Proxy Voting Guidelines

Applying our experience and values to cast proxy votes on behalf of our clients.

Last Updated: March 31, 2020

Elections of Board Directors

Board elections can provide opportunities to advance goals of responsible management, stakeholder accountability, diversity, equity, inclusion and justice.

1. Experience, Relevance and Commitment
    a. In general, we will seek to vote for directors with proven experience in relevant industries, whose careers allow adequate time to dedicate to a board role, and who will ideally be sensitive to environmental, social and governance criteria when making decisions that affect a company's full range of stakeholders.
    b. When voting against a board member's election or re-election, we will generally prioritize "against" votes on those who:
        i. Have current or prior leadership experience with companies that have, during their tenure:
            1. Had management-related scandals.
            2. Been exceptionally unsuccessful, in our view.
        ii. Have current or prior leadership experience with companies or in industries that we view as problematic from an environmental or social perspective.
        iii. Work in an industry or a role that we do not view as having meaningful relevance to the company.
        iv. Serve on multiple other boards.
        v. Currently serve as CEOs of other companies.
    c. These criteria are applied on a case-by-case basis, and exceptions are always possible.
2. Gender and Cultural Diversity
    a. We believe that diverse leadership can produce better business outcomes, and that diverse boards specifically can be more sensitive to the environmental, social and governance considerations that affect a company's full range of stakeholders. For these reasons, subject to the "Experience, Relevance and Commitment" criteria above, we will generally seek to vote for board members who are women, or who belong to traditionally underrepresented groups.
    b. For boards with fewer than 30% women, we will generally but selectively seek to vote against board members who do not meet our full "Experience, Relevance and Commitment" criteria above, and who are men, up to or beyond the threshold required to free up at least 30% of board seats for women. Our long-term vision is for equal gender balance on corporate boards and management teams.

c. For boards whose cultural diversity does not reflect that of company stakeholders--particularly the company's customers and the communities in which the company and its suppliers operate--we will generally but selectively seek to vote against board members who do not reflect this diversity, and who do not meet our full "Experience, Relevance and Commitment" criteria above, up to or beyond the threshold we believe can more accurately represent those stakeholders.

3. Board Member Independence

a. Because we believe board independence can help mitigate risk, we will generally vote against the election or re-election of company executives to the Board of Directors (excluding the President/CEO).
b. We will generally vote against a President/CEO as a board member when he or she is also Board Chair.

4. Board Size

a. We believe the most efficient boards typically have 8-14 members. We will generally but selectively vote against board members that put the board over this range, using the "Gender and Cultural Diversity" and "Experience, Relevance and Commitment" criteria above.

5. Shareholder Voting Rights

a. In situations where the structure or voting rules that govern a board clearly reduce shareholder voting power, we may choose to cast protest votes against some or all board members, as described below.

Ratification of Auditors

The ratification vote on company auditors can provide an opportunity to advance responsible fiscal management, including avoiding conflicts of interests.

1. Auditor Fees and Independence

a. We will generally vote against the ratification of auditors in any situation where poor fiscal management or oversight has become problematic for a company.
b. We will generally vote against the ratification of auditors when more than 40% of total fees are unrelated to audits.
c. We will generally vote against the ratification of auditors who, in fact or appearance, may not be independent from the company, since non-independent auditors can lead to risk.
d. In most other cases, we will generally vote for the ratification of auditors.

Advisory Votes on Executive Compensation

The "say on pay" advisory vote on executive compensation can provide an opportunity to protest excessive or unequal pay, advocate for greater performance incentives that can ultimately accrue to shareholders, and advance goals of responsible management. While not binding on companies, even a large minority vote against a compensation plan can often result in engagement and change.

1. Guaranteed Pay Ratio for Executive Team

a. As a result of [2009 Dodd-Frank legislation], companies must report their annual ratio of CEO to median employee compensation. We extend this approach to include the entire executive team, by totaling their combined, guaranteed compensation and comparing it to the company's reported median compensation, as well as to the US Bureau of Labor Statistics' (BLS) average compensation for the industry.[1]

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[1] We begin by combining the base salaries, cash performance bonuses, other compensation, restricted stock unit (RSU) and performance stock unit (PSU) amounts for the entire executive team. At the same time, we review the performance metrics the company uses to determine the bonus and PSU amounts, to make a determination as to how much of the executive team's pay is essentially guaranteed. For instance, if company executives can earn 75-100% of their target performance bonus simply by achieving what we consider to be baseline growth, we classify that bonus amount as guaranteed pay, rather than pay for performance. Ultimately, we adjust the totals for both the non-equity (cash) performance bonus and the performance stock units (PSUs), to reflect how much of each we feel executives are all but guaranteed to receive.

We next add the executive team's other compensation to the portion of performance bonus and PSU amounts we have determined to be guaranteed. We divide this total by the number of executives, to produce a figure for the average, guaranteed level of executive pay. We may adjust this figure further based on the size of the company, accepting that higher pay can be more appropriate at complex, global companies than at smaller, local ones, or on whether environmental, social or governance (ESG) performance criteria are used to evaluate executive performance.

Next, we use BLS data to obtain an average, nationwide pay figure for the industry. We compare this to the company's reported, median employee pay figure, adjusting that figure if we feel it is out of line. Finally, we compare the adjusted average guaranteed level of executive pay to this adjusted median employee pay figure. When the ratio of average, guaranteed executive pay to median employee pay is greater than 50 to 1, we will generally vote against the "say on pay" proposal, taking into account the size and other salient features of the company.

   b. If, in our view, the level of guaranteed compensation received by the executive team is excessive compared to that of the company's other employees, we will generally vote against the "say on pay" proposal (after also taking into account the size and other salient features of the company).

2. Stock Options and Dilution
   a. When we believe that a company's plan for awarding stock options would result in excessive dilution of share value for shareholders, we will generally vote against the "say on pay" proposal.

Good Governance and Accountability to Shareholders

Board structures and voting rights can significantly affect how accountable a company is to its shareholders and other stakeholders. Resolutions supporting greater accountability and better governance can push companies in better directions.

1. Board Declassification / Classification
   a. We will generally vote for proposals to declassify boards. When all board members face re-election on an annual basis, shareholders have regular opportunities to hold board members accountable.
   b. We will generally vote against proposals to classify boards.
   c. When boards are classified, we may take a more aggressive approach to voting out existing board members when they do come up for re-election.
2. Independent Board Chairs
   a. We will generally vote for proposals requiring that the Board Chair be independent.
   b. Also see Board Member Independence for how we vote in board elections when chairs are not independent.
3. Shareholder Voting Rights
   a. Where companies use multiple share classes to concentrate voting power among a small minority of shareholder/owners, we will generally vote against such classification when given the opportunity. We may also withhold "yes" votes from those in the empowered minority of shareholders who are also board members.
   b. When companies do not allow "no" votes on board members, we will generally vote to allow such votes when given the opportunity. We will also generally vote "abstain" or "present" on all board members in this situation, as a protest vote.

4. Special Meetings
    a. When companies require a high threshold of shareholders to call a special meeting, we will generally vote for proposals to lower the ownership threshold required to call a special meeting, to as low as 10%.

Company and Employee Share Purchases

At times companies may wish to reabsorb shares of their own stock, or to award such shares to employees. In our experience, the justifications for these actions can range from perfectly valid to completely lacking. In each case, we endeavor to fully understand the context in which the actions are proposed before voting accordingly.

1. Share buybacks
    a. If, in our judgment, a company's recent performance or the current economic landscape do not justify share buybacks, we will generally vote not to grant or renew the board's authority to make share purchases.
    b. If share purchases would add to a company's debt, we will generally vote not to grant or renew the board's authority to make share purchases.
    c. If neither of the above factors apply, we will generally vote to grant or renew the board's authority to make share purchases.
2. Employee Stock Purchase Plans / Stock Incentive Plans
    a. If we believe an employee stock plan disproportionally favors employees who are already highly compensated, we will generally vote against it.
    b. If a stock plan grants more than 1% of a company's current, outstanding shares, on average per year of the plan, we will generally vote against it, out of concern the plan could be too dilutive to shareholders. A higher level may at times be acceptable if it is consistent with the company's prior norms, and distributes stock equitably among all employees.
    b. If in our view an employee stock plan would not cause excessive shareholder dilution, and is applied equitably across the workforce in a way that seems likely to better motivate and retain valued employees, we will generally vote for it.

Political Donations and Lobbying

We believe that the US Supreme Court's 2010 decision in [Citizen's United v. Federal Election Commission, 558 U.S. 310]() was misguided. We do not believe companies should make political donations. We also believe corporate lobbying of government bodies and officials should be limited and highly transparent. Specific, well-written shareholder resolutions can advance these goals.

1. Political Donations
   a. We generally vote against resolutions to allow general or specific political donations.
   b. We generally vote for resolutions to prevent political donations.
2. Lobbying Disclosure
   a. We generally vote for resolutions advocating for stronger, more transparent lobbying disclosure.

Risk Reporting on Environmental, Social and Governance (ESG) Issues

Because SEC rules limit shareholder resolutions on "ordinary business," including what the SEC has recently referred to as "micromanagement," shareholders can be stymied when attempting to file resolutions pushing for direct action on ESG issues. In place of direct action, shareholders will often file resolutions requesting a company report on the risks surrounding a given ESG issue.

1. Broad ESG risks
   a. We generally vote for thoughtful resolutions pushing companies for better reporting in key issue areas, including:
      i. Climate Change (e.g. risks of energy regulation or sea level rise)
      ii. Environmental Stewardship (e.g. risks of environmental fines or resource depletion)

iii. Diversity, Equity, Inclusion and Justice (e.g. risks of homogenous leadership or a homogenous workforce, reputational risks)
iv. Human Rights (e.g. supply chain risks or labor regulation)
v. Corporate Responsibility (e.g. legal liability of poor governance, reputational risks)

b. We may vote against resolutions that we feel will unreasonably burden a company already making a strong effort in the key issue area, but our standard for such a vote is quite high.

2. Industry-specific risks
   a. We generally vote for thoughtful resolutions pushing companies to address key issue areas specific to their industry. For instance, shareholders may bring resolutions to healthcare companies who have been named in opioid litigation, requesting better disclosure of opioid-related business risks.
   b. We may vote against resolutions that we feel will unreasonably burden a company already making a strong effort in the industry-specific issue area, but our standard for such a vote is quite high.

Actionable Change on Environmental, Social and Governance (ESG) Issues

While SEC (Securities and Exchange Commission) rules can make it a challenge to successfully file shareholder resolutions that push for direct action on ESG issues, when these resolutions do come up for a vote--and are supported by thorough research and realistic goals--they can be powerful opportunities to drive corporate progress.

1. Positive Change in Key Issue Areas
   a. We generally vote for thoughtful resolutions we believe would push companies to do more to improve in key issue areas, including:
      i. Climate Change (e.g. carbon emissions targets, renewable energy)
      ii. Environmental Stewardship (e.g. waste or water management, supply chain deforestation)
      iii. Diversity, Equity and Inclusion (e.g. equal rights policies, proactive consideration of minority job candidates)
      iv. Human Rights (e.g. fair labor practices, high supply chain standards)
      v. Corporate Responsibility (e.g. broader stakeholder definitions, strong corporate giving)

2. Maintenance of the Status Quo
    a. We generally vote against resolutions that we believe would maintain an insufficient status quo in key issue areas.
3. Negative Change in Key Issue Areas
    a. We generally vote against resolutions that we believe would cause or exacerbate negative conditions in key issue areas.