does not acknowledge, but we also believe that it is a feasible and reasonable request. All employers that are located in the 50 states and the District of Columbia and have at least 100 employees are required to file an EEO-1 survey annually with the Equal Employment Opportunity Commission. Hence, this information could be made available to shareholders at a minimal additional cost.

After careful scrutiny to monitor for Trojan Horse proposals, NorthStar supports these resolutions.

C. Shareholder Resolutions – Environmental Issues

GREENHOUSE GAS EMISSIONS AND GLOBAL WARMING

Experts increasingly believe that in order to avoid the most dangerous effects of global warming, the world must achieve net-zero greenhouse gas (GHG) emissions as quickly as possible. A 2015 *Nature Climate Change* article emphasized that because the deployment of negative-emissions technologies will likely be limited due to any combination of the environmental, economic or energy constraints examined in the study, “Plan A” must be to reduce GHG emissions aggressively now.³ Even fossil-fuel giant Exxon Mobil no longer claims that the veracity of global warming science is “unsettled.” Instead, former-CEO Rex Tillerson acknowledged that “it is increasingly clear that climate change poses risks to society and ecosystems that are serious enough to warrant action-by individuals, by businesses and by governments.”

In recent years, shareholders have begun asking companies to approach their GHG emissions with greater scrutiny and take a more assertive approach to reducing emissions. NorthStar

³ <https://phys.org/news/2015-12-aggressive-action-greenhouse-gas-emissions.html>

generally supports all shareholder proposals asking companies to report on or act on lowering GHG emissions from the company and/or encouraging suppliers to do so as well.

SUSTAINABILITY REPORTING

For investors, sustainability reports provide non-financial information that contributes to a long-term view of a company's health. When companies use renewable energy and energy-efficient computers, practice fair trade and purchase organic food, enforce maintenance of workers' rights and labor standards, the positive benefits are visible in a company's bottom line. For companies, a commitment to sustainability reveals a long-term point of view allowing companies to study and plan for potential problems.

We support resolutions on sustainability reporting.

Additionally, proposals regarding responsibility over consumer product packaging have arisen in recent years. More than half of U.S. product packaging—37 million tons—is discarded in landfills or burned rather than recycled. Packaging debris migrates to oceans where it damages fisheries, tourism, and marine life. The proposal, which we first noticed at P&G, requested that the Board adopt an Extended Producer Responsibility (EPR) policy which “is a corporate and public policy that shifts accountability for collection and recycling from consumers and governments to producers.” Citing that companies like Coca Cola, Pepsi, and Nestle already have an EPR, the proposal's proponent urged the company to prepare a report on the feasibility of adopting an EPR, along with steps the company could take to put this policy in place. Considering NorthStar's agreement on corporate responsibility, we support this proposal.

NUCLEAR ACTIVITIES

At times, a proposal on “nuclear activities” has shown up in company proxies. The proposal, in clear terms, illustrated the environmental (and corporate) risks of the company's continued involvement in nuclear energy production, and urged the Board to consider releasing the company from all nuclear production activities. Given NorthStar's general policy against any investment in nuclear energy, we are happy to support this proposal.

D. Shareholder Resolutions – Human Rights and Labor Issues

HUMAN RIGHTS

Due to the international nature of most large corporations, it is becoming increasingly important that companies not only acknowledge their potential risks in committing human rights abuses, but also become aware of how the host countries' governments and ruling bodies interact with their citizens. As reported by the Business and Human Rights Resource Center, companies are being held accountable for complicity in human rights abuses abroad, even if they are not directly responsible for violations. Not only are human rights abuse charges detrimental to the ethical claims of a corporation, but they could potentially affect the company's value. For these reasons, we generally support proposals regarding human rights – examples included human rights committees, human rights Board experts, genocide-free investing policies, proposals on migrants' rights issues, and NorthStar's proposals on the human right to water.

FORCED LABOR & PRISON LABOR

In recent years, the issue of forced labor has become a heightened concern for shareholders and activists seeking to end modern slavery and the effects of forced labor on families and future generations. For active investors, these activities can come in many forms such as engagements with companies to prohibit recruitment practices involving fees paid by the applicant (potentially resulting in human trafficking and indentured servitude), as well as NorthStar's new efforts to uncover the extent and depth of prison labor in the supply chain of Corporate America. NorthStar actively supports efforts to end all forms of forced labor, as well as proposals that seek to improve prison labor conditions (regardless of whether that labor is forced or voluntary).

BAN THE BOX

Recent efforts by civil rights activists have resulted in a shareholder engagement “ban the box” movement which encourages companies to remove the question from job applications about prior criminal convictions. As described by the Ban the Box Campaign website, “the question about past convictions appears on applications for employment, housing, public benefits, college admissions, loans, and opportunities for volunteer service. Because people of color are disproportionately arrested, convicted, and incarcerated, employers' use of arrest or conviction history has a disparate impact on those communities.” As shareholders have approached companies to discuss the impact of this question on job applications, as well as alternative

approaches to employment recruitment, we heartily support this effort which can be part of the solution for economic inequality.

LOAN SERVICING

In response to national economic turmoil and problems caused by adjustable mortgage rates readjusting, recent shareholder proposals have included requests that the company put in place a policy which requires that the loans no longer serviced by (but which originated at) the company also follow the company's modification standards in the case of those in foreclosure or that may, in the foreseeable future, foreclose. Not only is it beneficial to the company to avoid financial loss through foreclosure, but NorthStar also supported this proposal on the grounds that fair lending (and mortgage modifying) is an important priority for helping the nation get back on track.

E. Shareholder Resolutions – Health and Safety Issues

REPORT ON GENETICALLY MODIFIED PRODUCTS

Genetically modified food has come under stringent criticism of late as, just like a recent proposal at explains, “genetically modified crops have been found to contaminate conventional (non-GMO) and organic farms, threatening farmers’ livelihoods, and affecting critical food supply, and imposing a significant financial burden on farmers seeking to satisfy markets for GMO-free products.” Several states now require GMO labeling, and (as of 2013) up to 15 other states have offered legislation to put labeling in place. The aforementioned proposal requests that the Board produce a report “assessing any material financial risks or operational potential impacts on the Company” related to specific GMO issues like “buffer zone control,” “decontamination,” and “production losses and cleanup.”

We support this particular proposal, and would evaluate other GMO-related proposals with a favorable eye.

F. Shareholder Resolutions – Animal Issues

NON-ANIMAL METHODS OF TRAINING

While NorthStar is not generally active in the field of animal rights issues, we recognize the importance safe, responsible, fair, and ethical animal treatment. With that in mind, we generally support proposals seeking better treatment of animals.

G. Conservative “Trojan Horse” Proposals

As briefly referenced above, “Trojan Horse” proposals have become a concern in recent years. Socially conservative investors have submitted shareholder resolutions imitating proposals by progressive investors. The proposals mimic the language of progressive shareholder proposals; however, the intent of the resolution is far from progressive. Proposals seeking to delete sexual orientation from company non-discrimination policies have been seen in past years, effectively wiping out workplace anti-discrimination protections, while proposals pressuring companies to abandon efforts to address global warming are becoming a mainstay of conservative tactics. Other proposals address spurious concerns about director qualifications or preemptively studying the breakup of the company. Companies oppose these resolutions as counterproductive. Progressive shareholders band together in voting against these resolutions, resulting in some very low vote totals.

Specific examples include a “Trojan Horse” proposal requesting a “conflict of interest report” introduced at Apple in recent years. Given that this proposal actually intends to *undo* Apple’s environmental policies (based upon the fact that Al Gore, noted environmentalist, is on the board), we opposed this proposal. A proposal has been introduced elsewhere under the guise of being about “charitable contributions,” while the supporting statement illustrates that the proposal is actually trying to discourage the company from making contributions to organizations that support “abortion, same sex marriage, or illegal immigration.” At Chevron in 2015, a proposal requested public disclosure of “the recipients of corporate charitable contributions or merchandise vouchers of \$5,000.” While we generally support disclosure of all kinds, the supporting statement of this proposal clued us into the motivation of the filers of the proposal:

Our corporate support of LBGT groups is a cause for concern among some Christian, Jewish and Muslim groups. Our corporate contributions to Planned Parenthood have

drawn down upon our Company a boycott by the prominent group Life Decisions International.

Lastly, another Trojan Horse has touted itself as a “report on renewable energy costs,” but upon further inspection, the proposal essentially sought to deter the company from purchasing renewable energy. For obvious reasons, NorthStar supports renewable energy purchasing and production.

We oppose proposals that seek to undo social progress, and will continue to weed out Trojan Horses from legitimate shareholder proposals seeking to make change.