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V-Square Quantitative Management

Custom Proxy Voting Policy - Summary

Sustainable Investing Reimagined.

INTENTIONALITY | RESEARCH | INNOVATION | LONG-TERMISM

As a global investment management firm, we recognize our responsibility to exercise proxy voting authority with respect to those client accounts over which we have been delegated proxy voting discretion. We are shareholder advocates and have a fiduciary responsibility to make investment decisions that are in our clients' best interests. We apply a thoughtful and intentional approach to proxy voting.

V-Square Quantitative Management LLC (V-Square) recognizes that environmental, social and governance ("ESG") investors have dual objectives: financial and sustainable. Sustainable investors invest for economic gain, as do all investors, but they also require that the companies in which they invest conduct their business in an environmentally, socially, and well-governed manner.

We believe that value created at the expense of the non-investor stakeholders can be short-lived. Over long periods of time, stakeholder and shareholder interests become increasingly aligned. and we take these factors into consideration when voting.

For additional information regarding our Sustainable Investing Statement and our Corporate Social Responsibility policy, please refer to our firm's Sustainability ethos ("Sustainable Investing Statement, Stewardship and CSR policies").

Absent special circumstances of the types described in these policies and procedures, V-Square Quantitative Management LLC (V-Square) will generally exercise its proxy voting discretion in accordance with the guidelines set forth below.

V-Square has selected ISS' Advisory Services and developed a Custom Proxy Voting policy, consistent with the dual objectives of sustainable investing shareholders. On matters of environmental, social and governance, the guidelines seek to reflect a broad consensus of the sustainable investing community. The frame of reference has been developed by groups such as the Interfaith Center on Corporate Responsibility and other shareholders. Additionally, it incorporates the active ownership and investment philosophies of leading globally recognized initiatives such as the United Nations Environment Programme Finance Initiative (UNEP FI), the United Nations Principles for Responsible Investment (UNPRI), the United Nations Global Compact Principles, and environmental and social European Union Directives. V-Square is a signatory of the PRI since August 2020.

In shareholder meetings, proxy voting decisions will be guided by the core tenets of accountability, stewardship, transparency, and sustainability. By focusing on these areas of responsible governance globally, voting decisions are most likely to promote long-term shareholder value creation and risk mitigation at portfolio companies.

Selected areas of policy application can be found below.

1. Uncontested Director Elections

A corporation's board of directors sits at the apogee of the corporate governance system. Though they normally delegate responsibility for the management of the business to the senior executives they select and oversee, directors bear ultimate responsibility for the conduct of the corporation's business. The role of directors in publicly held corporations has undergone considerable changes in recent years. Once derided as rubber stamps for management, directors of public corporations today are expected to serve as effective guardians of shareholders' interests. Voting on directors and board-related issues is the most important use of the shareholder franchise, not simply a routine proxy item. Although uncontested director elections do not present alternative nominees from whom to choose, a high percentage of opposition votes is an expression of shareholder dissatisfaction and should be sufficient to elicit a meaningful response from management. The role and responsibilities of directors has increasingly been the subject of much discussion and debate, given the current economic climate and the difficulties many companies now face in their respective markets. Influential organizations, including the American Law Institute, the American Bar Association, the National Association of Corporate Directors, and the Business Roundtable have issued reports and recommendations regarding the duties and accountability of corporate boards. Both mainstream and alternative media outlets have highlighted the numerous gaps within risk oversight of company boards and individual directors, and many institutional investors, in response, have capitalized on their rights as stakeholders to prompt changes. Corporations have taken notice, implementing many of the reforms championed by their shareholders. Although differences of opinion remain, a fairly strong consensus has emerged on a number of key issues. It is widely agreed that the board's most important responsibility is to ensure that the corporation is managed in the shareholders' best long-term economic interest. This will often require boards to consider the impact of their actions on other constituencies, including employees, customers, local communities, and the environment.

The board's principal functions are widely agreed to consist of the following:

- To select, evaluate, and if necessary, replace management, including the chief executive officer;
- To review and approve major strategies and financial objectives;
- To advise management on significant issues;
- To assure that effective controls are in place to safeguard corporate assets, manage risk, and comply with the law; and
- To nominate directors and otherwise ensure that the board functions effectively.

Boards are expected to have a majority of directors independent of management. The independent directors are expected to organize much of the board's work, even if the Chief Executive Officer also serves as Chairman of the board. Key committees of the board are expected to be entirely independent of management. It is expected that boards will engage in critical self-evaluation of themselves and of individual members. Individual directors, in turn, are expected to devote significant amounts of time to their duties, to limit the number of directorships they accept, and to own a meaningful amount of stock in companies on whose boards they serve. Directors are eventually responsible to the corporation's shareholders. The most direct expression of this responsibility is the requirement that directors be elected to their positions by the shareholders. Shareholders are also asked to vote on a number of other matters regarding the role, structure, and composition of the board. Directors are classified as either inside directors, affiliated directors, or independent directors.

Five broad principles apply when determining votes on director nominees:

- Board Accountability: Accountability refers to the promotion of transparency into a company's governance practices and annual board elections and the provision to shareholders the ability to remove problematic directors and to vote on takeover defenses or other charter/bylaw amendments. These practices help reduce the opportunity for management entrenchment.
- Board Responsiveness: Directors should be responsive to shareholders, particularly in regard to shareholder proposals that receive a majority vote or management proposals that receive significant opposition and to tender offers where a majority of shares are tendered. Furthermore, shareholders should expect directors to devote sufficient time and resources to oversight of the company.
- Director Independence: Without independence from management, the board may be unwilling or unable to effectively set company strategy and scrutinize performance or executive compensation.
- Director Diversity/Competence: Companies should seek a diverse board of directors who can add value to the board through their specific skills or expertise and who can devote sufficient time and commitment to serve effectively. Boards should be of a size appropriate to accommodate diversity, expertise, and independence, while ensuring active and collaborative participation by all members. Boards should be sufficiently diverse to ensure consideration of a wide range of perspectives.
- Material Environmental, Social, and Governance failures: Companies should guard against material failures of governance, stewardship, risk oversight, or fiduciary responsibilities at the company, including adequately addressing and managing ESG risks. Climate change risks and opportunities may be factored into this review.

2. Shareholder Proposals

Generally, support for a proposal will be warranted where a shareholder proposal promotes good corporate citizenship while enhancing long-term shareholder and stakeholder value. Support will often be given for proposals that call for action beyond disclosure of reporting of corporate environmental policies or resolutions seeking greater transparency around social policies and practices – including support for proposals seeking adoption of policies on topics such as human/labor rights, workplace safety or discrimination, access to pharmaceutical drugs, incorporation of sustainability-related performance metrics into executive compensation setting, hydraulic fracturing and climate change and greenhouse gas or toxic emissions, to name a few.

3. Climate Policy Recommendation

V-Square votes against, or withholds from, directors individually, on a committee, or potentially the entire board due to material failures of governance, stewardship, risk oversight[1], or fiduciary responsibilities at the company, including failure to adequately manage or mitigate environmental, social and governance (ESG) risks;

- Failure to adequately guard against or manage climate-related risks
- A lack of sustainability reporting in the company's public documents and/or website in conjunction with a failure to adequately manage or mitigate ESG risks
- Failure to replace management as appropriate; or
- Egregious actions related to the director(s)' service on the boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company.

For director elections, Climate Advisory Services will also take into consideration market-specific provisions.

[1] Examples of failure of risk oversight include, but are not limited to: bribery; large or serial fines or sanctions from regulatory bodies; significant environmental incidents including spills and pollution; large scale or repeat workplace fatalities or injuries; significant adverse legal judgments or settlements; or hedging of company stock.

4. Social and Environmental Proposals – Overall Approach

V-Square custom Proxy Voting Policy generally supports standards-based ESG shareholder proposals that enhance long-term shareholder and stakeholder value while aligning the interests of the company with those of society at large. In particular, the policy will focus on resolutions seeking greater transparency and/or adherence to internationally recognized standards and principles. Climate Policy Recommendation: Generally, vote in favor of social and environmental proposals that seek to promote good corporate citizenship while enhancing long-term shareholder and stakeholder value.

5. Diversity

V-Square will evaluate gender diversity on boards in international markets when reviewing director elections, to the extent that disclosures and market practices permit.

V-Square generally votes against, or withholds from, incumbent members of the nominating committee if the board lacks at least one woman.

For Japan, if the company has an audit-committee-board structure or a traditional two-tier board structure as opposed to three committees, vote against incumbent representative directors if the board lacks at least one woman.

For the US, Canada, UK, and Australia, V-Square votes against, or withholds from, incumbent members of the nominating committee if:

- the board lacks at least one woman and one racially diverse director; and
- the board is not at least thirty percent (30%) diverse.

If the company does not have a formal nominating committee, V-Square votes against, or withholds from, all incumbent members of the board.

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