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# Mellon Proxy Guidelines Summary

Mellon takes its responsibility to vote proxies on behalf of its clients seriously. The following document is intended to provide guidance to Mellon's Proxy Voting and Governance Committee ("Committee") and to promote understanding with our clients on Mellon's approach to various issues. Mellon is a division of Mellon Investments Corporation. In general, we employ proxy voting to:

- Align the interests of a company's management and board of directors with those of the company's shareholders
- Promote the accountability of a company's management to its board of directors, as well as the accountability of the board of directors to the company's shareholders and stakeholders
- Uphold the rights of a company's shareholders to affect change by voting on those matters submitted to shareholders for approval
- Promote adequate disclosure about a company's business operations and financial activity

In cases where Mellon is not responsible for voting proxies on a client's behalf, these Voting Guidelines will not apply.

## Guidance

The following categories of proposals and resolutions are representative of those typically put forward. The list is not intended to encompass every possible proposal nor are the summaries intended to address every possible outcome. Rather, these summaries are published by the Committee to provide public company issuers and investors with a broad view of how the Committee approaches certain topics and proposals in the context of voting proxies for Mellon’s clients. Specifically, Mellon is not limited to the guidance contained in these summaries and will evaluate not only the proposal or resolution but also the specific context in which it is put forward.

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### 1. Board of Directors, Structure, and Governance

#### A. Election of Directors

In general, the Committee supports board members’ independence from management.

##### (i) Incumbent / Nominee Directors

The Committee generally votes **FOR** incumbent and nominee directors. However, the Committee generally votes to **WITHHOLD** support in cases when individual directors (or the board, as applicable): (1) adopt, amend or renew a poison pill without shareholder approval or commitment to obtain shareholder approval within 12 months (applied to incumbent directors up for re-election at annual or special meetings which follows such action); (2) attend less than 75% of meetings for two consecutive years; (3) serve on more than five boards; (4) are CEOs of a public company and serve on more than three boards; or (5) fail to respond to approved shareholder proposals. In addition, the Committee generally votes to **WITHHOLD** support when an incumbent or nominee director is also an executive officer (other than the CEO) of the company (e.g., CFO, COO, CAO); however, the Committee will generally consider the proposal on a **CASE-BY-CASE** basis in situations when such incumbent or nominee director also owns 1% or more of the company’s outstanding stock.

##### (ii) Audit Committee

Generally, the Committee votes **FOR** independent incumbent members of an audit committee. However, the Committee will generally consider the proposal on a **CASE-BY-CASE** basis in situations where: (1) audit fees are either undisclosed or insufficiently disclosed such that the amount paid to the auditor for non-audit services cannot be determined; (2) a material weakness is disclosed and not remediated in a timely manner; or (3) non-audit fees exceed the sum of audit, audit-related, and tax compliance/preparation fees.

### (iii) Management Nominees

The Committee generally votes **FOR** management nominees for board or committee membership. In exceptional cases, such as severe governance concerns or when a Proxy Advisor recommends to withhold, the Committee will generally consider the proposal on a **CASE-BY-CASE** basis. If a nominee received less than majority support at the prior election and the board has not addressed the cause of that low support, the Committee will generally **WITHHOLD** its support.

## B. Board Structure and Governance

### (i) Classified Board

The Committee believes shareholders should annually vote for all members on a company's board of directors. The Committee generally votes **FOR** requests to declassify the board but will evaluate on a **CASE-BY-CASE** basis and will generally vote **AGAINST** proposals to adopt or continue a classified board structure.

### (ii) Board Independence

The Committee votes **FOR** management proposals for the election of independent directors that meet listing standards and generally favors an independent chairperson. Conversely, the Committee votes **AGAINST** shareholder proposals that are more or less restrictive than listing standards with respect to director "independence."

### (iii) Board Size

The Committee votes **FOR** management requests to configure the size of the board of directors with appropriate rationale, absent evidence of entrenchment or a disadvantage to shareholders. However, the Committee votes **AGAINST** proposals that remove the shareholders' right to vote on board configuration matters, or that would give the board sole discretion to set the number of members.

### (iv) Separate Chairman and CEO

Generally, the Committee votes **FOR** management proposals that propose to separate the positions of Chairman and CEO.

### (v) Board Diversity

The Committee believes diversity of thought on boards is an important contributor and enhances the ability of a board to monitor a company's management and business planning. We look for diversity including gender, and where discernible, experience, race, tenure and other relevant considerations. We generally vote **AGAINST** the Nominating Chairperson if there is less than one woman on the board.

### (vi) Board Tenure

Board members who have been in place for a long period of time may become too close to the company, or the company's management and business, to effectively provide oversight. We believe a board should be refreshed in a planned manner to fill missing areas of competence and to provide new viewpoints and guidance on segments of industry, business, and society. This is not to say a long-standing board member may not be an important part of the board, but that there generally should be turnover over time to refresh the board membership. Our guidelines utilize a board tenure average in guiding votes against the nominating committee/governance committee chair.

## 2. Corporate Structure and Governance

### A. Vote Majority and Removal

Generally, the Committee supports the practice of one share, one vote. As such, we vote **FOR** proposals to elect director nominees by the affirmative vote of the majority of votes cast at the annual or special meeting. The same practice is applied to proposals mandating the removal of a director upon a simple majority vote, such that the Committee votes **AGAINST** management proposals that require a supermajority vote for removal.

### B. Cumulative Voting

The Committee generally votes **AGAINST** proposals to continue or to adopt cumulative voting.

### C. Amend Bylaw, Charter or Certificate

Generally, the Committee votes **FOR** management proposals when the focus is administrative in nature or compliance driven and there is no evidence of negative impact to shareholder rights. If evidence suggests that proposals would result in a reduction of shareholder rights or lead to entrenchment, the Committee votes **AGAINST** such proposals.

### D. Indemnity Liability Protection

Generally, the Committee votes **FOR** proposals to limit directors' liability or expand indemnification on behalf of their service to the company. However, the Committee votes **AGAINST** proposals that support indemnification for director actions conducted in bad faith, gross negligence, or reckless disregard of duties.

### E. Adjourn Meeting

In cases where the Committee is supportive of the underlying transaction or proposal and the purpose of the adjournment is to obtain additional votes, the Committee will vote **FOR** the adjournment.

### F. Accounting and Audit

Generally, the Committee votes **FOR** the ratification of the board's selection of an auditor for the company. The Committee will vote **AGAINST** the ratification of the auditors if there are concerns of negligence due to issuance of an inaccurate audit opinion. The Committee typically votes **AGAINST** shareholder proposals for auditor rotation arrangements that are more restrictive than regulatory requirements.

## 3. Capital Structure, Mergers, Sales and Transactions

### A. Mergers

The Committee is likely to consider on a **CASE-BY-CASE** basis those proposals to merge, reincorporate, or to affect some other type of corporate reorganization. In making these decisions, the Committee's primary concern is the long-term economic interests of shareholders, and it will consider Member Firm opinions, the fairness opinion, and the Proxy Advisors' vote recommendations when determining a vote decision on these or similar proposals.

## B. Capital Structure

In assessing asset sales, reorganizations, bankruptcy or other capital structure changes, the Committee looks to the economic and strategic rationale behind the transaction and supports those proposals that reasonably can be expected to uphold or enhance the shareholders' long-term economic interest.

(i) The Committee generally votes **FOR** stock split proposals if the purpose is to: (1) increase liquidity; and/or (2) adjust for a significant increase in stock price.

(ii) The Committee generally votes **FOR** reverse stock split proposals if the purpose is to avoid stock exchange de-listing. The Committee also generally votes **FOR** proposals to decrease the number of common stock shares outstanding following reverse stock splits and proposals to eliminate unissued blank check preferred stock or a class of common stock with voting rights greater than the class held in client accounts.

## C. Authorized Stock Increases

Generally, the Committee votes **FOR** proposals for the authorization to issue additional shares of common or preferred stock if it determines that the increase is: (1) not excessive relative to the industry's average rate or otherwise harmful to the long-term economic interests of shareholders; or (2) necessary to avoid bankruptcy or to comply with regulatory requirements or other legally binding matters. The Committee will generally vote **AGAINST** such proposals that would exceed the industry's average rate and/or the business purpose is not articulated sufficiently.

## D. Preferred Stock Authorization

Where the voting power of the new issuance is specified as equal to or less than existing common stock shares, and the Proxy Advisors and the fairness opinion agree, the Committee generally votes **FOR** proposals to issue preferred stock. When the voting power of the new issuance is either unspecified or exceeds that of the existing shares of common stock, the Committee generally votes **AGAINST** proposals to issue preferred stock.

# 4. Anti-Takeover Measures

Generally, the Committee opposes proposals that seem designed to insulate management unnecessarily from the wishes of a majority of the shareholders and that would lead to a determination of a company's future by a minority of its shareholders. However, the Committee generally supports proposals that seem to have as their primary purpose providing management with temporary or short-term insulation from outside influences so as to enable management to bargain effectively with potential suitors and otherwise achieve identified long-term goals to the extent such proposals are discrete and not bundled with other proposals.

## A. Shareholder Rights Plan or "Poison Pill"

Generally, the Committee votes **FOR** proposals to rescind a "poison pill" or proposals that require shareholder approval to implement a "pill." Further, a **WITHHOLD** support vote on the election of directors will follow the adoption or renewal of a poison pill without shareholder approval.

## B. Non-net Operating Loss Shareholder Rights Plan (NNOL)

Generally, the Committee votes **FOR** non-net operating loss shareholder rights plans if all the following are in place: (1) a plan trigger that is 20% or greater; (2) a term not exceeding three years; (3) the plan terminates if not ratified by shareholder majority; (4) there are no “dead hand” or “modified dead hand” provisions; and (5) the plan has a qualified offer clause. The Committee generally reviews these NNOL plans on a **CASE-BY-CASE** basis outside of these prescribed requirements.

## C. Dual Class Voting structures

Generally, the Committee votes **AGAINST** dual class voting structures but will evaluate the merits on a **CASE-BY-CASE** basis for companies that have recently become public.

# 5. Compensation and Benefits

## A. Compensation Committee Members

Generally, the Committee votes **FOR** incumbent members of the compensation committee. However, the Committee will generally consider the proposal on a **CASE-BY-CASE** basis in situations where: (1) there are excise tax gross-ups, excise tax indemnification or “make whole” provisions in recent change-in-control or severance agreements; (2) the company’s stock performance is poor relative to peers and its compensation arrangements or pay practices are deemed excessive relative to peers; or (3) there appears to be an imbalance in a company’s long term incentive compensation plans between the performance-based and time-based awards for the executive officers.

## B. Equity Compensation

The Committee employs a shareholder value transfer model to measure the value transfer from shareholders to employees and directors when considering equity compensation proposals.

The Committee generally votes **FOR** proposals relating to equity compensation plans that: (1) pass our shareholder value transfer model and prohibit share re-pricing without shareholder approval; (2) pass our shareholder value transfer model, are silent on share re-pricing and the company has no history of re-pricing; (3) use section 162(m) rules for plan administration by independent directors; or (4) require an issuance of stock or options as equal payment in lieu of cash to directors.

The Committee generally votes **AGAINST** compensation plans that: (1) fail our shareholder value transfer model and allow for option exchange or re-pricing without shareholder approval; (2) pass our shareholder value transfer model but permit accelerated vesting without consummation of a change-in-control transaction; or (3) serve as a vehicle to perpetuate a disconnect between pay and performance or favors executive officers whose pay is already significantly higher than peers.

The Committee reviews on a **CASE-BY-CASE** basis those proposals that:

(i) pass our shareholder value transfer model and either (1) the plan is “silent” on re-pricing and the company has a history of the practice; or (2) a Proxy Advisor recommends an “against” vote; or

(ii) fail our shareholder value transfer model but the plan (1) is required to complete a transaction supported by the Committee; or (2) includes details regarding extenuating business circumstances.

### C. Say on Pay

If the ballot seeks an advisory vote on the frequency of say-on-pay proposals, the Committee generally votes **FOR** proposals that call for say-on-pay on an **ANNUAL** basis.

The Committee will generally vote **FOR** management proposals on say-on-pay. However, the Committee will generally consider the proposal on a **CASE-BY-CASE** basis in situations where: (1) there are excise tax gross-ups, excise tax indemnification or “make whole” provisions in recent change-in-control or severance agreements; (2) the company’s stock performance is poor relative to peers and its compensation arrangements or pay practices are deemed excessive relative to peers; (3) the company fails to address compensation issues identified in prior meetings when adequate opportunity to address has passed; or (4) there appears to be an imbalance in a company’s long-term incentive compensation plans between the performance-based and time-based awards for the executive officers.

### D. Option Re-pricing or Exchange

Generally, the Committee believes that stock compensation aligns managements’ and shareholders’ interests based on fair-market value grants.

In cases where management is proposing to address a compensation misalignment, the Committee generally votes **FOR** such proposals that: (1) seek exchanges that are value-for-value; (2) exclude executives, directors and consultants; (3) do not recycle exercised options; and/or (4) involve current options that are significantly under water and the new exercise price is reasonable. The Committee generally votes **FOR** proposals that require stock option exchange and re-pricing programs to be put to shareholder vote.

In cases of proposals where the exchange and/or re-pricing requests do not meet these criteria, the Committee generally votes **AGAINST** the management proposal.

### E. Golden Parachute Plans

In reviewing management compensation agreements, the Committee generally votes **FOR** those that: (1) involve payments that do not exceed three times the executive’s total compensation (salary plus bonus); (2) have a double trigger; and (3) do not provide for a tax gross-up in the contract. Conversely, the Committee generally votes **AGAINST** compensation agreements that do not adhere to these requirements. As a facet of a capital structure change, the Committee will consider these compensation agreements on a **CASE-BY-CASE** basis.

In reviewing shareholder proposals, we generally support those that require the company to submit compensation agreements to a vote.

### F. Clawbacks

When determining the effectiveness of a company’s clawback/recoupment policy, the Committee will consider: (1) the amount of information the company provides in its proxy statement on the circumstances under which the company recoups incentive or equity compensation; (2) whether the company’s policy extends to named executive

officers and other senior executive officers (and not simply the CEO and CFO); (3) if the policy requires recoupment of incentive and equity compensation received and subsequently determined to have been “unearned” during the prior three-year period; and (4) if the policy considers performance-based compensation to be “unearned” if the corresponding performance target(s) is(are) later determined to have not been achieved for any reason (rather than first requiring evidence of “misconduct” or fraudulent activity and/or a formal restatement of financial results).

## G. Other Compensation Requests

Generally, the Committee votes **FOR** stock purchase plans that allow a broad group of employees to purchase shares and limit the discount to 15% or less. Conversely, the Committee generally votes **AGAINST** proposals that are limited to senior executives and/or provides for a discount that is greater than 15%.

Generally, the Committee votes **FOR** proposals that seek management and director retention of stock awards for no more than one year and/or 25% of stock awarded. Conversely, the Committee generally votes **AGAINST** proposals that seek retention of stock awards for greater than one year and 75% of stock awarded.

## 6. Shareholder Rights

### A. Special Meetings and Majority Vote

The Committee believes the rights to call a special meeting and to approve an action with a simple majority vote are powerful tools for shareholders. As such, we generally support proposals that uphold these rights. More specifically, with respect to calling a special meeting, the Committee generally votes **FOR** proposals that would allow shareholders to call a special meeting if a reasonably high proportion of shareholders (typically of at least 10% to 15%, depending on the company’s market capitalization, but no more than 25%, of the company’s outstanding stock) are required to agree before such a meeting is called.

For companies that currently permit shareholders of 25% or less of outstanding stock to call a special meeting (or no such right exists), the Committee may vote **AGAINST** proposals that would effectively lower (or initially establish) the minimum ownership threshold to less than 10% (for large cap companies) or 15% (for small cap companies). However, for companies that currently permit shareholders of greater than 25% of outstanding stock to call a special meeting (or no such right exists), the Committee is likely to consider on a **CASE-BY-CASE** basis those proposals that would effectively lower (or initially establish) the minimum ownership threshold to less than 10% (for large cap companies) or 15% (for small cap companies).

### B. Written Consent

The Committee will generally vote **FOR** proposals to permit shareholders to act by written consent if the company does not currently permit shareholders to call for a special meeting or to act by written consent. The Committee will generally vote **AGAINST** proposals on written consent if the company permits shareholders the right to call for a special meeting.



### C. Proxy Access

The Committee will generally vote **FOR** proposals to permit shareholders representing 3% of a company's outstanding shares held for at least three years to nominate directors for up to 25% of the seats on the board. The Committee generally reviews on a **CASE-BY-CASE** basis all other proposals outside of these prescribed requirements.

### D. Proxy Contests

In the case of proxy contests, the Committee will endeavor to provide both parties an opportunity to present their case and arguments before determining a course of action.

The Committee's general policy is to consider: (1) the long-term economic impact of the decision; (2) the company's record and management's ability to achieve our reasonable expectations for shareholder return; (3) overall compensation for officers and directors and share price performance relative to industry peers; (4) whether the offer fully realizes the future prospects of the company in question with the likelihood of the challenger achieving their stated goals; and (5) the relevant experience of all board nominees.

## 7. Environmental and Social Issues

The Committee reviews all shareholder resolutions related to Environmental and Social considerations on a **CASE-BY-CASE** basis. Generally, the Committee considers various factors in voting decisions, including: (1) the construction of the resolution (e.g. overly prescriptive or unreasonably vague); (2) the cost of implementing the proposal; (3) the timeframe imposed by the resolution; (4) the company's positioning on the issue relative to peers; and (5) the company's past behavior in the area under question.

The Committee generally votes **FOR** shareholder sponsored proposals when the proposal reasonably can be expected to enhance long-term shareholder value or when management fails to respond meaningfully to the proposal. The Committee generally votes **AGAINST** shareholder proposals when (1) it perceives the cost, timeframe or request are unreasonable; (2) the request is unlikely to achieve the underlying intent; (3) the company's performance on the issue is in line with generally accepted practices; and/or (4) the proposal is unlikely to enhance long-term shareholder value.

### A. Lobbying, Trade Association Expenditures, and Political Contributions

In cases where the Committee believes that the level of disclosure lags industry acceptable practices or the lack of disclosure or oversight has exposed or could expose the company to potential controversies, fines, or litigation, the Committee will generally vote **FOR** the resolution. In cases where regulatory capture, political influence and/or transparency of payments are likely to be immaterial, and/or the company already reports an adequate level of material disclosure, and has demonstrated oversight, the Committee tends to vote **AGAINST** the resolution.

### B. Human Capital

We believe that human capital matters and that supporting a diverse work force, pay equity, and the health and safety of employees and customers enhances a company's ability to create long-term value. The Committee tends to vote **FOR** proposals that support disclosing policies and implementing procedures that will provide material

information to assess a firm's commitment to promoting and protecting human capital considerations or addressing areas of weakness that could impact a firm's operations. The Committee generally votes **AGAINST** proposals that would not provide additional material information to address the underlying intent.

### C. Compensation links to Environmental, Social and Sustainability Initiatives

In general, the Committee believes it is the role of the Boards and management to determine the metrics. In cases where the Committee believes that the level of participation and/or initiatives lag industry acceptable practices or the lack of commitment or oversight has exposed or could expose the company to potential controversies, fines, or litigation, the Committee will generally vote **FOR** the resolution. The Committee generally votes **AGAINST** proposals that would not provide additional material benefit to address the underlying intent.

### D. Environmental Disclosures

The Committee supports increased disclosure relating to GHG, water usage, waste considerations, governance around climate and waste related risks and opportunities, and encourages companies to reduce emissions and waste when these risks are material to society or business operations. In cases where the company lags its peers in the type of data and goals it publishes, and/or the company has suffered a GHG-related or waste related controversy within the past two years, the Committee will generally vote **FOR** the resolution. In cases where GHG emissions and waste profile are likely immaterial and/or the company reports adequately on the topics the Committee will vote **AGAINST** the resolution.

In cases where the impact of climate change on operations is likely material and the company does not address climate change meaningfully in its published reports, the company lags its peers in the type of reporting and/or goal setting it publishes, or the company does not demonstrate an adequate understanding of the strategic impacts of climate change on operations, the Committee generally votes **FOR** the resolution. The Committee will vote **AGAINST** the resolution in cases where climate change is likely immaterial or the company currently reports adequately on its climate change initiatives.

### E. Climate Change Action

In general, the Committee will vote **FOR** resolutions that request measurable reduction goals with specified time horizons that link sustainability efforts into broader business goals that are reasonable to implement and material to enhancing long-term shareholder value. The Committee tends to vote **AGAINST** resolutions where the perceived cost, timeframe or request is unreasonable or the company's performance is in line with generally accepted practices.

These Voting Guidelines provide summaries of how the Committee views various proposals and provide insight as to how the Committee is likely to vote as a result of applying the Voting Guidelines.

Mellon's clients may receive a copy of the Voting Guidelines, as well as Mellon's Proxy Voting Policy and any related procedures, upon request. Clients may also receive information on Mellon's proxy voting history for their accounts upon request.

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