NORTHSTAR
ASSET MANAGEMENT

Progressive Wealth
Management Since 1990

Proxy Voting Guidelines

2021

NorthStar Asset Management, Inc.

Proxy Voting Guidelines

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OVERVIEW

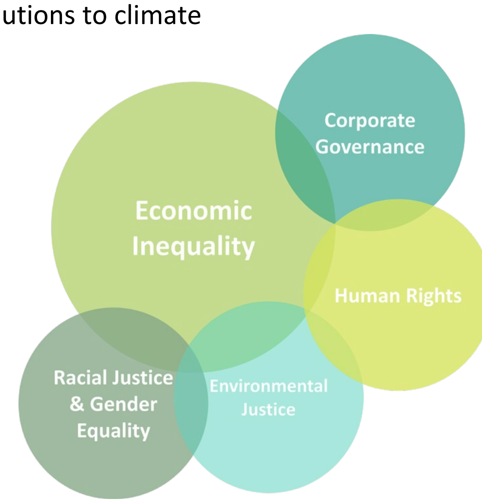
Introduction

NorthStar Asset Management, Inc. is a progressive wealth management firm located in Boston, Massachusetts with a dedicated focus on socially responsible investing. Founded 1990 with a mission to provide the most integrative approach to portfolio management available, NorthStar aims to incorporate our ever-evolving sense of social justice into every facet of our work. Our approach to wealth management begins with an analysis of the social, ecological, and political problems of our time and with deep conversations with our clients. These steps result in the construction of portfolios that integrate financial goals while upholding a commitment to social change.

Every year, publicly traded companies in the United States and around the globe issue a company document called a “proxy statement” that contains resolutions upon which shareholders are asked to vote. These resolutions range from routine company-sponsored proposals such as approving the board of directors slate and executive compensation packages to voting on requests by shareholders that can shape company policies for decades to come.

Contrary to many asset management firms, NorthStar 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. Pursuing solutions to **economic inequality**;
2. Aggressively working towards **racial justice and gender equity**;
3. Protecting **human rights**;
4. Seeking **environmental justice**, including solutions to climate change and protecting the health and safety of employees and communities;
5. Enhancing **corporate governance** in ways that protect employees, communities, supply chain workers, information integrity and data privacy, and the environment, not solely the company’s shareholders.



OVERVIEW

A Summary of Shareholders' Rights to Engage

As of early 2021, 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 ability to present a resolution to the company's shareholders. (Due to an SEC rulemaking in fall 2020, shareholders' rights may be significantly curtailed and these ownership thresholds may be materially revised upwards. These changes are expected to take effect in January 2022 unless they are reversed.) 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.
When shareholders communicate their concerns to the companies they own, they exercise ownership responsibility – one of the most important avenues of holding companies accountable. 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. publicly traded corporations), employment policies that protect LGBT individuals' right to equal employment, and the many companies that are finally taking steps to mitigate their effects on the climate. Expressing our social and environmental concerns as well as financial goals makes the market more democratic and responsive to societal problems that can be influenced by major companies.

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, NorthStar's staff relies on the CEO/CCO for instruction.

It's important to note that this document does not contain an exhaustive list of the issues that *need* to be addressed by shareholders, merely what concerned shareholders have been *able* to bring to the proxy. The SEC's rules coupled with legal challenges by companies and interference by pro-business groups are effective at limiting what shareholders are able to ask and how. Shareholders are required to avoid asking the company about issues of the day-to-day running of the business, nor can we micromanage *or* be too vague. Especially in recent years, "threading the needle" of what requests are allowable by shareholders has become increasingly difficult. For these reasons, the issues listed below only relate to issues that have been voted on by shareholders. New proposals that succeed in getting to a shareholder vote are voted by our staff in line with our overall values described above.

For detailed descriptions of NorthStar's own engagements and successes in shareholder activism, please review our annual Social Change and Activism Annual Report.

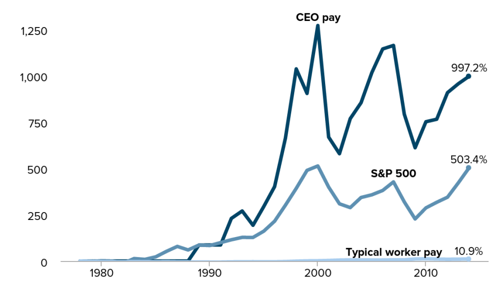
Introduction

Real wages for American workers have been stagnant since the 1970s while executive pay has skyrocketed. In fact, according to the Economic Policy Institute CEO compensation has risen 997% for CEOs since 1978, compared with 10.9% for average workers. NorthStar believes that outsized executive pay and the strategies companies use to fund those pay packages are significant drivers of our country's persistent economic inequality and the financial strain on ordinary workers. We also believe that economic inequality is both an ethical and financially material problem for companies to address.

Even before the COVID-19 pandemic laid off many millions of workers, Federal Reserve data indicated that nearly 40% of adults in the U.S could not cover an emergency expense of $400 out of their savings. According to that research, "nearly half of adults are ill-prepared for a financial disruption and would struggle to cover emergency expenses should they arise." While CEOs are paid millions in cash and often multiple millions in equity and stock options, rank-and-file employees do not have the same opportunities to save.

CEO pay is up 997% since 1978

Percent change in CEO compensation, stock prices, and typical worker compensation, 1978-2014



Source: Economic Policy Institute analysis of data from Compustat's ExecuComp database, Federal Reserve Economic Data (FRED) from the Federal Reserve Bank of St. Louis, the Current Employment Statistics program, and the Bureau of Economic Analysis NIPA tables, as seen in ***Top CEOs Make 300 Times More than Typical Workers***.

Economic Policy Institute

Thanks to efforts of shareholder activists like NorthStar and our colleagues, 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 shareholder meeting of each publicly traded U.S. corporation. Beginning in 2011, companies began soliciting 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 have influential value as shareholders are able to weigh in on executive management compensation packages worth millions of dollars.

Due to SEC rules, shareholder proposals have not historically related to issues of workforce pay and benefits. Because of this, most issues described below relate to executive (CEO and other named executive officers) or board of director pay and benefits. However, NorthStar believes that worker pay and benefits are important material issues for a company and shareholders to evaluate. NorthStar would generally support any proposal that made it to the proxy which sought to further worker rights.

Company-Sponsored Resolutions

Executive Compensation Packages

Historically, NorthStar has capped approval of executive compensation packages at 100 times the average annual worker salary and 100 times the company's own median employee salary, as described in the CEO to employee pay ratio disclosed in the proxy statement.

New in 2021, NorthStar is implementing a more stringent executive pay consideration. For annual meetings held in January 2021 or later, NorthStar's review will take an especially close look at named executive officer equity compensation *as it compares to compensation of employees*. NorthStar will only approve executive compensation packages in which equity, stock options, bonuses, and benefits packages for all non-executive employees is equivalent to that of executive officers.

Frequency of Say on Pay

Also in the Dodd-Frank Act was the requirement of shareholders vote on the frequency of the "say on pay" vote on executive compensation. Across the board, we vote for a one-year frequency (an annual vote), so that shareholders are offered an annual review of company leadership and appropriate pay.

Golden Parachutes

Golden parachutes – an arrangement with company in which termination of the CEO can lead to a multimillion-dollar payout – has many critics and criticisms. It can act as a disincentive to management, pay fired CEOs exorbitant sums despite their failures, and costs shareholders in addition to potential financial problems a failed CEO might leave behind. For example, airplane manufacturer Boeing recently paid its former CEO $62 million in a golden parachute payout after the company fired him due to his inability to get the company's 737 Max airplane back in service after two crashes that killed 346 people. NorthStar has a general rule of voting against company resolutions that support golden parachutes. Similarly, we support shareholder or company resolutions that aim to eliminate golden parachutes going forward.

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. This specifically includes votes against long term incentive plans or employee stock option plans that provide stock to employees, board members, consultants, or management unless they are clearly plans that apply to and are used by the entirety of the employee base. These mechanisms are not inherently harmful; however, the redistribution of ownership introduces a potential conflict of interest between the influence management exerts over firm policies versus shareholders.

Shareholder-Sponsored Resolutions

Compensation Reform

Despite the implementation of routine "say on pay" votes, there are still multiple shareholder proposals filed each year that relate to executive pay and benefits. With the average CEO earning 264 times the wage of its median worker, shareholders continue to push for progress on reforming exorbitant CEO pay. The AFL-CIO Executive Paywatch tells us that the highest CEO pay for 2019 was Sundar Pichai of Alphabet, Inc. who made a total of $280 million dollars – a stark contrast with the average production and nonsupervisory worker in the U.S. who earned on average just $41,442 that year.

We generally support shareholder resolutions that promote fairer pay and benefits packages. These have included 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 creation of clawback policies to recoup incentive compensation in certain circumstances. This wide range of proposals all work to subvert exorbitant or inappropriate executive pay. We also support proposals seeking analysis and reporting on pay disparities by gender and race or ethnicity.

Recently, there have also been proposals which have requested a "say" on *director* pay. Given that economic inequality issues are not solely derived from excessive CEO pay, we agree that giving stockholders an advisory vote on the salary of the Board of Directors is appropriate and reasonable.

Loan Servicing

In response to national economic turmoil and problems caused by adjustable mortgage rates readjusting, shareholder proposals have asked the company put in place a policy which requires that the loans no longer serviced by the company continue follow the company's modification standards in the case of those in foreclosure or that may foreclose. Not only is it beneficial to the company to avoid financial loss through foreclosure, but NorthStar also supports such proposals on the grounds that fair lending (and mortgage modifying) is an important tool to address economic inequality.

RACIAL JUSTICE & GENDER EQUITY

Introduction

Racial justice and gender equity are two of NorthStar's top priorities in all of the work we do, including shareholder activism and proxy voting. Our perspective is that the U.S. economy was literally built on the backs of enslaved Black people and that it continues to oppress Black and brown people in innumerable ways. We also know that women continue to be underpaid and held back from ascending the corporate ladder, but also that companies can (and do) affect the lives of women and people of color outside of company campuses.

Unfortunately, SEC rules have limited shareholders' abilities to engage companies on these issues. For example, historically workforce issues like paid family leave or company practices regarding community reinvestment have been excluded from company proxy statements. For these reasons, the topics listed below are limited. The racial justice protests of 2020, along with the tragic deaths that sparked those protests, were a major reckoning for the United States we expect to see this area of shareholder engagement increase significantly in the coming years.

In addition to the specific resolutions described below, NorthStar is committed to supporting new proposals that seek racial justice and gender equity both inside and outside the company. Some examples of issues we would support include, but are not limited to, seeking flexible work schedules for caregivers, analyses of upwards mobility comparisons by race or gender, cementing COVID-19 era sick leave or pay increases, and offering sick leave to all employees regardless of pay grade.

Shareholder-Sponsored Resolutions

Voting for Boards of Directors

One of the most pervasive misconceptions in corporate America is that shareholders have an active role in electing the Board of Directors. In truth, the sitting board of directors nominates the candidates for any open board seats, and shareholders often have no effective way to nominate or eliminate a board member. At many companies that use the "plurality" voting standard, each director must only receive more votes than his or her competitor for that seat; however, board slates as presented by the company are always uncontested. Essentially, candidates on those boards must only receive one vote in favor in order to win their seats. Many companies have adopted a majority standard for board slates – meaning that at least half of votes cast for each candidate must be votes in favor – however, even a majority vote standard has limitations due to the hurdles concerned shareholders would face.

The dearth of diversity on boards of directors continues to be a significant problem at nearly all companies. Nominees are typically 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. We believe that the scarcity of diversity on the vast majority of boards of directors is yet another clear manifestation of systemic racism and white supremacy culture. In our continuing work to combat these social structures, NorthStar directly engages companies in our client portfolios to push for concrete changes and we also put diversity as one of our top priorities in proxy voting.

In our company dialogues and when we vote proxies, NorthStar seeks what we believe are the most aggressive diversity goals in the investment industry. We prioritize the need for diverse voices and experiences of women and people of color on boards as one of the most systemic issues facing boards of directors today.

In order for us to consider voting in favor of an *entire* board slate, the slate must be comprised of 50% women and 50% people of color or candidates with racial/ethnic diversity. Additionally, the slate as a whole must have a minimum of 60% combined gender or racial/ethnic diversity. Research has shown that in order for women board members to be effective on a board and not considered an anomaly or an out-group, there must be at least three women on the board. We are confident this holds true for board members of color as well.

When a board slate fails to reach our diversity minimums, we vote against board members that do not add gender or racial/ethnic diversity to the board, but consider voting in favor of female/non-cis male and racially or ethnically diverse candidates based upon additional evaluations such as: qualifications and expertise, board tenure, seats on other boards (i.e. "overboarding"), committee membership, recent controversies related to the board member, role within the company (if applicable), and attendance record at board meetings.

When a board slate **meets** our minimum standards for diversity, we will consider voting for the entire board slate based upon the factors described above.

In preparing our final vote, we keep in mind other questions such as whether the company is moving in a positive direction for stakeholders (shareholders, employees, communities); whether compensation committee members appropriately evaluate 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; whether the board is diverse in other ways such as expertise, education, career highlights, or board independence. We may also review committee membership on the board, with an eye towards seeking diversity of thought and experience.

When evaluating a classified board, we assess the board on its level of diversity overall (including the board members that are not up for reelection that year), and will proceed with our remaining evaluation processes.

Employment Diversity Reports and Pay Gap Reports

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 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, NorthStar supports mechanisms of change at corporations to bring equity in pay and benefits for all employees, despite race, gender, ethnicity, or LGBT status. This includes proposals seeking to expand paid family leave to LGBT employees, adoptive and foster parents, and non-birth parents.

EEO-1 Data Disclosure

All employers of at least 100 employees located in the 50 states and the District of Columbia are required to file an EEO-1 survey annually with the Equal Employment Opportunity Commission. Disclosure of this information is a small first step forward in shareholders' and employees' ability to hold companies accountable for poor diversity in the company workforce, and especially in leadership roles. When the public can compare a company's stances on diversity with the reality of the diversity of those the company hires and promotes, employees can be empowered. Given that this information is already gathered for a government report, it could be made available to shareholders at a minimal additional cost. NorthStar supports proposals requesting disclosure of EEO-1 data or similar statistics on hiring, retention, promotion, and attrition.

Systemic Racism in Company Culture

At this time of reckoning in our culture around white supremacy, NorthStar continues to examine its own role in these issues and seeks to confront them in our engagement work with companies in our client portfolios. The Black Lives Matter protests of 2020 drew national attention to the bias, prejudice, and systemic racism that has plagued

Black Americans for hundreds of years. Many companies were swift to respond to the incidents that ignited these protests – some with condemnations of police violence, others with announcements of targeted philanthropy, many with generalized support for Black employees, yet few companies responded with an admission of being part of the problem and concrete action plans to address the root cause.

NorthStar has begun engaging its investee companies on systemic racism in company culture to uncover the ways in which white supremacy culture can be examined. Company culture is difficult to capture and change, yet it has profound effects on employees' career trajectories, economic stability, and long-term emotional and psychological health. Racism in corporate culture can manifest as overt discrimination but also in more subtle ways. Companies that don't address racism or white supremacy embedded in their company culture face potential risks such as attrition of talent, notoriety in diverse networks, exposure to discrimination lawsuits, and threats to the company's brand.

NorthStar is now pushing companies to go beyond high-level diversity data to examine and address the embedded racism in their cultures. This can include pressuring employees about the need to perform code switching, how unwritten norms may encourage "whitening" of employee appearance or verbal and nonverbal communication styles, why diverse employees aren't rising to the rank of manager or to join the c-suite, and why the company struggles to diversify its candidate pool.

Research is clear that discrimination has cost the U.S. economy trillions of dollars in the past twenty years and that reversing these practices is not just the ethical response but also the financially prudent path forward. NorthStar supports proposals on these issues.

HUMAN RIGHTS

Introduction

Due to the complexity and international nature of the supply chains of most large corporations, it is becoming increasingly important that companies acknowledge the potential risks in committing or being complicit in human rights abuses. Companies are being held accountable for human rights abuses abroad, even if they are not directly responsible for violations. These issues range from child labor in cobalt mining, deforestation and forced labor in the production of palm oil to repression of a minority ethnic group or human trafficking in seafood production, and more.

Most companies profess to uphold corporate values and have in place numerous policies on human rights. Yet corporate profit is also a significant driver for cost-cutting, suppressing wages, and outsourcing to economies with limited regulation to protect workers that toil in dangerous conditions. Human rights abuse charges are detrimental to the ethical claims of being a corporation, but they could potentially affect the company's value through brand name degradation, lawsuits, and supply chain disruption.

Shareholder-Sponsored Resolutions

Human Rights Policies

Policies are typically a necessary starting point for companies on a path to more responsible behavior. Company policies also offer stakeholders disclosure about company practices and commitments, and provides a way to hold a company accountable for violations. NorthStar support proposals regarding the development of human rights policies – examples include instituting a human rights committee or requesting human rights experts on the board of directors, genocide-free investing policies, proposals on migrants' rights issues, and proposals asking the company to create a policy on human rights (including the human right to water).

Add Sexual Orientation and Gender Identity to Non-Discrimination Policy

NorthStar has worked diligently in the past several decades to increase the rights and protections of LGBT employees and communities. In much of the United States, it is still legal to fire employees because they are gay, lesbian, or transgender. State and local laws remain inconsistent with respect to employment discrimination of LGBT 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. In an effort to end workplace discrimination, investors have turned to corporations to commit to equity and protection of LGBT employees. Shareholder resolutions on this topic typically seek to add the words “sexual orientation and gender identity or expression” to the company’s nondiscrimination policies. As of early 2021, 91% of Fortune 500 companies prohibit discrimination based upon sexual orientation, and 83% also protect their employees against discrimination based upon gender identity. This is largely due to the work of shareholder activists and NGO partners.

NorthStar supports shareholder all proposals that seek to increase protections for LGBT employees, including proposals which encourage the company to take a stance on legislation that could harm its employees or their families (such as the infamous “bathroom bill” HB2 in North Carolina which forced transgender individuals to use public facilities associated with sex stated on their birth certificates)

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 its effects on families and future generations. For socially-concerned 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 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 shareholder engagement on the “ban the box” movement which encourages companies to remove the question about prior criminal convictions from job applications. 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.” We support this effort.

ENVIRONMENTAL JUSTICE

Introduction

Climate change is no longer a theory or a prediction; it has arrived and has begun to affect economies and communities worldwide. Research and advocates have made it clear people of color, low-income communities, and marginalized communities are bearing the brunt of the negative effects of climate change. For example, according to an article on the NAACP Climate Justice Initiative:

> Sixty-eight percent of African-Americans live within thirty miles of a coal-fired power plant, the zone of maximum exposure to pollutants that cause an array of ailments, from heart disease to birth defects. Communities of color breathe in nearly 40 percent more polluted air than whites. African-American children are three times as likely to suffer an asthma attack.

NorthStar believes that a sound approach to issues of environment, water, health, safety, and sustainability should begin with an environmental justice lens in order to center the needs of the most vulnerable groups. This area of shareholder engagement has expanded dramatically in the past decade as the realities of climate change have become more apparent. Below we summarize some of the most common proposals that appear in the proxies related to these issues.

Shareholder-Sponsored Resolutions

Greenhouse Gas Reduction

Experts increasingly agree that in order to avoid the most dangerous effects of climate change, 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.

NorthStar 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.

NorthStar also supports proposals seeking to increase company responsibility on lifecycle issues such as reporting and policies on responsibility over consumer product packaging.

Nuclear Activities

Given the negative environmental effects of nuclear energy generation and NorthStar's general policy against any investment in nuclear energy, we support proposals which urge the Board to consider releasing the company from all nuclear production activities.

Report on Genetically Modified Products

Controversies surround genetically modified (GMO) products because (as a shareholder proposal explained) "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." NorthStar supports efforts aimed at increasing GMO labeling as well as requests that the Board produce reports that assess risks to the company related to specific GMO issues like "buffer zone control," "decontamination," and "production losses and cleanup."

Pharmaceutical Concerns

In recent years, many shareholder advocates turned their attention to pharmaceutical companies' responsibilities regarding the opioid addiction crisis as well as environmental concerns in materials recycling. Shareholders have asked companies to consider reviewing their policies to encourage drug take-back programs, and have begun linking various compensation or governance policies to performance related to the opioid crisis. We support these proposals.

Childhood Health

Another health-related concern that has been in front of shareholders for many years is companies' effects on children's health and nutrition through the food they serve and how they market to young children. We support shareholders' efforts to curb corporations' abilities to sway children towards unhealthy choices.

ENVIRONMENTAL JUSTICE

Risks Related to Environmental Issues

We support resolutions requesting that shareholders encourage the board to consider not only the environmental and ecological strain that their business practices may cause, but also the ways in which the company's impact on the environment may actually do harm to the company and shareholder value itself.

Board Environmental Expertise

We have also begun to see and support a proposal requesting the appointment of an independent director with environmental expertise or the creation of a board committee related to climate change risks. While this sort of appointment is a good idea in general, we also believe that the fossil fuel companies that are usually targeted for this proposal would particularly benefit from such a director.

Non-Animal Methods of Training

NorthStar recognizes the importance safe, responsible, fair, and ethical animal treatment. We generally support proposals seeking better treatment of animals.

GOVERNANCE

Introduction

Company governance issues are addressed in the vast majority of resolutions that shareholders vote on at each annual meeting. Most of these proposals are routine – required by SEC rules or state law – however, the mundane nature of these topics can make them appear inconsequential when in fact they can have major implications on shareholder rights, which in turn can affect a shareholder's ability to hold companies accountable on a range of issues.

Also in this category are proposals related to political contributions, which were thrust into the national conversation this year thanks to the insurrection at the U.S. capitol on January 6, 2021. Below, we detail the range of proposals NorthStar has voted on related to company governance.

Company-Sponsored Resolutions

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, should be independent assessments. If an auditor is working inside the company as a consultant, its independence is already compromised. Because it is very difficult for ordinary shareholders to know the depth of entrenchment of any audit firm, we typically oppose the confirmation of the company's choice for auditor unless we are confident in the firm's neutrality.

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, especially voting rights. In some instances, management even introduces an option which displaces a stronger shareholder-sponsored resolution in an attempt 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 generally support these proposals.

Board Amendment Rights

Allowing the board to have blanket approval to make changes to the company charter places undue power in the hands of board members which may have been hand-picked by 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. Senior NorthStar staff are consulted on many of these matters.

Shareholder-Sponsored Resolutions

Board Composition and CEO Planning

In recent years, there have been many proposals that focus on issues of board composition or CEO succession planning. We generally support proposals such as: requests to separate the CEO and chairman of the board, requests that the board chairman be an independent director (unaffiliated with the company), disallowing the service on key committees of board members receiving more than 20% vote against them at the annual meeting, limitations upon directors involved in bankruptcy, and proposals for the ability to remove a director with or without cause.

GOVERNANCE

Increasingly, shareholders are often faced with a proposal that requests to declassify the board (so that shareholders vote on the entire board slate each year). NorthStar sees benefits and drawbacks to classified boards and thus decides this issue on a case-by-case basis.

Strengthening Shareholder's Rights

The rights of shareholders depend largely on provisions in each corporation's charter and by-laws. We generally support shareholder proposals that seek to strengthen shareholders' rights, such as instituting cumulative voting, changing the rules to allow for simple majority voting (rather than supermajority), 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).

Barring special circumstances, we expect to always support proposals that request 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.

Corporate Political Contributions

"Dark money" political contributions have increased dramatically in recent years, affecting our country's political climate and leading to backward progress on human rights and equity issues. Corporate political contributions are often identified as a significant source of dark money, and many companies have faced backlash from political contributions with which consumers take issue. Through its activism and engagement work, NorthStar is particularly concerned with the risks related to company contributions that undermine the company's intended progress on social and environmental issues.

NorthStar generally supports all shareholder resolutions related to better disclosure or management of company political contributions and lobbying. Due to the demonstrated risks of corporate political contributions, we also support resolutions asking the company to refrain from political spending entirely as well as resolutions seeking cost-benefit analysis of political contributions. We support proposals of these kinds that are related to both company treasury contributions and employee PAC (political action committee) contributions, given that PAC contributions also represent company intentions and reflect upon company name.

Special attention is paid to this category of proposals given that, as recently as 2018, conservative activists filed "Trojan Horse" proposals (detailed below) with the same/exceedingly similar resolved clauses but with "whereas clauses" and supporting statements that worked against our goals of positive social change.

GOVERNANCE

Employees on Boards

Since the 1970s, U.S. corporations have been driven by the notion of "shareholder primacy" – that a publicly traded company's primary duty is to maximize return to shareholders at all cost. This perspective has played a major role in the advancement of issues such as runaway CEO pay, the escalation of climate change, and the ever-increasing gap of wealth inequality, especially for communities of color.

Shareholders, including NorthStar, have begun to press companies to consider what benefits might accrue if employees had direct representation on the board. From the potential to reduce employee disenfranchisement and labor controversies to improved communication and better attraction of top talent, it is clear that employee representation on the board would benefit both employees and shareholders. We support these proposals.

Conservative Proposals

Conservative "Trojan Horse" proposals have increasingly become a serious concern in recent years. Socially conservative investors have submitted shareholder resolutions imitating proposals by progressive investors but with the apparent intent of tricking shareholders into voting in a way that may sway the company to move in a way that may be detrimental to issues such as its employees' rights, the environment, or diversity and governance initiatives.

Examples include proposals seeking to delete sexual orientation from company non-discrimination policies, pressuring companies to abandon efforts to address global warming, or to ignore race and ethnicity when considering diversity on the board of directors or senior management. Other examples are proposals address spurious concerns about director qualifications (such as seeking to unseat a well-known pro-environment board member) or questioning the companies "charitable contributions" while actually trying to discourage the company from making contributions to organizations that support "abortion, same sex marriage, or illegal immigration." Another proposal has touted itself as a "report on renewable energy costs," but upon further inspection sought to deter the company from purchasing renewable energy.

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