



SailingStone Capital Partners LLC

Proxy Voting Guidelines

Adopted 2017

TABLE OF CONTENTS

INTRODUCTION	6
1. ROUTINE/MISCELLANEOUS.....	7
Adjourn Meeting.....	7
Amend Quorum Requirements.....	7
Amend Minor Bylaws.....	7
Change Company Name	7
Change Date, Time, or Location of Annual Meeting.....	7
Other Business.....	7
Accept Financial Statements and Statutory Reports	7
AUDIT-RELATED.....	7
Auditor Indemnification and Limitation of Liability	7
Auditor Ratification.....	8
Shareholder Proposals Limiting Non-Audit Services.....	8
Shareholder Proposals on Audit Firm Rotation	8
2. BOARD OF DIRECTORS:	9
VOTING ON DIRECTOR NOMINEES IN UNCONTESTED ELECTIONS	9
1. Accountability.....	9
2. Responsiveness.....	13
3. Composition	13
4. Independence.....	14
2017 SSCP Policy Categorization of Directors.....	14
OTHER BOARD-RELATED PROPOSALS.....	16
Age/Term Limits.....	16
Board Size	16
Classification/Declassification of the Board	17
CEO Succession Planning	17
Cumulative Voting	17
Director and Officer Indemnification and Liability Protection.....	17
Establish/Amend Nominee Qualifications	17
Establish Other Board Committee Proposals.....	18
Filling Vacancies/Removal of Directors	18
Independent Chair (Separate Chair/CEO).....	18
Majority of Independent Directors/Establishment of Independent Committees	19
Majority Vote Standard for the Election of Directors.....	19
Proxy Access	19
Require More Nominees than Open Seats	20
Shareholder Engagement Policy (Shareholder Advisory Committee)	20
Proxy Contests—Voting for Director Nominees in Contested Elections	20
Vote-No Campaigns	20
3. SHAREHOLDER RIGHTS & DEFENSES	21
Advance Notice Requirements for Shareholder Proposals/Nominations	21

Amend Bylaws without Shareholder Consent	21
Control Share Acquisition Provisions	21
Control Share Cash-Out Provisions	21
Disgorgement Provisions	22
Fair Price Provisions	22
Freeze-Out Provisions	22
Greenmail	22
Litigation Rights (including Exclusive Venue and Fee-Shifting Bylaw Provisions)	22
Net Operating Loss (NOL) Protective Amendments	23
POISON PILLS (SHAREHOLDER RIGHTS PLANS)	23
Shareholder Proposals to Put Pill to a Vote and/or Adopt a Pill Policy	23
Management Proposals to Ratify a Poison Pill	24
Management Proposals to Ratify a Pill to Preserve Net Operating Losses (NOLs)	24
Proxy Voting Disclosure, Confidentiality, and Tabulation	24
Reimbursing Proxy Solicitation Expenses	25
Reincorporation Proposals	25
Shareholder Ability to Act by Written Consent	25
Shareholder Ability to Call Special Meetings	26
Stakeholder Provisions	26
State Antitakeover Statutes	26
Supermajority Vote Requirements	26
4. CAPITAL/RESTRUCTURING	27
CAPITAL	27
Adjustments to Par Value of Common Stock	27
Common Stock Authorization	27
Dual Class Structure	27
Issue Stock for Use with Rights Plan	28
Preemptive Rights	28
Preferred Stock Authorization	28
Recapitalization Plans	28
Reverse Stock Splits	30
Share Repurchase Programs	30
Stock Distributions: Splits and Dividends	30
Tracking Stock	30
RESTRUCTURING	30
Appraisal Rights	30
Asset Purchases	30
Asset Sales	31
Bundled Proposals	31
Conversion of Securities	31
Corporate Reorganization/Debt Restructuring/Prepackaged Bankruptcy Plans/Reverse Leveraged Buyouts/Wrap Plans	31
Formation of Holding Company	32
Going Private and Going Dark Transactions (LBOs and Minority Squeeze-outs)	32

Joint Ventures	32
Liquidations	33
Mergers and Acquisitions	33
Private Placements/Warrants/Convertible Debentures.....	33
Reorganization/Restructuring Plan (Bankruptcy)	34
Special Purpose Acquisition Corporations (SPACs)	35
Spin-offs	35
Value Maximization Shareholder Proposals	35
5. COMPENSATION	37
EXECUTIVE PAY EVALUATION	37
Advisory Votes on Executive Compensation—Management Proposals (Management Say-on-Pay).....	37
Pay-for-Performance Evaluation	38
Problematic Pay Practices	38
Compensation Committee Communications and Responsiveness	39
Frequency of Advisory Vote on Executive Compensation ("Say When on Pay").....	39
Voting on Golden Parachutes in an Acquisition, Merger, Consolidation, or Proposed Sale	39
EQUITY-BASED AND OTHER INCENTIVE PLANS	40
Plan Cost	41
Shareholder Value Transfer (SVT)	41
Egregious Factors.....	41
Liberal Change in Control Definition	41
Repricing Provisions	41
Problematic Pay Practices or Significant Pay-for-Performance Disconnect.....	42
Amending Cash and Equity Plans (including Approval for Tax Deductibility (162(m))	42
OTHER COMPENSATION PLANS.....	43
401(k) Employee Benefit Plans	43
Employee Stock Ownership Plans (ESOPs)	43
Employee Stock Purchase Plans—Qualified Plans.....	43
Employee Stock Purchase Plans— Non-Qualified Plans	43
Stock Plans in Lieu of Cash.....	43
DIRECTOR COMPENSATION.....	44
Shareholder Ratification of Director Pay Programs.....	44
Equity Plans for Non-Employee Directors.....	44
Non-Employee Director Retirement Plans.....	44
SHAREHOLDER PROPOSALS ON COMPENSATION.....	45
Adopt Anti-Hedging/Pledging/Speculative Investments Policy.....	45
Bonus Banking/Bonus Banking "Plus"	45
Compensation Consultants—Disclosure of Board or Company's Utilization	45
Disclosure/Setting Levels or Types of Compensation for Executives and Directors.....	45
Golden Coffins/Executive Death Benefits.....	45
Hold Equity Past Retirement or for a Significant Period of Time.....	46
Non-Deductible Compensation	46
Pay Disparity	46

Pay for Performance/Performance-Based Awards.....	46
Pay for Superior Performance	47
Pre-Arranged Trading Plans (10b5-1 Plans)	47
Prohibit CEOs from Serving on Compensation Committees.....	47
Recoupment of Incentive or Stock Compensation in Specified Circumstances	48
Severance Agreements for Executives/Golden Parachutes.....	48
Share Buyback Holding Periods	48
Supplemental Executive Retirement Plans (SERPs)	48
Tax Gross-Up Proposals	49
Termination of Employment Prior to Severance Payment/Eliminating Accelerated Vesting of Unvested Equity.....	49
6. SOCIAL/ENVIRONMENTAL ISSUES.....	50
OVERALL APPROACH	50
ENDORSEMENT OF PRINCIPLES	50
Reports on Potentially Controversial Business/Financial Practices	50
Health Pandemics	50
Product Safety and Toxic/Hazardous Materials.....	51
CLIMATE CHANGE	51
Climate Change/Greenhouse Gas (GHG) Emissions	51
Energy Efficiency.....	52
DIVERSITY	52
Board Diversity	52
Equality of Opportunity	53
Gender Identity and Sexual Orientation.....	53
ENVIRONMENT AND SUSTAINABILITY	53
Facility and Workplace Safety.....	53
General Environmental Proposals and Community Impact Assessments	53
Hydraulic Fracturing.....	54
Operations in Protected Areas	54
Recycling	54
Sustainability Reporting.....	54
Water Issues	54
GENERAL CORPORATE ISSUES	55
Charitable Contributions.....	55
Data Security, Privacy, and Internet Issues.....	55
Environmental, Social, and Governance (ESG) Compensation-Related Proposals	55
HUMAN RIGHTS, LABOR ISSUES, AND INTERNATIONAL OPERATIONS.....	55
Human Rights Proposals	55
Operations in High Risk Markets	56
POLITICAL ACTIVITIES	56
Lobbying.....	56
Political Contributions	57
Political Ties	57

INTRODUCTION

This document sets forth SailingStone Capital Partners' ("SailingStone" or "SSCP") proxy voting policies for portfolio companies. Proxy voting is a stockholder right and an asset which, as with any asset, must be managed prudently for the exclusive benefit of shareholders. The two basic fiduciary requirements are the duty of loyalty and the duty of care. SailingStone carefully weighs and considers the implications of each proxy proposal and will vote each proxy in accordance with its fiduciary duty to its Clients.

SailingStone has used the ISS Sustainability Policy recommendations as the basis for these proxy guidelines. In the words of ISS:

On matters of corporate governance, executive compensation, and corporate structure, the Sustainability Policy guidelines are based on a commitment to create and preserve economic value and to advance principles of good corporate governance. On matters of ESG import, ISS' Sustainability Policy seeks to promote support for recognized global governing bodies promoting sustainable business practices.

However, we have made certain changes to the ISS recommendations either to conform to the unique circumstances of the global natural resource industry, or to more accurately reflect specific issues or concerns upon which we are focused. There may be cases in which the final determination varies from the voting guidelines due to the fact that we closely examine the merits of each proposal and consider relevant information and company-specific circumstances in arriving at our decisions.

While these guidelines address many of the key areas of corporate governance, they are not designed to be exhaustive or a substitute for the necessary thoughtful evaluation of each proxy proposal offered for shareholder vote. SailingStone reserves the right to override the guidelines when it considers that such an override would be in the best interest of its Clients, taking into consideration all relevant facts and circumstances at the time of the vote.

Finally, these guidelines are to be applied to the greatest extent possible in non-U.S. markets, taking into account regulatory and legal regimes, disclosure requirements, local corporate governance codes, and company and market best practices. The proxy voting rights in non-US markets will be exercised as deemed appropriate, taking into consideration what type of restriction may be placed on a particular security or any other impediment to proxy voting.

1. ROUTINE/MISCELLANEOUS

Adjourn Meeting

SSCP Policy: Generally vote against proposals to provide management with the authority to adjourn an annual or special meeting absent compelling reasons to support the proposal.

Vote for proposals that relate specifically to soliciting votes for a merger or transaction if supporting that merger or transaction. Vote against proposals if the wording is too vague or if the proposal includes "other business."

Amend Quorum Requirements

SSCP Policy: Vote against proposals to reduce quorum requirements for shareholder meetings below a majority of the shares outstanding unless there are compelling reasons to support the proposal.

Amend Minor Bylaws

SSCP Policy: Vote for bylaw or charter changes that are of a housekeeping nature (updates or corrections).

Change Company Name

SSCP Policy: Vote for proposals to change the corporate name unless there is compelling evidence that the change would adversely impact shareholder value.

Change Date, Time, or Location of Annual Meeting

SSCP Policy: Vote for management proposals to change the date, time, or location of the annual meeting unless the proposed change is unreasonable.

Vote against shareholder proposals to change the date, time, or location of the annual meeting unless the current scheduling or location is unreasonable.

Other Business

SSCP Policy: Vote against proposals to approve other business when it appears as voting item.

Accept Financial Statements and Statutory Reports

SSCP Policy: Generally vote for approval of financial statements and statutory reports, unless:

- › There are concerns about the accounts presented or audit procedures used; or
- › There has been an accounting fraud or material misstatement during the year.

The overall quality of disclosure will be considered, and the weakest examples, such as where the meeting documents are not released in time for investors to review these ahead of the meeting, are likely to attract a negative vote recommendation.

Audit-Related

Auditor Indemnification and Limitation of Liability

SSCP Policy: Vote case-by-case on the issue of auditor indemnification and limitation of liability. Factors to be assessed include, but are not limited to:

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- › The terms of the auditor agreement--the degree to which these agreements impact shareholders' rights;
 - › The motivation and rationale for establishing the agreements;
 - › The quality of the company's disclosure; and
 - › The company's historical practices in the audit area.

Vote against or withhold from members of an audit committee in situations where there is persuasive evidence that the audit committee entered into an inappropriate indemnification agreement with its auditor that limits the ability of the company, or its shareholders, to pursue legitimate legal recourse against the audit firm.

Auditor Ratification

SSCP Policy: Vote for proposals to ratify auditors unless any of the following apply:

- › An auditor has a financial interest in or association with the company, and is therefore not independent;
- › There is reason to believe that the independent auditor has rendered an opinion that is neither accurate nor indicative of the company's financial position;
- › Poor accounting practices are identified that rise to a serious level of concern, such as: fraud; misapplication of GAAP; and material weaknesses identified in Section 404 disclosures; or
- › Fees for non-audit services ("Other" fees) are excessive.

Non-audit fees are excessive if:

- › Non-audit ("other") fees > audit fees + audit-related fees + tax compliance/preparation fees

Tax compliance and preparation include the preparation of original and amended tax returns and refund claims, and tax payment planning. All other services in the tax category, such as tax advice, planning, or consulting, should be added to "Other" fees. If the breakout of tax fees cannot be determined, add all tax fees to "Other" fees.

In circumstances where "Other" fees include fees related to significant one-time capital structure events (such as initial public offerings, bankruptcy emergence, and spin-offs) and the company makes public disclosure of the amount and nature of those fees that are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining the ratio of non-audit to audit/audit-related fees/tax compliance and preparation for purposes of determining whether non-audit fees are excessive.

Shareholder Proposals Limiting Non-Audit Services

SSCP Policy: Vote case-by-case on shareholder proposals asking companies to prohibit or limit their auditors from engaging in non-audit services.

Shareholder Proposals on Audit Firm Rotation

SSCP Policy: Vote case-by-case on shareholder proposals asking for audit firm rotation, taking into account:

- › The tenure of the audit firm;
- › The length of rotation specified in the proposal;
- › Any significant audit-related issues at the company;
- › The number of Audit Committee meetings held each year;
- › The number of financial experts serving on the committee; and
- › Whether the company has a periodic renewal process where the auditor is evaluated for both audit quality and competitive price.

2. BOARD OF DIRECTORS:

Voting on Director Nominees in Uncontested Elections

Four fundamental principles apply when determining votes on director nominees:

1. **Accountability:** Boards should be sufficiently accountable to shareholders, by providing transparency into the company's governance practices and regular board elections, by the provision of sufficient information for shareholders to be able to assess directors and board composition, and through the ability of shareholders to remove directors.
2. **Responsiveness:** Directors should respond to investor input, such as that expressed through significant opposition to management proposals, significant support for shareholder proposals (whether binding or non-binding), and tender offers where a majority of shares are tendered.
3. **Composition:** Companies should seek directors who can add value to the board through specific skills or expertise and who can devote sufficient time and commitment to serve effectively. While directors should not be constrained by arbitrary limits such as age or term limits, directors who are unable to attend board and committee meetings and/or who are overextended (i.e. serving on too many boards) raise concern regarding the director's ability to effectively serve in shareholders' best interests.
4. **Independence:** Boards should be sufficiently independent from management (and significant shareholders) so as to ensure that they are able and motivated to effectively supervise management's performance for the benefit of all shareholders, including in setting and monitoring the execution of corporate strategy, with appropriate use of shareholder capital, and in setting and monitoring executive compensation programs that support that strategy. The chair of the board should ideally be an independent director, and all boards should have an independent leadership position or a similar role in order to help provide appropriate counterbalance to executive management, as well as having sufficiently independent committees that focus on key governance concerns such as audit, compensation, and nomination of directors.

SSCP Policy: Generally vote for director nominees, except under the following circumstances:

1. Accountability

Vote against¹ or withhold from the entire board of directors (except new nominees², who should be considered case-by-case) for the following:

¹ In general, companies with a plurality vote standard use "Withhold" as the contrary vote option in director elections; companies with a majority vote standard use "Against". However, it will vary by company and the proxy must be checked to determine the valid contrary vote option for the particular company.

² A "new nominee" is any current nominee who has not already been elected by shareholders and who joined the board after the problematic action in question transpired. If SailingStone cannot determine whether the nominee joined the board before or after the problematic action transpired, the nominee will be considered a "new nominee" if he or she joined the board within the 12 months prior to the upcoming shareholder meeting.

Problematic Takeover Defenses

Classified Board Structure:

- 1.1. The board is classified, and a continuing director responsible for a problematic governance issue at the board/committee level that would warrant a withhold/against vote recommendation is not up for election. All appropriate nominees (except new) may be held accountable.

Director Performance Evaluation:

- 1.2. The board lacks accountability and oversight, coupled with sustained poor performance as measured by an independent assessment of economic value creation over a three- and five-year time frame and absolute total shareholder returns. Take into consideration the company's five-year total shareholder return relative to its peers and operational metrics. Problematic provisions include but are not limited to:
 - › A classified board structure;
 - › A supermajority vote requirement;
 - › Either a plurality vote standard in uncontested director elections or a majority vote standard with no plurality carve-out for contested elections;
 - › The inability of shareholders to call special meetings;
 - › The inability of shareholders to act by written consent;
 - › A dual-class capital structure; and/or
 - › A non-shareholder-approved poison pill.

Poison Pills:

- 1.3. The company's poison pill has a "dead-hand" or "modified dead-hand" feature. Vote against or withhold from nominees every year until this feature is removed;
- 1.4. The board adopts a poison pill with a term of more than 12 months ("long-term pill"), or renews any existing pill, including any "short-term" pill (12 months or less), without shareholder approval. A commitment or policy that puts a newly adopted pill to a binding shareholder vote may potentially offset an adverse vote recommendation. Review such companies with classified boards every year, and such companies with annually elected boards at least once every three years, and vote against or withhold votes from all nominees if the company still maintains a non-shareholder-approved poison pill; or
- 1.5. The board makes a material adverse change to an existing poison pill without shareholder approval.

Vote case-by-case on all nominees if:

- 1.6. The board adopts a poison pill with a term of 12 months or less ("short-term pill") without shareholder approval, taking into account the following factors:
 - › The date of the pill's adoption relative to the date of the next meeting of shareholders—i.e. whether the company had time to put the pill on the ballot for shareholder ratification given the circumstances;
 - › The issuer's rationale;
 - › The issuer's governance structure and practices; and
 - › The issuer's track record of accountability to shareholders.

Restricting Binding Shareholder Proposals

Generally vote against or withhold from members of the governance committee if:

- 1.7. The company's charter imposes undue restrictions on shareholders' ability to amend the bylaws. Such restrictions include, but are not limited to: outright prohibition on the submission of binding shareholder proposals, or share ownership requirements or time holding requirements in excess of SEC Rule 14a-8. Vote against on an ongoing basis.

Problematic Audit-Related Practices

Generally vote against or withhold from the members of the Audit Committee if:

- 1.8. The non-audit fees paid to the auditor are excessive (see discussion under "[Auditor Ratification](#)");
- 1.9. The company receives an adverse opinion on the company's financial statements from its auditor; or
- 1.10. There is persuasive evidence that the Audit Committee entered into an inappropriate indemnification agreement with its auditor that limits the ability of the company, or its shareholders, to pursue legitimate legal recourse against the audit firm.

Vote case-by-case on members of the Audit Committee and potentially the full board if:

- 1.11. Poor accounting practices are identified that rise to a level of serious concern, such as: fraud; misapplication of GAAP; and material weaknesses identified in Section 404 disclosures. Examine the severity, breadth, chronological sequence, and duration, as well as the company's efforts at remediation or corrective actions, in determining whether withhold/against votes are warranted.

Problematic Compensation Practices/Pay for Performance Misalignment

In the absence of an Advisory Vote on Executive Compensation ballot item or in egregious situations, vote against or withhold from the members of the Compensation Committee and potentially the full board if:

- 1.12. There is a significant misalignment between CEO pay and company performance ([pay for performance](#));
- 1.13. The company maintains significant [problematic pay practices](#);
- 1.14. The board exhibits a significant level of [poor communication and responsiveness](#) to shareholders;
- 1.15. The company maintains any type of compensation plan that provides for stock options or fails to submit one-time [transfers of stock options](#) to a shareholder vote; or
- 1.16. The company fails to fulfill the terms of a [burn rate commitment](#) made to shareholders.

Vote case-by-case on Compensation Committee members (or, in exceptional cases, the full board) and the Management Say-on-Pay proposal if:

- 1.17. The company's previous say-on-pay received the support of less than 70 percent of votes cast, taking into account:
 - › The company's response, including:
 - › Disclosure of engagement efforts with major institutional investors regarding the issues that contributed to the low level of support;
 - › Specific actions taken to address the issues that contributed to the low level of support;
 - › Other recent compensation actions taken by the company;
 - › Whether the issues raised are recurring or isolated;
 - › The company's ownership structure; and
 - › Whether the support level was less than 50 percent, which would warrant the highest degree of responsiveness.

Unilateral Bylaw/Charter Amendments and Problematic Capital Structures

- 1.18. Generally vote against or withhold from directors individually, committee members, or the entire board (except new nominees, who should be considered case-by-case) if the board amends the company's bylaws or charter without shareholder approval in a manner that materially diminishes shareholders' rights or that could adversely impact shareholders, considering the following factors:
 - › The board's rationale for adopting the bylaw/charter amendment without shareholder ratification;
 - › Disclosure by the company of any significant engagement with shareholders regarding the amendment;

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- › The level of impairment of shareholders' rights caused by the board's unilateral amendment to the bylaws/charter;
 - › The board's track record with regard to unilateral board action on bylaw/charter amendments or other entrenchment provisions;
 - › The company's ownership structure;
 - › The company's existing governance provisions;
 - › Whether the amendment was made prior to or in connection with the company's initial public offering;
 - › The timing of the board's amendment to the bylaws/charter in connection with a significant business development;
 - › Other factors, as deemed appropriate, that may be relevant to determine the impact of the amendment on shareholders.

Unless the adverse amendment is reversed or submitted to a binding shareholder vote, in subsequent years vote case-by-case on director nominees. Generally vote against (except new nominees, who should be considered case-by-case) if the directors:

- › Classified the board;
- › Adopted supermajority vote requirements to amend the bylaws or charter; or
- › Eliminated shareholders' ability to amend bylaws.

1.19. For newly public companies, generally vote against or withhold from directors individually, committee members, or the entire board (except new nominees, who should be considered case-by-case) if, prior to or in connection with the company's public offering, the company or its board adopted bylaw or charter provisions materially adverse to shareholder rights, or implemented a multi-class capital structure in which the classes have unequal voting rights considering the following factors:

- › The level of impairment of shareholders' rights;
- › The disclosure rationale;
- › The ability to change the governance structure (e.g., limitations on shareholders' right to amend the bylaws or charter, or supermajority vote requirements to amend the the bylaws or charter);
- › The ability of shareholders to hold directors accountable through annual director elections, or whether the company has a classified board structure;
- › Any reasonable sunset provision; and
- › Other relevant factors.

Environmental, Social and Governance (ESG) Failures

Under extraordinary circumstances, vote against or withhold from directors individually, committee members, or the entire board, due to:

1.20. Material failures of governance, stewardship, risk oversight³, or fiduciary responsibilities at the company, including failure to adequately guard against or manage ESG risks;

1.21. Failure to replace management as appropriate; or

1.22. Egregious actions related to a director's service on other boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company.

³ 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; hedging of company stock; or significant pledging of company stock.

2. Responsiveness

Vote case-by-case on individual directors, committee members, or the entire board of directors as appropriate if:

- 2.1. The board failed to act on a shareholder proposal that received the support of a majority of the shares cast in the previous year. Factors that will be considered are:
 - › Disclosed outreach efforts by the board to shareholders in the wake of the vote;
 - › Rationale provided in the proxy statement for the level of implementation;
 - › The subject matter of the proposal;
 - › The level of support for and opposition to the resolution in past meetings;
 - › Actions taken by the board in response to the majority vote and its engagement with shareholders;
 - › The continuation of the underlying issue as a voting item on the ballot (as either shareholder or management proposals); and
 - › Other factors as appropriate.
- 2.2. The board failed to act on takeover offers where the majority of shares are tendered;
- 2.3. At the previous board election, any director received more than 50 percent withhold/against votes of the shares cast and the company has failed to address the issue(s) that caused the high withhold/against vote;
- 2.4. The board implements an advisory vote on executive compensation on a less frequent basis than the frequency that received the majority of votes cast at the most recent shareholder meeting at which shareholders voted on the say-on-pay frequency; or
- 2.5. The board implements an advisory vote on executive compensation on a less frequent basis than the frequency that received a plurality, but not a majority, of the votes cast at the most recent shareholder meeting at which shareholders voted on the say-on-pay frequency, taking into account:
 - › The board's rationale for selecting a frequency that is different from the frequency that received a plurality;
 - › The company's ownership structure and vote results;
 - › Whether there are compensation concerns or a history of problematic compensation practices; and
 - › The previous year's support level on the company's say-on-pay proposal.

3. Composition

Attendance at Board and Committee Meetings:

- 3.1. Generally vote against or withhold from directors (except new nominees, who should be considered case-by-case⁴) who attend less than 75 percent of the aggregate of their board and committee meetings for the period for which they served, unless an acceptable reason for absences is disclosed in the proxy or another SEC filing. Acceptable reasons for director absences are generally limited to the following:
 - › Medical issues/illness;
 - › Family emergencies; and
 - › Missing only one meeting (when the total of all meetings is three or fewer).
 - › If the proxy disclosure is unclear and insufficient to determine whether a director attended at least 75 percent of the aggregate of his/her board and committee meetings during his/her period of service, vote against or withhold from the director(s) in question.

Overboarded Directors:

Vote against or withhold from individual directors who:

⁴ For new nominees only, schedule conflicts due to commitments made prior to their appointment to the board are considered if disclosed in the proxy or another SEC filing.

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- 3.2. Sit on more than three public company boards; or
 - 3.3. Are CEOs of public companies who sit on the boards of more than one public companies besides their own— withhold only at their outside boards⁵.

4. Independence

Vote against or withhold from Inside Directors and Affiliated Outside Directors (per the [Categorization of Directors](#)) when:

- 4.1. The inside or affiliated outside director serves on any of the three key committees: audit, compensation, or nominating;
- 4.2. The company lacks an audit, compensation, or nominating committee so that the full board functions as that committee;
- 4.3. The company lacks a formal nominating committee, even if the board attests that the independent directors fulfill the functions of such a committee; or
- 4.4. Independent directors make up less than a majority of the directors.

2017 SSCP Policy Categorization of Directors

<ol style="list-style-type: none">1. Inside Director (I)<ol style="list-style-type: none">1.1. Current employee or current officer^[1] of the company or one of its affiliates^[2].1.2. Beneficial owner of more than 50 percent of the company's voting power (this may be aggregated if voting power is distributed among more than one member of a group).1.3. Director named in the Summary Compensation Table (excluding former interim officers).2. Affiliated Outside Director (AO)<p><u>Board Attestation</u></p><ol style="list-style-type: none">2.1. Board attestation that an outside director is not independent.<p><u>Former CEO/Interim Officer</u></p><ol style="list-style-type: none">2.2. Former CEO of the company.^{[3],[4]}2.3. Former CEO of an acquired company within the past five years^[4].2.4. Former interim officer if the service was longer than 18 months. If the service was between 12 and 18 months an assessment of the interim officer's employment agreement will be made.^[5]<p><u>Non-CEO Executives</u></p><ol style="list-style-type: none">2.5. Former officer^[1] of the company, an affiliate^[2] or an acquired firm within the past five years.2.6. Officer^[1] of a former parent or predecessor firm at the time the company was sold or split off from the parent/predecessor within the past five years.2.7. Officer^[1], former officer, or general or limited partner of a joint venture or partnership with the company.<p><u>Family Members</u></p><ol style="list-style-type: none">2.8. Immediate family member^[6] of a current or former officer^[1] of the company or its affiliates^[2] within the last five years.2.9. Immediate family member^[6] of a current employee of company or its affiliates^[2] where additional factors raise concern (which may include, but are not limited to, the following: a director related to numerous employees; the company or its affiliates employ relatives of numerous board members; or a non-Section 16 officer in a key strategic role).

⁵ Although all of a CEO's subsidiary boards will be counted as separate boards, the Sustainability Policy will not recommend a withhold vote from the CEO of a parent company board or any of the controlled (>50 percent ownership) subsidiaries of that parent, but may do so at subsidiaries that are less than 50 percent controlled and boards outside the parent/subsidiary relationships.

Transactional, Professional, Financial, and Charitable Relationships

- 2.10. Currently provides (or an immediate family member^[6] provides) professional services^[7] to the company, to an affiliate^[2] of the company or an individual officer of the company or one of its affiliates in excess of \$10,000 per year.
- 2.11. Is (or an immediate family member^[6] is) a partner in, or a controlling shareholder or an employee of, an organization which provides professional services^[7] to the company, to an affiliate^[2] of the company, or an individual officer of the company or one of its affiliates in excess of \$10,000 per year.
- 2.12. Has (or an immediate family member^[6] has) any material transactional relationship^[8] with the company or its affiliates^[2] (excluding investments in the company through a private placement).
- 2.13. Is (or an immediate family member^[6] is) a partner in, or a controlling shareholder or an executive officer of, an organization which has any material transactional relationship^[8] with the company or its affiliates^[2] (excluding investments in the company through a private placement).
- 2.14. Is (or an immediate family member^[6] is) a trustee, director, or employee of a charitable or non-profit organization that receives material grants or endowments^[8] from the company or its affiliates^[2].

Other Relationships

- 2.15. Party to a voting agreement^[9] to vote in line with management on proposals being brought to shareholder vote.
- 2.16. Has (or an immediate family member^[6] has) an interlocking relationship as defined by the SEC involving members of the board of directors or its Compensation Committee^[10].
- 2.17. Founder^[11] of the company but not currently an employee.
- 2.18. Any material^[12] relationship with the company.

3. Independent Outside Director (IO)

- 3.1. No material^[12] connection to the company other than a board seat.

Footnotes:

^[1]The definition of officer will generally follow that of a “Section 16 officer” (officers subject to Section 16 of the Securities and Exchange Act of 1934) and includes the chief executive, operating, financial, legal, technology, and accounting officers of a company (including the president, treasurer, secretary, controller, or any vice president in charge of a principal business unit, division, or policy function). Current interim officers are included in this category. For private companies, the equivalent positions are applicable. A non-employee director serving as an officer due to statutory requirements (e.g. corporate secretary) will be classified as an Affiliated Outsider under 2.18: “Any material relationship with the company.” However, if the company provides explicit disclosure that the director is not receiving additional compensation in excess of \$10,000 per year for serving in that capacity, then the director will be classified as an Independent Outsider.

^[2] “Affiliate” includes a subsidiary, sibling company, or parent company. ISS uses 50 percent control ownership by the parent company as the standard for applying its affiliate designation.

^[3] Includes any former CEO of the company prior to the company’s initial public offering (IPO).

^[4] When there is a former CEO of a special purpose acquisition company (SPAC) serving on the board of an acquired company, ISS will generally classify such directors as independent unless determined otherwise taking into account the following factors: the applicable listing standards determination of such director’s independence; any operating ties to the firm; and the existence of any other conflicting relationships or related party transactions.

^[5] ISS will look at the terms of the interim officer’s employment contract to determine if it contains severance pay, long-term health and pension benefits, or other such standard provisions typically contained in contracts of permanent, non-temporary CEOs. ISS will also consider if a formal search process was under way for a full-time officer at the time.

^[6] “Immediate family member” follows the SEC’s definition of such and covers spouses, parents, children, step-parents, step-children, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.

^[7] Professional services can be characterized as advisory in nature, generally involve access to sensitive company information or to strategic decision-making, and typically have a commission- or fee-based payment structure. Professional services generally include, but are not limited to the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing

services; legal services; property management services; realtor services; lobbying services; executive search services; and IT consulting services. The following would generally be considered transactional relationships and not professional services: deposit services; IT tech support services; educational services; and construction services. The case of participation in a banking syndicate by a non-lead bank should be considered a transactional (and hence subject to the associated materiality test) rather than a professional relationship. "Of Counsel" relationships are only considered immaterial if the individual does not receive any form of compensation (in excess of \$10,000 per year) from, or is a retired partner of, the firm providing the professional service. The case of a company providing a professional service to one of its directors or to an entity with which one of its directors is affiliated, will be considered a transactional rather than a professional relationship. Insurance services and marketing services are assumed to be professional services unless the company explains why such services are not advisory.

^[8] A material transactional relationship, including grants to non-profit organizations, exists if the company makes annual payments to, or receives annual payments from, another entity exceeding the greater of \$200,000 or 5 percent of the recipient's gross revenues, in the case of a company which follows NASDAQ listing standards; or the greater of \$1,000,000 or 2 percent of the recipient's gross revenues, in the case of a company which follows NYSE/Amex listing standards. In the case of a company which follows neither of the preceding standards, ISS will apply the NASDAQ-based materiality test. (The recipient is the party receiving the financial proceeds from the transaction).

^[9] Dissident directors who are parties to a voting agreement pursuant to a settlement arrangement, will generally be classified as independent unless determined otherwise taking into account the following factors: the terms of the agreement; the duration of the standstill provision in the agreement; the limitations and requirements of actions that are agreed upon; if the dissident director nominee(s) is subject to the standstill; and if there any conflicting relationships or related party transactions.

^[10] Interlocks include: executive officers serving as directors on each other's compensation or similar committees (or, in the absence of such a committee, on the board); or executive officers sitting on each other's boards and at least one serves on the other's compensation or similar committees (or, in the absence of such a committee, on the board).

^[11] The operating involvement of the founder with the company will be considered. Little to no operating involvement ever may cause ISS to deem the founder as an independent outsider.

^[12] For purposes of ISS's director independence classification, "material" will be defined as a standard of relationship (financial, personal or otherwise) that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders.

Other Board-Related Proposals

Age/Term Limits

SSCP Policy: Vote against management and shareholder proposals to limit the tenure of outside directors through mandatory retirement ages.

Vote against management proposals to limit the tenure of outside directors through term limits. However, scrutinize boards where the average tenure of all directors exceeds 15 years for independence from management and for sufficient turnover to ensure that new perspectives are being added to the board.

Board Size

SSCP Policy: Vote for proposals seeking to fix the board size or designate a range for the board size.

Vote against proposals that give management the ability to alter the size of the board outside of a specified range without shareholder approval.

Classification/Declassification of the Board

SSCP Policy: Vote against proposals to classify (stagger) the board.

Vote for proposals to repeal classified boards and to elect all directors annually.

CEO Succession Planning

SSCP Policy: Generally vote for proposals seeking disclosure on a CEO succession planning policy, considering, at a minimum, the following factors:

- › The reasonableness/scope of the request; and
- › The company's existing disclosure on its current CEO succession planning process.

Cumulative Voting

SSCP Policy: Generally vote against management proposals to eliminate cumulate voting, and for shareholder proposals to restore or provide for cumulative voting, unless:

- › The company has proxy access, thereby allowing shareholders to nominate directors to the company's ballot; and
- › The company has adopted a majority vote standard, with a carve-out for plurality voting in situations where there are more nominees than seats, and a director resignation policy to address failed elections.

Vote for proposals for cumulative voting at controlled companies (insider voting power > 50%).

Director and Officer Indemnification and Liability Protection

SSCP Policy: Vote case-by-case on proposals on director and officer indemnification and liability protection.

Vote against proposals that would:

- › Eliminate entirely directors' and officers' liability for monetary damages for violating the duty of care.
- › Expand coverage beyond just legal expenses to liability for acts that are more serious violations of fiduciary obligation than mere carelessness.
- › Expand the scope of indemnification to provide for mandatory indemnification of company officials in connection with acts that previously the company was permitted to provide indemnification for, at the discretion of the company's board (*i.e.*, "permissive indemnification"), but that previously the company was not required to indemnify.

Vote for only those proposals providing such expanded coverage in cases when a director's or officer's legal defense was unsuccessful if both of the following apply:

- › If the director was found to have acted in good faith and in a manner that s/he reasonably believed was in the best interests of the company; and
- › If only the director's legal expenses would be covered.

Establish/Amend Nominee Qualifications

SSCP Policy: Vote case-by-case on proposals that establish or amend director qualifications. Votes should be based on the reasonableness of the criteria and the degree to which they may preclude dissident nominees from joining the board.

Vote case-by-case on shareholder resolutions seeking a director nominee who possesses a particular subject matter expertise, considering:

-
- › The company's board committee structure, existing subject matter expertise, and board nomination provisions relative to that of its peers;
 - › The company's existing board and management oversight mechanisms regarding the issue for which board oversight is sought;
 - › The company's disclosure and performance relating to the issue for which board oversight is sought and any significant related controversies; and
 - › The scope and structure of the proposal.

Establish Other Board Committee Proposals

SSCP Policy: Generally vote against shareholder proposals to establish a new board committee, as such proposals seek a specific oversight mechanism/structure that potentially limits a company's flexibility to determine an appropriate oversight mechanism for itself. However, the following factors will be considered:

- › Existing oversight mechanisms (including current committee structure) regarding the issue for which board oversight is sought;
- › Level of disclosure regarding the issue for which board oversight is sought;
- › Company performance related to the issue for which board oversight is sought;
- › Board committee structure compared to that of other companies in its industry sector; and
- › The scope and structure of the proposal.

Filling Vacancies/Removal of Directors

SSCP Policy: Vote against proposals that provide that directors may be removed only for cause.

Vote for proposals to restore shareholders' ability to remove directors with or without cause.

Vote against proposals that provide that only continuing directors may elect replacements to fill board vacancies.

Vote for proposals that permit shareholders to elect directors to fill board vacancies.

Independent Chair (Separate Chair/CEO)

SSCP Policy: Generally vote for shareholder proposals requiring that the chairman's position be filled by an independent director, taking into consideration the following:

- › The scope of the proposal;
- › The company's current board leadership structure;
- › The company's governance structure and practices;
- › Company performance; and
- › Any other relevant factors that may be applicable.

Regarding the scope of the proposal, consider whether the proposal is precatory or binding and whether the proposal is seeking an immediate change in the chairman role or if the policy can be implemented at the next CEO transition.

Under the review of the company's board leadership structure, SailingStone may support the proposal under the following scenarios absent a compelling rationale: the presence of an executive or non-independent chair in addition to the CEO; a recent recombination of the role of CEO and chair; and/or departure from a structure with an independent chair. SailingStone will also consider any recent transitions in board leadership and the effect such transitions may have on independent board leadership as well as the designation of a lead director role.

When considering the governance structure, SailingStone will consider the overall independence of the board, the independence of key committees, the establishment of governance guidelines, board tenure and its relationship to CEO

tenure, and any other factors that may be relevant. Any concerns about a company's governance structure will weigh in favor of support for the proposal.

The review of the company's governance practices may include, but is not limited to poor compensation practices, material failures of governance and risk oversight, related-party transactions or other issues putting director independence at risk, corporate or management scandals, and actions by management or the board with potential or realized negative impact on shareholders. Any such practices may suggest a need for more independent oversight at the company thus warranting support of the proposal.

SailingStone's performance assessment will generally consider an independent assessment of economic value creation over a three- and five-year time frame and absolute total shareholder returns. Take into consideration the company's five-year total shareholder return relative to its peers and operational metrics. While poor performance will weigh in favor of the adoption of an independent chair policy, strong performance over the long-term will be considered a mitigating factor when determining whether the proposed leadership change warrants support.

Majority of Independent Directors/Establishment of Independent Committees

SSCP Policy: Vote for shareholder proposals asking that a majority or more of directors be independent unless the board composition already meets the proposed threshold by SailingStone's definition of independent outsider. (See [Categorization of Directors](#).)

Vote for shareholder proposals asking that board audit, compensation, and/or nominating committees be composed exclusively of independent directors unless they currently meet that standard.

Majority Vote Standard for the Election of Directors

SSCP Policy: Generally vote for management proposals to adopt a majority of votes cast standard for directors in uncontested elections. Vote against if no carve-out for a plurality vote standard in contested elections is included.

Generally vote for precatory and binding shareholder resolutions requesting that the board change the company's bylaws to stipulate that directors need to be elected with an affirmative majority of votes cast, provided it does not conflict with the state law where the company is incorporated. Binding resolutions need to allow for a carve-out for a plurality vote standard when there are more nominees than board seats.

Companies are strongly encouraged to also adopt a post-election policy (also known as a director resignation policy) that will provide guidelines so that the company will promptly address the situation of a holdover director.

Proxy Access

Proxy access is an important shareholder right, one that is complementary to other best-practice corporate governance features.

SSCP Policy: Generally vote for management and shareholder proposals for proxy access with the following provisions:

- › **Ownership threshold:** maximum requirement not more than three percent (3%) of the voting power;
- › **Ownership duration:** maximum requirement not longer than three (3) years of continuous ownership for each member of the nominating group;
- › **Aggregation:** minimal or no limits on the number of shareholders permitted to form a nominating group;
- › **Cap:** No more than 25% of existing board members can be nominated to be replaced

Review for reasonableness any other restrictions on the right of proxy access.

Generally vote against proposals that are more restrictive than these guidelines.

Require More Nominees than Open Seats

SSCP Policy: Vote against shareholder proposals that would require a company to nominate more candidates than the number of open board seats.

Shareholder Engagement Policy (Shareholder Advisory Committee)

SSCP Policy: Generally vote for shareholder proposals requesting that the board establish an internal mechanism/process, which may include a committee, in order to improve communications between directors and shareholders, unless the company has the following features, as appropriate:

- › Established a communication structure that goes beyond the exchange requirements to facilitate the exchange of information between shareholders and members of the board;
- › Effectively disclosed information with respect to this structure to its shareholders;
- › Company has not ignored majority-supported shareholder proposals or a majority withhold vote on a director nominee; and
- › The company has an independent chairman or a lead director, according to ISS' policy definition. This individual must be made available for periodic consultation and direct communication with major shareholders.

Proxy Contests—Voting for Director Nominees in Contested Elections

SSCP Policy: Vote case-by-case on the election of directors in contested elections, considering the following factors:

- › Long-term financial performance of the target company relative to its industry;
- › Management's track record;
- › Background to the proxy contest;
- › Nominee qualifications and any compensatory arrangements;
- › Strategic plan of dissident slate and quality of critique against management;
- › Likelihood that the proposed goals and objectives can be achieved (both slates);
- › Stock ownership positions.

When the addition of shareholder nominees to the management card ("proxy access nominees") results in a number of nominees on the management card which exceeds the number of seats available for election, vote case-by-case considering the same factors listed above.

Vote-No Campaigns

SSCP Policy: In cases where companies are targeted in connection with public "vote-no" campaigns, evaluate director nominees under the existing governance policies for voting on director nominees in uncontested elections. Take into consideration the arguments submitted by shareholders and other publicly available information.

3. SHAREHOLDER RIGHTS & DEFENSES

Advance Notice Requirements for Shareholder Proposals/Nominations

SSCP Policy: Vote case-by-case on advance notice proposals, giving support to those proposals which allow shareholders to submit proposals/nominations as close to the meeting date as reasonably possible and within the broadest window possible, recognizing the need to allow sufficient notice for company, regulatory, and shareholder review.

To be reasonable, the company's deadline for shareholder notice of a proposal/ nominations must not be more than 60 days prior to the meeting, with a submittal window of at least 30 days prior to the deadline. The submittal window is the period under which a shareholder must file his proposal/nominations prior to the deadline.

In general, support additional efforts by companies to ensure full disclosure in regard to a proponent's economic and voting position in the company so long as the informational requirements are reasonable and aimed at providing shareholders with the necessary information to review such proposals.

Amend Bylaws without Shareholder Consent

SSCP Policy: Vote against proposals giving the board exclusive authority to amend the bylaws.

Vote case-by-case on proposals giving the board the ability to amend the bylaws in addition to shareholders, taking into account the following:

- › Any impediments to shareholders' ability to amend the bylaws (i.e. supermajority voting requirements);
- › The company's ownership structure and historical voting turnout;
- › Whether the board could amend bylaws adopted by shareholders; and
- › Whether shareholders would retain the ability to ratify any board-initiated amendments.

Control Share Acquisition Provisions

Control share acquisition statutes function by denying shares their voting rights when they contribute to ownership in excess of certain thresholds. Voting rights for those shares exceeding ownership limits may only be restored by approval of either a majority or supermajority of disinterested shares. Thus, control share acquisition statutes effectively require a hostile bidder to put its offer to a shareholder vote or risk voting disenfranchisement if the bidder continues buying up a large block of shares.

SSCP Policy: Vote for proposals to opt out of control share acquisition statutes unless doing so would enable the completion of a takeover that would be detrimental to shareholders.

Vote against proposals to amend the charter to include control share acquisition provisions.

Vote for proposals to restore voting rights to the control shares.

Control Share Cash-Out Provisions

Control share cash-out statutes give dissident shareholders the right to "cash-out" of their position in a company at the expense of the shareholder who has taken a control position. In other words, when an investor crosses a preset threshold level, remaining shareholders are given the right to sell their shares to the acquirer, who must buy them at the highest acquiring price.

SSCP Policy: Vote for proposals to opt out of control share cash-out statutes.

Disgorgement Provisions

Disgorgement provisions require an acquirer or potential acquirer of more than a certain percentage of a company's stock to disgorge, or pay back, to the company any profits realized from the sale of that company's stock purchased 24 months before achieving control status. All sales of company stock by the acquirer occurring within a certain period of time (between 18 months and 24 months) prior to the investor's gaining control status are subject to these recapture-of-profits provisions.

SSCP Policy: Vote for proposals to opt out of state disgorgement provisions.

Fair Price Provisions

SSCP Policy: Vote case-by-case on proposals to adopt fair price provisions (provisions that stipulate that an acquirer must pay the same price to acquire all shares as it paid to acquire the control shares), evaluating factors such as the vote required to approve the proposed acquisition, the vote required to repeal the fair price provision, and the mechanism for determining the fair price.

Generally vote against fair price provisions with shareholder vote requirements greater than a majority of disinterested shares.

Freeze-Out Provisions

SSCP Policy: Vote for proposals to opt out of state freeze-out provisions. Freeze-out provisions force an investor who surpasses a certain ownership threshold in a company to wait a specified period of time before gaining control of the company.

Greenmail

Greenmail payments are targeted share repurchases by management of company stock from individuals or groups seeking control of the company. Since only the hostile party receives payment, usually at a substantial premium over the market value of its shares, the practice discriminates against all other shareholders.

SSCP Policy: Vote for proposals to adopt anti-greenmail charter or bylaw amendments or otherwise restrict a company's ability to make greenmail payments.

Vote case-by-case on anti-greenmail proposals when they are bundled with other charter or bylaw amendments.

Litigation Rights (including Exclusive Venue and Fee-Shifting Bylaw Provisions)

Bylaw provisions impacting shareholders' ability to bring suit against the company may include exclusive venue provisions, which provide that the state of incorporation shall be the sole venue for certain types of litigation, and fee-shifting provisions that require a shareholder who sues a company unsuccessfully to pay all litigation expenses of the defendant corporation.

SSCP Policy: Vote case-by-case on bylaws which impact shareholders' litigation rights, taking into account factors such as:

- › The company's stated rationale for adopting such a provision;
- › Disclosure of past harm from shareholder lawsuits in which plaintiffs were unsuccessful or shareholder lawsuits outside the jurisdiction of incorporation;

- › The breadth of application of the bylaw, including the types of lawsuits to which it would apply and the definition of key terms; and
- › Governance features such as shareholders' ability to repeal the provision at a later date (including the vote standard applied when shareholders attempt to amend the bylaws) and their ability to hold directors accountable through annual director elections and a majority vote standard in uncontested elections.

Generally vote against bylaws that mandate fee-shifting whenever plaintiffs are not completely successful on the merits (i.e., in cases where the plaintiffs are partially successful).

Unilateral adoption by the board of bylaw provisions which affect shareholders' litigation rights will be evaluated under Sustainability Advisory Services' policy on [Unilateral Bylaw/Charter Amendments](#).

Net Operating Loss (NOL) Protective Amendments

SSCP Policy: Vote against proposals to adopt a protective amendment for the stated purpose of protecting a company's net operating losses (NOL) if the effective term of the protective amendment would exceed the shorter of three years and the exhaustion of the NOL.

Vote case-by-case, considering the following factors, for management proposals to adopt an NOL protective amendment that would remain in effect for the shorter of three years (or less) and the exhaustion of the NOL:

- › The ownership threshold (NOL protective amendments generally prohibit stock ownership transfers that would result in a new 5-percent holder or increase the stock ownership percentage of an existing 5-percent holder);
- › The value of the NOLs;
- › Shareholder protection mechanisms (sunset provision or commitment to cause expiration of the protective amendment upon exhaustion or expiration of the NOL);
- › The company's existing governance structure including: board independence, existing takeover defenses, track record of responsiveness to shareholders, and any other problematic governance concerns; and
- › Any other factors that may be applicable.

Poison Pills (Shareholder Rights Plans)

Shareholder Proposals to Put Pill to a Vote and/or Adopt a Pill Policy

SSCP Policy: Vote for shareholder proposals requesting that the company submit its poison pill to a shareholder vote or redeem it unless the company has: (1) A shareholder approved poison pill in place; or (2) The company has adopted a policy concerning the adoption of a pill in the future specifying that the board will only adopt a shareholder rights plan if either:

- › Shareholders have approved the adoption of the plan; or
- › The board, in its exercise of its fiduciary responsibilities, determines that it is in the best interest of shareholders under the circumstances to adopt a pill without the delay in adoption that would result from seeking stockholder approval (i.e., the "fiduciary out" provision). A poison pill adopted under this fiduciary out will be put to a shareholder ratification vote within 12 months of adoption or expire. If the pill is not approved by a majority of the votes cast on this issue, the plan will immediately terminate.

If the shareholder proposal calls for a time period of less than 12 months for shareholder ratification after adoption, vote for the proposal, but add the caveat that a vote within 12 months would be considered sufficient implementation.

Management Proposals to Ratify a Poison Pill

SSCP Policy: Vote case-by-case on management proposals on poison pill ratification, focusing on the features of the shareholder rights plan. Rights plans should contain the following attributes:

- › No lower than a 20% trigger, flip-in or flip-over;
- › A term of no more than three years;
- › No dead-hand, slow-hand, no-hand or similar feature that limits the ability of a future board to redeem the pill;
- › Shareholder redemption feature (qualifying offer clause); if the board refuses to redeem the pill 90 days after a qualifying offer is announced, 10 percent of the shares may call a special meeting or seek a written consent to vote on rescinding the pill.

In addition, the rationale for adopting the pill should be thoroughly explained by the company. In examining the request for the pill, take into consideration the company's existing governance structure, including: board independence, existing takeover defenses, and any problematic governance concerns.

Management Proposals to Ratify a Pill to Preserve Net Operating Losses (NOLs)

SSCP Policy: Vote against proposals to adopt a poison pill for the stated purpose of protecting a company's net operating losses (NOL) if the term of the pill would exceed the shorter of three years and the exhaustion of the NOL.

Vote case-by-case on management proposals for poison pill ratification, considering the following factors, if the term of the pill would be the shorter of three years (or less) and the exhaustion of the NOL:

- › The ownership threshold to transfer (NOL pills generally have a trigger slightly below 5 percent);
- › The value of the NOLs;
- › Shareholder protection mechanisms (sunset provision, or commitment to cause expiration of the pill upon exhaustion or expiration of NOLs);
- › The company's existing governance structure including: board independence, existing takeover defenses, track record of responsiveness to shareholders, and any other problematic governance concerns; and
- › Any other factors that may be applicable.

Proxy Voting Disclosure, Confidentiality, and Tabulation

SSCP Policy: Vote case-by-case on proposals regarding proxy voting mechanics, taking into consideration whether implementation of the proposal is likely to enhance or protect shareholder rights. Specific issues covered under the policy include, but are not limited to, confidential voting of individual proxies and ballots, confidentiality of running vote tallies, and the treatment of abstentions and/or broker non-votes in the company's vote-counting methodology.

While a variety of factors may be considered in each analysis, the guiding principles are: transparency, consistency, and fairness in the proxy voting process. The factors considered, as applicable to the proposal, may include:

- › The scope and structure of the proposal;
- › The company's stated confidential voting policy (or other relevant policies) and whether it ensures a "level playing field" by providing shareholder proponents with equal access to vote information prior to the annual meeting;
- › The company's vote standard for management and shareholder proposals and whether it ensures consistency and fairness in the proxy voting process and maintains the integrity of vote results;
- › Whether the company's disclosure regarding its vote counting method and other relevant voting policies with respect to management and shareholder proposals are consistent and clear;
- › Any recent controversies or concerns related to the company's proxy voting mechanics;
- › Any unintended consequences resulting from implementation of the proposal; and
- › Any other factors that may be relevant.

Reimbursing Proxy Solicitation Expenses

SSCP Policy: Vote case-by-case on proposals to reimburse proxy solicitation expenses.

When voting in conjunction with support of a dissident slate, vote for the reimbursement of all appropriate proxy solicitation expenses associated with the election.

Generally vote for shareholder proposals calling for the reimbursement of reasonable costs incurred in connection with nominating one or more candidates in a contested election where the following apply:

- › The election of fewer than 50% of the directors to be elected is contested in the election;
- › One or more of the dissident's candidates is elected;
- › Shareholders are not permitted to cumulate their votes for directors; and
- › The election occurred, and the expenses were incurred, after the adoption of this bylaw.

Reincorporation Proposals

SSCP Policy: Management or shareholder proposals to change a company's state of incorporation should be evaluated case-by-case, giving consideration to both financial and corporate governance concerns including the following:

- › Reasons for reincorporation;
- › Comparison of company's governance practices and provisions prior to and following the reincorporation; and
- › Comparison of corporation laws of original state and destination state.

Vote for reincorporation when the economic factors outweigh any neutral or negative governance changes.

Shareholder Ability to Act by Written Consent

SSCP Policy: Generally vote against management and shareholder proposals to restrict or prohibit shareholders' ability to act by written consent.

Generally vote for management and shareholder proposals that provide shareholders with the ability to act by written consent, taking into account the following factors:

- › Shareholders' current right to act by written consent;
- › The consent threshold;
- › The inclusion of exclusionary or prohibitive language;
- › Investor ownership structure; and
- › Shareholder support of, and management's response to, previous shareholder proposals.

Vote case-by-case on shareholder proposals if, in addition to the considerations above, the company has the following governance and antitakeover provisions:

- › An unfettered⁶ right for shareholders to call special meetings at a 10 percent threshold;
- › A majority vote standard in uncontested director elections;
- › No non-shareholder-approved pill; and

⁶ "Unfettered" means no restrictions on agenda items, no restrictions on the number of shareholders who can group together to reach the 10 percent threshold, and only reasonable limits on when a meeting can be called: no greater than 30 days after the last annual meeting and no greater than 90 prior to the next annual meeting.

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- › An annually elected board.

Shareholder Ability to Call Special Meetings

SSCP Policy: Vote against management or shareholder proposals to restrict or prohibit shareholders' ability to call special meetings.

Generally vote for management or shareholder proposals that provide shareholders with the ability to call special meetings taking into account the following factors:

- › Shareholders' current right to call special meetings;
- › Minimum ownership threshold necessary to call special meetings (10% preferred);
- › The inclusion of exclusionary or prohibitive language;
- › Investor ownership structure; and
- › Shareholder support of, and management's response to, previous shareholder proposals.

Stakeholder Provisions

SSCP Policy: Vote against proposals that ask the board to consider non-shareholder constituencies or other non-financial effects when evaluating a merger or business combination.

State Antitakeover Statutes

SSCP Policy: Vote case-by-case on proposals to opt in or out of state takeover statutes (including fair price provisions, stakeholder laws, poison pill endorsements, severance pay and labor contract provisions, and anti-greenmail provisions).

Supermajority Vote Requirements

SSCP Policy: Vote against proposals to require a supermajority shareholder vote.

Vote for management or shareholder proposals to reduce supermajority vote requirements. However, for companies with shareholder(s) who have significant ownership levels, vote case-by-case, taking into account:

- › Ownership structure;
- › Quorum requirements; and
- › Vote requirements.

4. CAPITAL/RESTRUCTURING

Capital

Adjustments to Par Value of Common Stock

SSCP Policy: Vote for management proposals to reduce the par value of common stock unless the action is being taken to facilitate an anti-takeover device or some other negative corporate governance action.

Vote for management proposals to eliminate par value.

Common Stock Authorization

SSCP Policy: Vote for proposals to increase the number of authorized common shares where the primary purpose of the increase is to issue shares in connection with a transaction on the same ballot that warrants support.

Vote against proposals at companies with more than one class of common stock to increase the number of authorized shares of the class of common stock that has superior voting rights.

Vote against proposals to increase the number of authorized common shares if a vote for a reverse stock split on the same ballot is warranted despite the fact that the authorized shares would not be reduced proportionally.

Vote case-by-case on all other proposals to increase the number of shares of common stock authorized for issuance. Take into account company-specific factors that include, at a minimum, the following:

- › Past Board Performance:
 - › The company's use of authorized shares during the last three years
- › The Current Request:
 - › Disclosure in the proxy statement of the specific purposes of the proposed increase;
 - › Disclosure in the proxy statement of specific and severe risks to shareholders of not approving the request; and
 - › The dilutive impact of the request as determined by an allowable increase (typically 100 percent of existing authorized shares) that reflects the company's need for shares and total shareholder returns.

SailingStone will apply the relevant allowable increase below to requests to increase common stock that are for general corporate purposes (or to the general corporate purposes portion of a request that also includes a specific need):

- A. Most companies: **100 percent** of existing authorized shares.
- B. Companies with less than 50 percent of existing authorized shares either outstanding or reserved for issuance: **50 percent** of existing authorized shares.
- C. If there is an acquisition, private placement, or similar transaction on the ballot (not including equity incentive plans) that SailingStone is voting FOR, the allowable increase will be the greater of (i) twice the amount needed to support the transactions on the ballot, and (ii) the allowable increase as calculated above.

Dual Class Structure

SSCP Policy: Generally vote against proposals to create a new class of common stock unless:

- › The company discloses a compelling rationale for the dual-class capital structure, such as:
 - › The company's auditor has concluded that there is substantial doubt about the company's ability to continue as a going concern; or

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- › The new class of shares will be transitory;
 - › The new class is intended for financing purposes with minimal or no dilution to current shareholders in both the short term and long term; and
 - › The new class is not designed to preserve or increase the voting power of an insider or significant shareholder.

Issue Stock for Use with Rights Plan

SSCP Policy: Vote against proposals that increase authorized common stock for the explicit purpose of implementing a non-shareholder-approved shareholder rights plan (poison pill).

Preemptive Rights

SSCP Policy: Vote case-by-case on shareholder proposals that seek preemptive rights, taking into consideration:

- › The size of the company;
- › The shareholder base; and
- › The liquidity of the stock.

Preferred Stock Authorization

SSCP Policy: Vote for proposals to increase the number of authorized preferred shares where the primary purpose of the increase is to issue shares in connection with a transaction on the same ballot that warrants support.

Vote against proposals at companies with more than one class or series of preferred stock to increase the number of authorized shares of the class or series of preferred stock that has superior voting rights.

Vote case-by-case on all other proposals to increase the number of shares of preferred stock authorized for issuance. Take into account company-specific factors that include, at a minimum, the following:

- › Past Board Performance:
 - › The company's use of authorized preferred shares during the last three years;
- › The Current Request:
 - › Disclosure in the proxy statement of the specific purposes for the proposed increase;
 - › Disclosure in the proxy statement of specific and severe risks to shareholders of not approving the request;
 - › In cases where the company has existing authorized preferred stock, the dilutive impact of the request as determined by an allowable increase calculated (typically 100 percent of existing authorized shares) that reflects the company's need for shares and total shareholder returns; and
 - › Whether the shares requested are blank check preferred shares that can be used for antitakeover purposes.

Recapitalization Plans

SSCP Policy: Vote case-by-case on recapitalizations (reclassifications of securities), taking into account the following:

- › More simplified capital structure;
 - › Enhanced liquidity;
 - › Fairness of conversion terms;
 - › Impact on voting power and dividends;
 - › Reasons for the reclassification;
 - › Conflicts of interest; and
 - › Other alternatives considered.
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General Issuances

SSCP Policy: Vote for issuance authorities with pre-emptive rights to a maximum of 100 percent over currently issued capital and as long as the share issuance authorities' periods are clearly disclosed (or implied by the application of a legal maximum duration) and in line with market-specific practices and/or recommended guidelines (e.g. issuance periods limited to 18 months for the Netherlands).

Vote for issuance authorities without pre-emptive rights to a maximum of 20 percent (or a lower limit if local market best practice recommendations provide) of currently issued capital as long as the share issuance authorities' periods are clearly disclosed (or implied by the application of a legal maximum duration) and in line with market-specific practices and/or recommended guidelines (e.g. issuance periods limited to 18 months for the Netherlands).

Share Repurchase Plans

SSCP Policy: Generally vote for market repurchase authorities (share repurchase programs) if the terms comply with the following criteria:

- › A repurchase limit of up to 10 percent of outstanding issued share capital;
- › A holding limit of up to 10 percent of a company's issued share capital in treasury ("on the shelf"); and
- › Duration of no more than 5 years, or such lower threshold as may be set by applicable law, regulation, or code of governance best practice.

Authorities to repurchase shares in excess of the 10 percent repurchase limit will be assessed on a case-by-case basis. SSCP may support such share repurchase authorities under special circumstances, which are required to be publicly disclosed by the company, provided that, on balance, the proposal is in shareholders' interests. In such cases, the authority must comply with the following criteria:

- › A holding limit of up to 10 percent of a company's issued share capital in treasury ("on the shelf"); and
- › Duration of no more than 18 months.

In markets where it is normal practice not to provide a repurchase limit, SailingStone will evaluate the proposal based on the company's historical practice. However, SSCP expects companies to disclose such limits and, in the future, may recommend a vote against companies that fail to do so. In such cases, the authority must comply with the following criteria:

- › A holding limit of up to 10 percent of a company's issued share capital in treasury ("on the shelf"); and
- › Duration of no more than 18 months.

In addition, vote against any proposal where:

- › The repurchase can be used for takeover defenses;
- › There is clear evidence of abuse;
- › There is no safeguard against selective buybacks;
- › Pricing provisions and safeguards are deemed to be unreasonable in light of market practice.

Reverse Stock Splits

SSCP Policy: Vote for management proposals to implement a reverse stock split when the number of authorized shares will be proportionately reduced.

Vote against proposals when there is not a proportionate reduction of authorized shares, unless:

- › A stock exchange has provided notice to the company of a potential delisting; or
- › The effective increase in authorized shares is equal to or less than the allowable increase calculated in accordance with the Common Stock Authorization policy.

Share Repurchase Programs

SSCP Policy: Vote for management proposals to institute open-market share repurchase plans in which all shareholders may participate on equal terms.

Stock Distributions: Splits and Dividends

SSCP Policy: Vote for management proposals to increase the common share authorization for a stock split or share dividend, provided that the increase in authorized shares equal to or less than the allowable increase calculated in accordance with the Common Stock Authorization policy.

Tracking Stock

SSCP Policy: Vote case-by-case on the creation of tracking stock, weighing the strategic value of the transaction against such factors as:

- › Adverse governance changes;
- › Excessive increases in authorized capital stock;
- › Unfair method of distribution;
- › Diminution of voting rights;
- › Adverse conversion features;
- › Negative impact on stock option plans; and
- › Alternatives such as spin-off.

Restructuring

Appraisal Rights

SSCP Policy: Vote for proposals to restore or provide shareholders with rights of appraisal.

Asset Purchases

SSCP Policy: Vote case-by-case on asset purchase proposals, considering the following factors:

- › Purchase price;
- › Fairness opinion;
- › Financial and strategic benefits;
- › How the deal was negotiated;
- › Conflicts of interest;
- › Other alternatives for the business;
- › Non-completion risk.

Asset Sales

SSCP Policy: Vote case-by-case on asset sales, considering the following factors:

- › Impact on the balance sheet/working capital;
- › Potential elimination of diseconomies;
- › Anticipated financial and operating benefits;
- › Anticipated use of funds;
- › Value received for the asset;
- › Fairness opinion;
- › How the deal was negotiated;
- › Conflicts of interest.

Bundled Proposals

SSCP Policy: Vote case-by-case on bundled or “conditional” proxy proposals. In the case of items that are conditioned upon each other, examine the benefits and costs of the packaged items. In instances when the joint effect of the conditioned items is not in shareholders’ best interests, vote against the proposals. If the combined effect is positive, support such proposals.

Conversion of Securities

SSCP Policy: Vote case-by-case on proposals regarding conversion of securities. When evaluating these proposals the investor should review the dilution to existing shareholders, the conversion price relative to market value, financial issues, control issues, termination penalties, and conflicts of interest.

Vote for the conversion if it is expected that the company will be subject to onerous penalties or will be forced to file for bankruptcy if the transaction is not approved.

Corporate Reorganization/Debt Restructuring/Prepackaged Bankruptcy Plans/Reverse Leveraged Buyouts/Wrap Plans

SSCP Policy: Vote case-by-case on proposals to increase common and/or preferred shares and to issue shares as part of a debt restructuring plan, after evaluating:

- › Dilution to existing shareholders' positions;
- › Terms of the offer - discount/premium in purchase price to investor, including any fairness opinion; termination penalties; exit strategy;
- › Financial issues - company's financial situation; degree of need for capital; use of proceeds; effect of the financing on the company's cost of capital;
- › Management's efforts to pursue other alternatives;
- › Control issues - change in management; change in control, guaranteed board and committee seats; standstill provisions; voting agreements; veto power over certain corporate actions; and
- › Conflict of interest - arm's length transaction, managerial incentives.

Vote for the debt restructuring if it is expected that the company will file for bankruptcy if the transaction is not approved.

Formation of Holding Company

SSCP Policy: Vote case-by-case on proposals regarding the formation of a holding company, taking into consideration the following:

- › The reasons for the change;
- › Any financial or tax benefits;
- › Regulatory benefits;
- › Increases in capital structure; and
- › Changes to the articles of incorporation or bylaws of the company.

Absent compelling financial reasons to recommend for the transaction, vote against the formation of a holding company if the transaction would include either of the following:

- › Increases in common or preferred stock in excess of the allowable maximum (see discussion under “Capital”); or
- › Adverse changes in shareholder rights.

Going Private and Going Dark Transactions (LBOs and Minority Squeeze-outs)

SSCP Policy: Vote case-by-case on going private transactions, taking into account the following:

- › Offer price/premium;
- › Fairness opinion;
- › How the deal was negotiated;
- › Conflicts of interest;
- › Other alternatives/offers considered; and
- › Non-completion risk.

Vote case-by-case on going dark transactions, determining whether the transaction enhances shareholder value by taking into consideration:

- › Whether the company has attained benefits from being publicly-traded (examination of trading volume, liquidity, and market research of the stock);
- › Balanced interests of continuing vs. cashed-out shareholders, taking into account the following:
 - › Are all shareholders able to participate in the transaction?
 - › Will there be a liquid market for remaining shareholders following the transaction?
 - › Does the company have strong corporate governance?
 - › Will insiders reap the gains of control following the proposed transaction?
 - › Does the state of incorporation have laws requiring continued reporting that may benefit shareholders?

Joint Ventures

SSCP Policy: Vote case-by-case on proposals to form joint ventures, taking into account the following:

- › Percentage of assets/business contributed;
 - › Percentage ownership;
 - › Financial and strategic benefits;
 - › Governance structure;
 - › Conflicts of interest;
 - › Other alternatives; and
 - › Non-completion risk.
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Liquidations

SSCP Policy: Vote case-by-case on liquidations, taking into account the following:

- › Management's efforts to pursue other alternatives;
- › Appraisal value of assets; and
- › The compensation plan for executives managing the liquidation.

Vote for the liquidation if the company will file for bankruptcy if the proposal is not approved.

Mergers and Acquisitions

SSCP Policy: Vote case-by-case on mergers and acquisitions. Review and evaluate the merits and drawbacks of the proposed transaction, balancing various and sometimes countervailing factors including:

- › *Valuation* - Is the value to be received by the target shareholders (or paid by the acquirer) reasonable? While the fairness opinion may provide an initial starting point for assessing valuation reasonableness, emphasis is placed on the offer premium, market reaction and strategic rationale.
- › *Market reaction* - How has the market responded to the proposed deal? A negative market reaction should cause closer scrutiny of a deal.
- › *Strategic rationale* - Does the deal make sense strategically? From where is the value derived? Cost and revenue synergies should not be overly aggressive or optimistic, but reasonably achievable. Management should also have a favorable track record of successful integration of historical acquisitions.
- › *Negotiations and process* - Were the terms of the transaction negotiated at arm's-length? Was the process fair and equitable? A fair process helps to ensure the best price for shareholders. Significant negotiation "wins" can also signify the deal makers' competency. The comprehensiveness of the sales process (*e.g.*, full auction, partial auction, no auction) can also affect shareholder value.
- › *Conflicts of interest* - Are insiders benefiting from the transaction disproportionately and inappropriately as compared to non-insider shareholders? As the result of potential conflicts, the directors and officers of the company may be more likely to vote to approve a merger than if they did not hold these interests. Consider whether these interests may have influenced these directors and officers to support or recommend the merger.
- › *Governance* - Will the combined company have a better or worse governance profile than the current governance profiles of the respective parties to the transaction? If the governance profile is to change for the worse, the burden is on the company to prove that other issues (such as valuation) outweigh any deterioration in governance.

Private Placements/Warrants/Convertible Debentures

SSCP Policy: Vote case-by-case on proposals regarding private placements, warrants, and convertible debentures taking into consideration:

- › Dilution to existing shareholders' position: The amount and timing of shareholder ownership dilution should be weighed against the needs and proposed shareholder benefits of the capital infusion. Although newly issued common stock, absent preemptive rights, is typically dilutive to existing shareholders, share price appreciation is often the necessary event to trigger the exercise of "out of the money" warrants and convertible debt. In these instances from a value standpoint, the negative impact of dilution is mitigated by the increase in the company's stock price that must occur to trigger the dilutive event.
- › Terms of the offer (discount/premium in purchase price to investor, including any fairness opinion, conversion features, termination penalties, exit strategy):
 - › The terms of the offer should be weighed against the alternatives of the company and in light of company's financial condition. Ideally, the conversion price for convertible debt and the exercise price for warrants should be at a premium to the then prevailing stock price at the time of private placement.

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- › When evaluating the magnitude of a private placement discount or premium, consider factors that influence the discount or premium, such as, liquidity, due diligence costs, control and monitoring costs, capital scarcity, information asymmetry and anticipation of future performance.
 - › Financial issues:
 - › The company's financial condition;
 - › Degree of need for capital;
 - › Use of proceeds;
 - › Effect of the financing on the company's cost of capital;
 - › Current and proposed cash burn rate;
 - › Going concern viability and the state of the capital and credit markets.
 - › Management's efforts to pursue alternatives and whether the company engaged in a process to evaluate alternatives: A fair, unconstrained process helps to ensure the best price for shareholders. Financing alternatives can include joint ventures, partnership, merger or sale of part or all of the company.
 - › Control issues:
 - › Change in management;
 - › Change in control;
 - › Guaranteed board and committee seats;
 - › Standstill provisions;
 - › Voting agreements;
 - › Veto power over certain corporate actions; and
 - › Minority versus majority ownership and corresponding minority discount or majority control premium
 - › Conflicts of interest:
 - › Conflicts of interest should be viewed from the perspective of the company and the investor.
 - › Were the terms of the transaction negotiated at arm's length? Are managerial incentives aligned with shareholder interests?
 - › Market reaction:
 - › The market's response to the proposed deal. A negative market reaction is a cause for concern. Market reaction may be addressed by analyzing the one day impact on the unaffected stock price.

Vote for the private placement, or for the issuance of warrants and/or convertible debentures in a private placement, if it is expected that the company will file for bankruptcy if the transaction is not approved.

Reorganization/Restructuring Plan (Bankruptcy)

SSCP Policy: Vote case-by-case on proposals to common shareholders on bankruptcy plans of reorganization, considering the following factors including, but not limited to:

- › Estimated value and financial prospects of the reorganized company;
- › Percentage ownership of current shareholders in the reorganized company;
- › Whether shareholders are adequately represented in the reorganization process (particularly through the existence of an Official Equity Committee);
- › The cause(s) of the bankruptcy filing, and the extent to which the plan of reorganization addresses the cause(s);
- › Existence of a superior alternative to the plan of reorganization; and
- › Governance of the reorganized company.

Special Purpose Acquisition Corporations (SPACs)

SSCP Policy: Vote case-by-case on SPAC mergers and acquisitions taking into account the following:

- › Valuation—Is the value being paid by the SPAC reasonable? SPACs generally lack an independent fairness opinion and the financials on the target may be limited. Compare the conversion price with the intrinsic value of the target company provided in the fairness opinion. Also, evaluate the proportionate value of the combined entity attributable to the SPAC IPO shareholders versus the pre-merger value of SPAC. Additionally, a private company discount may be applied to the target, if it is a private entity.
- › Market reaction—How has the market responded to the proposed deal? A negative market reaction may be a cause for concern. Market reaction may be addressed by analyzing the one-day impact on the unaffected stock price.
- › Deal timing—A main driver for most transactions is that the SPAC charter typically requires the deal to be complete within 18 to 24 months, or the SPAC is to be liquidated. Evaluate the valuation, market reaction, and potential conflicts of interest for deals that are announced close to the liquidation date.
- › Negotiations and process—What was the process undertaken to identify potential target companies within specified industry or location specified in charter? Consider the background of the sponsors.
- › Conflicts of interest—How are sponsors benefiting from the transaction compared to IPO shareholders? Potential conflicts could arise if a fairness opinion is issued by the insiders to qualify the deal rather than a third party or if management is encouraged to pay a higher price for the target because of an 80% rule (the charter requires that the fair market value of the target is at least equal to 80% of net assets of the SPAC). Also, there may be sense of urgency by the management team of the SPAC to close the deal since its charter typically requires a transaction to be completed within the 18-24 month timeframe.
- › Voting agreements—Are the sponsors entering into any voting agreements/ tender offers with shareholders who are likely to vote against the proposed merger or exercise conversion rights?
- › Governance—What is the impact of having the SPAC CEO or founder on key committees following the proposed merger?

Spin-offs

SSCP Policy: Vote case-by-case on spin-offs, considering:

- › Tax and regulatory advantages;
- › Planned use of the sale proceeds;
- › Valuation of spinoff;
- › Fairness opinion;
- › Benefits to the parent company;
- › Conflicts of interest;
- › Managerial incentives;
- › Corporate governance changes;
- › Changes in the capital structure.

Value Maximization Shareholder Proposals

SSCP Policy: Vote case-by-case on shareholder proposals seeking to maximize shareholder value by:

- › Hiring a financial advisor to explore strategic alternatives;
- › Selling the company; or
- › Liquidating the company and distributing the proceeds to shareholders.

These proposals should be evaluated based on the following factors:

- › Prolonged poor performance with no turnaround in sight;
- › Signs of entrenched board and management (such as the adoption of takeover defenses);

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- › Strategic plan in place for improving value;
 - › Likelihood of receiving reasonable value in a sale or dissolution; and
 - › The company actively exploring its strategic options, including retaining a financial advisor.

5. COMPENSATION

Executive Pay Evaluation

Underlying all evaluations are five global principles that SailingStone expects corporations to adhere to in designing and administering executive and director compensation programs:

1. Maintain appropriate pay-for-performance alignment, with emphasis on long-term economic value creation: This principle encompasses overall executive pay practices, which must be designed to attract, retain, and appropriately motivate the key employees who drive shareholder value creation over the long term. It will take into consideration, among other factors, the link between pay and performance; the mix between fixed and variable pay; performance goals; and equity-based plan costs;
2. Avoid arrangements that risk “pay for failure”: This principle addresses the appropriateness of long or indefinite contracts, excessive severance packages, and guaranteed compensation;
3. Maintain an independent and effective compensation committee: This principle promotes oversight of executive pay programs by directors with appropriate skills, knowledge, experience, and a sound process for compensation decision-making (*e.g.*, including access to independent expertise and advice when needed);
4. Provide shareholders with clear, comprehensive compensation disclosures: This principle underscores the importance of informative and timely disclosures that enable shareholders to evaluate executive pay practices fully and fairly;
5. Avoid inappropriate pay to non-executive directors: This principle recognizes the interests of shareholders in ensuring that compensation to outside directors does not compromise their independence and ability to make appropriate judgments in overseeing managers’ pay and performance. At the market level, it may incorporate a variety of generally accepted best practices.

Advisory Votes on Executive Compensation—Management Proposals (Management Say-on-Pay)

SSCP Policy: Vote case-by-case on ballot items related to executive pay and practices, as well as certain aspects of outside director compensation.

Vote against Advisory Votes on Executive Compensation (Management Say-on-Pay—MSOP) if:

- › There is a significant misalignment between CEO pay and company performance ([pay for performance](#));
- › The company maintains significant [problematic pay practices](#);
- › The board exhibits a significant level of [poor communication and responsiveness](#) to shareholders.

Vote against or withhold from the members of the Compensation Committee and potentially the full board if:

- › There is no MSOP on the ballot, and an against vote on an MSOP is warranted due to pay for performance misalignment, problematic pay practices, or the lack of adequate responsiveness on compensation issues raised previously, or a combination thereof;
- › The board fails to respond adequately to a previous MSOP proposal that received less than 70 percent support of votes cast;
- › The company has recently practiced or approved problematic pay practices;
- › The situation is egregious.

Primary Evaluation Factors for Executive Pay

Pay-for-Performance Evaluation

SSCP annually conducts a pay-for-performance analysis to identify strong or satisfactory alignment between pay and performance over a sustained period. This analysis considers the following performance-related factors:

- › Estimates of cash-on-cash returns on incremental capital;
- › Estimates of changes in economic value on a debt-adjusted, per-share basis;
- › Performance against ESG objectives and standards;
- › Project execution;
- › Balance sheet management.

Problematic Pay Practices

The focus is on executive compensation practices that create a misalignment between management and shareholders, including:

- › Problematic practices related to non-performance-based compensation elements;
- › Incentives that may motivate excessive risk-taking specifically related to production and/or reserve growth targets and relative TSR;
- › Executive compensation plans that include stock options as a part of total compensation. SailingStone believes in the elimination of options from compensation schemes due to their asymmetric risk/reward profile; and
- › Equity awards which rely heavily on time-vested performance units.

Problematic Pay Practices related to Non-Performance-Based Compensation Elements

Pay elements that are not directly based on performance are generally evaluated case-by-case considering the context of a company's overall pay program and demonstrated pay-for-performance philosophy. The list below highlights the problematic practices that carry significant weight in this overall consideration and may result in adverse vote recommendations:

- › Repricing or replacing of underwater stock options/SARS without prior shareholder approval (including cash buyouts and voluntary surrender of underwater options);
- › Excessive perquisites or tax gross-ups, including any gross-up related to a secular trust or restricted stock vesting;
- › New or extended agreements that provide for:
 - › CIC payments exceeding 3 times base salary and average/target/most recent bonus;
 - › CIC severance payments without involuntary job loss or substantial diminution of duties ("single" or "modified single" triggers);
 - › CIC payments with excise tax gross-ups (including "modified" gross-ups).
- › Insufficient executive compensation disclosure by externally-managed issuers (EMIs) such that a reasonable assessment of pay programs and practices applicable to the EMI's executives is not possible.

Incentives that may Motivate Excessive Risk-Taking

- › Multi-year guaranteed bonuses;
- › A single or common performance metric used for short- and long-term plans, particularly those related to absolute growth targets or relative TSR;
- › The use of options in equity awards;
- › Lucrative severance packages;

- › High pay opportunities relative to industry peers;
- › Disproportionate supplemental pensions; or
- › Mega annual equity grants that provide unlimited upside with no downside risk.

Factors that potentially mitigate the impact of risky incentives include rigorous claw-back provisions and robust stock ownership/holding guidelines.

Compensation Committee Communications and Responsiveness

Consider the following factors case-by-case when evaluating ballot items related to executive pay on the board's responsiveness to investor input and engagement on compensation issues:

- › Failure to respond to majority-supported shareholder proposals on executive pay topics; or
- › Failure to adequately respond to the company's previous say-on-pay proposal that received the support of less than 70 percent of votes cast, taking into account:
 - › The company's response, including:
 - › Disclosure of engagement efforts with major institutional investors regarding the issues that contributed to the low level of support;
 - › Specific actions taken to address the issues that contributed to the low level of support;
 - › Other recent compensation actions taken by the company;
 - › Whether the issues raised are recurring or isolated;
 - › The company's ownership structure; and
 - › Whether the support level was less than 50 percent, which would warrant the highest degree of responsiveness.

Frequency of Advisory Vote on Executive Compensation ("Say When on Pay")

SSCP Policy: Vote for annual advisory votes on compensation, which provide the most consistent and clear communication channel for shareholder concerns about companies' executive pay programs.

Voting on Golden Parachutes in an Acquisition, Merger, Consolidation, or Proposed Sale

SSCP Policy: Vote case-by-case on say on Golden Parachute proposals, including consideration of existing change-in-control arrangements maintained with named executive officers rather than focusing primarily on new or extended arrangements.

Features that may result in an "against" recommendation include one or more of the following, depending on the number, magnitude, and/or timing of issue(s):

- › Excessive Ratio of compensation upon CIC vs. vested/owned equity or ownership requirements (>3x)
- › Single- or modified-single-trigger cash severance;
- › Single-trigger acceleration of unvested equity awards;
- › Excessive cash severance (>3x base salary and bonus);
- › Excise tax gross-ups triggered and payable (as opposed to a provision to provide excise tax gross-ups);
- › Excessive golden parachute payments (on an absolute basis or as a percentage of transaction equity value); or
- › Recent amendments that incorporate any problematic features (such as those above) or recent actions (such as extraordinary equity grants) that may make packages so attractive as to influence merger agreements that may not be in the best interests of shareholders; or
- › The company's assertion that a proposed transaction is conditioned on shareholder approval of the golden parachute advisory vote.

Recent amendment(s) that incorporate problematic features will tend to carry more weight on the overall analysis. However, the presence of multiple legacy problematic features will also be closely scrutinized.

In cases where the golden parachute vote is incorporated into a company's advisory vote on compensation (management say-on-pay), the say-on-pay proposal will be evaluated in accordance with these guidelines, which may give higher weight to that component of the overall evaluation.

Equity-Based and Other Incentive Plans

SSCP Policy: Vote case-by-case on certain equity-based compensation plans⁷ depending on a combination of certain plan features and equity grant practices, where positive factors may counterbalance negative factors, and vice versa, as evaluated using an "equity plan scorecard" (EPSC) approach with three pillars:

- › **Plan Cost:** The total estimated cost of the company's equity plans, measured by the company's estimated Shareholder Value Transfer (SVT) in relation to economic value added and peers, considering both:
 - › SVT based on new shares requested plus shares remaining for future grants, plus outstanding unvested/unexercised grants; and
 - › SVT based only on new shares requested plus shares remaining for future grants.

- › **Plan Features:**
 - › Automatic single-triggered award vesting upon a change in control (CIC);
 - › Discretionary vesting authority;
 - › Liberal share recycling on various award types;
 - › Lack of minimum vesting period for grants made under the plan;
 - › Availability of options as an award type under the plan;
 - › Lack of aggregate plan limit for restricted stock units (RSUs).

- › **Grant Practices:**
 - › The company's three year burn rate exceeds 2% of diluted shares outstanding
 - › The proportion of restricted stock awards granted over the previous two years that are performance-based
 - › Vesting requirements in most recent CEO equity grants (3-year look-back)
 - › The estimated duration of the plan (based on the sum of shares remaining available and the new shares requested, divided by the average annual shares granted in the prior three years);
 - › The proportion of the CEO's most recent equity grants/awards subject to performance conditions;
 - › Whether the company maintains a claw-back policy;
 - › Whether the company has established post exercise/vesting share-holding requirements.

Generally vote against the plan proposal if the combination of above factors indicates that the plan is not, overall, in shareholders' interests, or if any of the following egregious factors apply:

- › Awards may vest in connection with a liberal change-of-control definition;
- › The plan would permit repricing or cash buyout of underwater options without shareholder approval (either by expressly permitting it – for NYSE and Nasdaq listed companies -- or by not prohibiting it when the company has a history of repricing – for non-listed companies);

⁷ Proposals evaluated under the EPSC policy generally include those to approve or amend (1) stock option plans for employees and/or employees and directors, (2) restricted stock plans for employees and/or employees and directors, and (3) omnibus stock incentive plans for employees and/or employees and directors.

- › The plan is a vehicle for problematic pay practices, or a significant pay-for-performance disconnect under certain circumstances; or
- › Any other plan features are determined to have a significant negative impact on shareholder interests.

Plan Cost

SSCP Policy: Generally vote against equity plans if the cost is unreasonable. For non-employee director plans, vote for the plan if certain factors are met (see [Director Compensation](#) section).

Shareholder Value Transfer (SVT)

The cost of the equity plans is expressed as Shareholder Value Transfer (SVT), which is measured using a binomial option pricing model that assesses the amount of shareholders' equity flowing out of the company to employees and directors. SVT is expressed as both a dollar amount and as a percentage of market value, and includes the new shares proposed, shares available under existing plans, and shares granted but unexercised (using two measures, in the case of plans subject to the Equity Plan Scorecard evaluation, as noted above). All award types are valued. For omnibus plans, unless limitations are placed on the most expensive types of awards (for example, full value awards), the assumption is made that all awards to be granted will be the most expensive types. See discussion of specific types of awards.

Except for proposals subject to Equity Plan Scorecard evaluation, Shareholder Value Transfer is reasonable if it is generally reflective of the amount of economic value that a company has created for its owners on a debt-adjusted, per-share basis over a three- to five-year time frame. SVT, calculated per the methodology described above, will be compared to SailingStone's estimate of economic value creation to determine whether the equity plan is consistent with a sharing of value either created or destroyed between shareholders and management.

Egregious Factors

Liberal Change in Control Definition

Generally vote against equity plans if the plan has a liberal definition of change in control and the equity awards could vest upon such liberal definition of change-in-control, even though an actual change in control may not occur. Examples of such a definition include, but are not limited to, announcement or commencement of a tender offer, provisions for acceleration upon a "potential" takeover, shareholder approval of a merger or other transactions, or similar language.

Repricing Provisions

Vote against plans that expressly permit the repricing or exchange of underwater stock options/stock appreciate rights (SARs) without prior shareholder approval. "Repricing" includes the ability to do any of the following:

- › Amend the terms of outstanding options or SARs to reduce the exercise price of such outstanding options or SARs;
- › Cancel outstanding options or SARs in exchange for options or SARs with an exercise price that is less than the exercise price of the original options or SARs.

Also, vote against or withhold from members of the Compensation Committee who approved and/or implemented a repricing or an option/SAR exchange program, by buying out underwater options/SARs for stock, cash or other consideration or canceling underwater options/SARs and regrating options/SARs with a lower exercise price, without prior shareholder approval, even if such repricings are allowed in their equity plan.

Vote against plans if the company has a history of repricing without shareholder approval, and the applicable listing standards would not preclude them from doing so.

Problematic Pay Practices or Significant Pay-for-Performance Disconnect

If the equity plan on the ballot is a vehicle for [problematic pay practices](#), vote against the plan.

If a significant portion of the CEO's misaligned pay is attributed to non-performance-based equity awards, and there is an equity plan on the ballot with the CEO as one of the participants, SailingStone may vote against the equity plan. Considerations in voting against the equity plan may include, but are not limited to:

- › Magnitude of pay misalignment;
- › Contribution of non-performance-based equity grants to overall pay (max 20% time-vested RSU); and
- › The proportion of equity awards granted in the last three fiscal years concentrated at the named executive officer level.

Amending Cash and Equity Plans (including Approval for Tax Deductibility (162(m)))

SSCP Policy: Vote case-by-case on amendments to cash and equity incentive plans.

Generally vote for proposals to amend executive cash, stock, or cash and stock incentive plans if the proposal:

- › Addresses administrative features only; or
- › Seeks approval for Section 162(m) purposes only, and the plan administering committee consists entirely of independent outsiders, per [ISS' Categorization of Directors](#). Note that if the company is presenting the plan to shareholders for the first time after the company's initial public offering (IPO), or if the proposal is bundled with other material plan amendments, then the recommendation will be case-by-case (see below).

Vote against proposals to amend executive cash, stock, or cash and stock incentive plans if the proposal:

- › Seeks approval for Section 162(m) purposes only, and the plan administering committee does not consist entirely of independent outsiders, per [ISS' Categorization of Directors](#).

Vote case-by-case on all other proposals to amend cash incentive plans. This includes plans presented to shareholders for the first time after the company's IPO and/or proposals that bundle material amendment(s) other than those for Section 162(m) purposes.

Vote case-by-case on all other proposals to amend equity incentive plans, considering the following:

- › If the proposal requests additional shares and/or the amendments may potentially increase the transfer of shareholder value to employees, the recommendation will be based on the Equity Plan Scorecard evaluation as well as an analysis of the overall impact of the amendments.
- › If the plan is being presented to shareholders for the first time after the company's IPO, whether or not additional shares are being requested, the recommendation will be based on the Equity Plan Scorecard evaluation as well as an analysis of the overall impact of any amendments.
- › If there is no request for additional shares and the amendments are not deemed to potentially increase the transfer of shareholder value to employees, then the recommendation will be based entirely on an analysis of the overall impact of the amendments, and the EPSC evaluation will be shown for informational purposes.

In the first two case-by-case evaluation scenarios, the EPSC evaluation/score is the more heavily weighted consideration.

Other Compensation Plans

401(k) Employee Benefit Plans

SSCP Policy: Vote for proposals to implement a 401(k) savings plan for employees.

Employee Stock Ownership Plans (ESOPs)

SSCP Policy: Vote for proposals to implement an ESOP or increase authorized shares for existing ESOPs, unless the number of shares allocated to the ESOP is excessive (more than five percent of outstanding shares).

Employee Stock Purchase Plans—Qualified Plans

SSCP Policy: Vote case-by-case on qualified employee stock purchase plans. Vote for employee stock purchase plans where all of the following apply:

- › Purchase price is at least 85 percent of fair market value;
- › Offering period is 27 months or less; and
- › The number of shares allocated to the plan is 10 percent or less of the outstanding shares.

Vote against qualified employee stock purchase plans where any of the following apply:

- › Purchase price is less than 85 percent of fair market value; or
- › Offering period is greater than 27 months; or
- › The number of shares allocated to the plan is more than ten percent of the outstanding shares.

Employee Stock Purchase Plans— Non-Qualified Plans

SSCP Policy: Vote case-by-case on nonqualified employee stock purchase plans. Vote for nonqualified employee stock purchase plans with all the following features:

- › Broad-based participation (*i.e.*, all employees of the company with the exclusion of individuals with 5 percent or more of beneficial ownership of the company);
- › Limits on employee contribution, which may be a fixed dollar amount or expressed as a percent of base salary;
- › Company matching contribution up to 25 percent of employee's contribution, which is effectively a discount of 20 percent from market value;
- › No discount on the stock price on the date of purchase since there is a company matching contribution.

Vote against nonqualified employee stock purchase plans when any of the plan features do not meet the above criteria. If the company matching contribution exceeds 25 percent of employee's contribution, evaluate the cost of the plan against its allowable cap.

Stock Plans in Lieu of Cash

SSCP Policy: Vote case-by-case on plans that provide participants with the option of taking all or a portion of their cash compensation in the form of stock:

Vote for non-employee director-only equity plans that provide a dollar-for-dollar cash-for-stock exchange.

Vote case-by-case on plans which do not provide a dollar-for-dollar cash for stock exchange. In cases where the exchange is not dollar-for-dollar, the request for new or additional shares for such equity program will be considered using the binomial option pricing model. In an effort to capture the total cost of total compensation, no adjustments will be made to carve out the in-lieu-of cash compensation.

Director Compensation

Shareholder Ratification of Director Pay Programs

SSCP Policy: Vote case-by-case on management proposals seeking ratification of non-employee director compensation, based on the following factors:

- › If the equity plan under which non-employee director grants are made is on the ballot, whether or not it warrants support; and
- › An assessment of the following qualitative factors:
 - › The relative magnitude of director compensation as compared to companies of a similar profile;
 - › The presence of problematic pay practices relating to director compensation (such as the use of options);
 - › Director stock ownership guidelines and holding requirements;
 - › Equity award vesting schedules;
 - › The mix of cash and equity-based compensation with a maximum cash portion of 50%;
 - › Meaningful limits on director compensation;
 - › The availability of retirement benefits or perquisites; and
 - › The quality of disclosure surrounding director compensation.

Equity Plans for Non-Employee Directors

SSCP Policy: Vote case-by-case on compensation plans for non-employee directors, based on:

- › The total estimated cost of the company's equity plans relative to industry/market cap peers, measured by the company's estimated Shareholder Value Transfer (SVT) based on new shares requested plus shares remaining for future grants, plus outstanding unvested/unexercised grants;
- › The company's three-year burn rate relative to its industry/market cap peers; and
- › The presence of any egregious plan features (such as an option repricing provision or liberal CIC vesting risk).

On occasion, director stock plans will exceed the plan cost or burn-rate benchmarks when combined with employee or executive stock plans. In such cases, vote case-by-case on the plan taking into consideration the following qualitative factors:

- › The relative magnitude of director compensation as compared to companies of a similar profile;
- › The presence of problematic pay practices relating to director compensation (such as the use of options);
- › Director stock ownership guidelines and holding requirements;
- › Equity award vesting schedules;
- › The mix of cash and equity-based compensation with a maximum cash portion of 50%;
- › Meaningful limits on director compensation;
- › The availability of retirement benefits or perquisites; and
- › The quality of disclosure surrounding director compensation.

Non-Employee Director Retirement Plans

SSCP Policy: Vote against retirement plans for non-employee directors.

Vote for shareholder proposals to eliminate retirement plans for non-employee directors.

Shareholder Proposals on Compensation

Adopt Anti-Hedging/Pledging/Speculative Investments Policy

SSCP Policy: Generally vote for proposals seeking a policy that prohibits named executive officers from engaging in derivative or speculative transactions involving company stock, including hedging, holding stock in a margin account, or pledging stock as collateral for a loan. However, the company's existing policies regarding responsible use of company stock will be considered.

Bonus Banking/Bonus Banking "Plus"

SSCP Policy: Vote case-by-case on proposals seeking deferral of a portion of annual bonus pay, with ultimate payout linked to sustained results for the performance metrics on which the bonus was earned (whether for the named executive officers or a wider group of employees), taking into account the following factors:

- › The company's past practices regarding equity and cash compensation;
- › Whether the company has a holding period or stock ownership requirements in place, such as a meaningful retention ratio (at least 50 percent for full tenure); and
- › Whether the company has a rigorous claw-back policy in place.

Compensation Consultants—Disclosure of Board or Company's Utilization

SSCP Policy: Generally vote for shareholder proposals seeking disclosure regarding the Company, Board, or Compensation Committee's use of compensation consultants, such as company name, business relationship(s), and fees paid.

Disclosure/Setting Levels or Types of Compensation for Executives and Directors

SSCP Policy: Generally vote for shareholder proposals seeking additional disclosure of executive and director pay information, provided the information requested is relevant to shareholders' needs, would not put the company at a competitive disadvantage relative to its industry, and is not unduly burdensome to the company.

Vote against shareholder proposals seeking to set absolute levels on compensation or otherwise dictate the amount or form of compensation.

Vote for shareholder proposals seeking to eliminate stock options as part of equity grants to employees or directors.

Generally vote for shareholder proposals requiring director fees be paid in stock only.

Generally vote for shareholder proposals that mandate a minimum amount of stock that directors must own in order to qualify as a director or to remain on the board.

Vote case-by-case on all other shareholder proposals regarding executive and director pay, taking into account company performance, pay level and design, history of compensation concerns, and/or the scope and prescriptive nature of the proposal.

Golden Coffins/Executive Death Benefits

SSCP Policy: Generally vote for proposals calling companies to adopt a policy of obtaining shareholder approval for any future agreements and corporate policies that could oblige the company to make payments or awards following the death of a senior executive in the form of unearned salary or bonuses, accelerated vesting or the continuation in force of unvested equity grants, perquisites and other payments or awards made in lieu of compensation. This would not apply to any benefit programs or equity plan proposals that the broad-based employee population is eligible.

Hold Equity Past Retirement or for a Significant Period of Time

SSCP Policy: Vote case-by-case on shareholder proposals asking companies to adopt policies requiring senior executive officers to retain all or a significant portion of the shares acquired through compensation plans. The following factors will be taken into account:

- › The percentage/ratio of net shares required to be retained;
- › The time period required to retain the shares;
- › Whether the company has equity retention, holding period, and/or stock ownership requirements in place and the robustness of such requirements;
- › A rigorous retention ratio should constitute at least 50 percent of the stock received from equity awards (on a net proceeds basis) held on a long term basis, such as the executive's tenure with the company or even a few years past the executive's termination with the company.
- › A rigorous stock ownership guideline should be at least 3x trailing 3 year average cash compensation for the CEO, with multiple declining for other executives.
- › Whether the company has any other policies aimed at mitigating risk taking by executives;
- › Executives' actual stock ownership and the degree to which it meets or exceeds the proponent's suggested holding period/retention ratio or the company's existing requirements; and
- › Problematic pay practices, current and past, which may demonstrate a short-term versus long-term focus.

Non-Deductible Compensation

SSCP Policy: Generally vote for proposals seeking disclosure of the extent to which the company paid non-deductible compensation to senior executives due to Internal Revenue Code Section 162(m), while considering the company's existing disclosure practices.

Pay Disparity

SSCP Policy: Generally vote case-by-case on proposals calling for an analysis of the pay disparity between corporate executives and other non-executive employees. The following factors will be considered:

- › The company's current level of disclosure of its executive compensation setting process, including how the company considers pay disparity;
- › If any problematic pay practices or pay-for-performance concerns have been identified at the company; and
- › The level of shareholder support for the company's pay programs.

Generally vote against proposals calling for the company to use the pay disparity analysis or pay ratio in a specific way to set or limit executive pay.

Pay for Performance/Performance-Based Awards

SSCP Policy: Vote case-by-case on shareholder proposals requesting that a significant amount of future long-term incentive compensation awarded to senior executives shall be performance-based and requesting that the board adopt and disclose challenging performance metrics to shareholders, based on the following analytical steps:

- › First, vote for shareholder proposals advocating the use of performance-based equity awards unless the proposal is overly restrictive or if the company has demonstrated that it is using a "substantial" portion of performance-based awards for its top executives. Standard performance-accelerated awards do not meet the criteria to be considered as performance-based awards.
- › Second, assess the rigor of the company's performance-based equity program. If the bar set for the performance-based program is too low based on the company's historical or peer group comparison, generally vote for the proposal. Furthermore, if target performance results in an above target payout, vote for the shareholder proposal due to program's poor design. If the company does not disclose the

performance metric of the performance-based equity program, vote for the shareholder proposal regardless of the outcome of the first step to the test.

In general, vote for the shareholder proposal if the company does not meet both of the above two steps.

Pay for Superior Performance

SSCP Policy: Vote case-by-case on shareholder proposals that request the board establish a pay-for-superior performance standard in the company's executive compensation plan for senior executives. These proposals generally include the following principles:

- › Set compensation targets for the plan's annual and long-term incentive pay components to be consistent with returns on capital and economic value creation;
- › Deliver a majority of the plan's target long-term compensation through performance-vested, not simply time-vested, equity awards;
- › Provide the strategic rationale and relative weightings of the financial and non-financial performance metrics or criteria used in the annual and performance-vested long-term incentive components of the plan;
- › Establish performance targets for each plan financial metric;
- › Limit payment under the annual and performance-vested long-term incentive components of the plan to when the company's performance on its selected performance metrics exceeds established targets.

Consider the following factors in evaluating this proposal:

- › What aspects of the company's annual and long-term equity incentive programs are performance driven?
- › If the annual and long-term equity incentive programs are performance driven, are the performance criteria and hurdle rates disclosed to shareholders or are they benchmarked against a disclosed peer group?
- › Can shareholders assess the correlation between pay and performance based on the current disclosure?
- › What type of industry and stage of business cycle does the company belong to?

Pre-Arranged Trading Plans (10b5-1 Plans)

SSCP Policy: Generally vote for shareholder proposals calling for certain principles regarding the use of prearranged trading plans (10b5-1 plans) for executives. These principles include:

- › Adoption, amendment, or termination of a 10b5-1 Plan must be disclosed within two business days in a Form 8-K;
- › Amendment or early termination of a 10b5-1 Plan is allowed only under extraordinary circumstances, as determined by the board;
- › Ninety days must elapse between adoption or amendment of a 10b5-1 Plan and initial trading under the plan;
- › Reports on Form 4 must identify transactions made pursuant to a 10b5-1 Plan;
- › An executive may not trade in company stock outside the 10b5-1 Plan.
- › Trades under a 10b5-1 Plan must be handled by a broker who does not handle other securities transactions for the executive.

Prohibit CEOs from Serving on Compensation Committees

SSCP Policy: Generally vote against proposals seeking a policy to prohibit any outside CEO from serving on a company's compensation committee, unless the company has demonstrated problematic pay practices that raise concerns about the performance and composition of the committee.

Recoupment of Incentive or Stock Compensation in Specified Circumstances

SSCP Policy: Vote case-by-case on proposals to recoup incentive cash or stock compensation made to senior executives if it is later determined that the figures upon which incentive compensation is earned turn out to have been in error, or if the senior executive has breached company policy or has engaged in misconduct that may be significantly detrimental to the company's financial position or reputation, or if the senior executive failed to manage or monitor risks that subsequently led to significant financial or reputational harm to the company. Many companies have adopted policies that permit recoupment in cases where an executive's fraud, misconduct, or negligence significantly contributed to a restatement of financial results that led to the awarding of unearned incentive compensation. However, such policies may be narrow given that not all misconduct or negligence may result in significant financial restatements. Misconduct, negligence or lack of sufficient oversight by senior executives may lead to significant financial loss or reputational damage that may have long-lasting impact.

In considering whether to support such shareholder proposals, the following factors will be taken into consideration:

- › If the company has adopted a formal recoupment policy;
- › The rigor of the recoupment policy focusing on how and under what circumstances the company may recoup incentive or stock compensation;
- › Whether the company has chronic restatement history or material financial problems;
- › Whether the company's policy substantially addresses the concerns raised by the proponent;
- › Disclosure of recoupment of incentive or stock compensation from senior executives or lack thereof; or
- › Any other relevant factors.

Severance Agreements for Executives/Golden Parachutes

SSCP Policy: Vote for shareholder proposals requiring that golden parachutes or executive severance agreements be submitted for shareholder ratification, unless the proposal requires shareholder approval *prior* to entering into employment contracts.

Vote case-by-case on proposals to ratify or cancel golden parachutes. An acceptable parachute should include, but is not limited to, the following:

- › The triggering mechanism should be beyond the control of management;
- › The amount should not exceed three times base amount (defined as the average annual taxable W-2 compensation during the five years prior to the year in which the change of control occurs);
- › Change-in-control payments should be double-triggered, *i.e.*, (1) after a change in control has taken place, and (2) termination of the executive as a result of the change in control. Change in control is defined as a change in the company ownership structure.

Share Buyback Holding Periods

SSCP Policy: Generally vote against shareholder proposals prohibiting executives from selling shares of company stock during periods in which the company has announced that it may or will be repurchasing shares of its stock. Vote for the proposal when there is a pattern of abuse by executives exercising options or selling shares during periods of share buybacks.

Supplemental Executive Retirement Plans (SERPs)

SSCP Policy: Generally vote for shareholder proposals requesting to put extraordinary benefits contained in SERP agreements to a shareholder vote unless the company's executive pension plans do not contain excessive benefits beyond what is offered under employee-wide plans.

Generally vote for shareholder proposals requesting to limit the executive benefits provided under the company's supplemental executive retirement plan (SERP) by limiting covered compensation to a senior executive's annual salary

and excluding of all incentive or bonus pay from the plan's definition of covered compensation used to establish such benefits.

Tax Gross-Up Proposals

SSCP Policy: Generally vote for proposals calling for companies to adopt a policy of not providing tax gross-up payments to executives, except in situations where gross-ups are provided pursuant to a plan, policy, or arrangement applicable to management employees of the company, such as a relocation or expatriate tax equalization policy.

Termination of Employment Prior to Severance Payment/Eliminating Accelerated Vesting of Unvested Equity

SSCP Policy: Vote case-by-case on shareholder proposals seeking a policy requiring termination of employment prior to severance payment and/or eliminating accelerated vesting of unvested equity.

The following factors will be considered:

- › The company's current treatment of equity upon employment termination and/or in change-of-control situations (i.e. vesting is double triggered and/or pro rata, does it allow for the assumption of equity by acquiring company, the treatment of performance shares, etc.);
- › Current employment agreements, including potential poor pay practices such as gross-ups embedded in those agreements.

Generally vote for proposals seeking a policy that prohibits acceleration of the vesting of equity awards to senior executives upon a voluntary termination of employment or in the event of a change in control (except for pro rata vesting considering the time elapsed and attainment of any related performance goals between the award date and the change in control).

6. SOCIAL/ENVIRONMENTAL ISSUES

Overall Approach

Due to the complexity associated with most environmental, social, and governance considerations (“ESG”), SailingStone does not employ screens when evaluating ESG policies and track records for individual companies and management teams. Instead, we incorporate an assessment of ESG-related issues as a fundamental component of our vetting process. SailingStone supports standards-based ESG shareholder proposals that enhance long-term shareholder value and reduce risks while providing greater transparency and/or adherence to internationally recognized standards and principles.

SSCP Policy: In determining our vote recommendation on standardized ESG reporting shareholder proposals, we also analyze the following factors:

- › Whether the proposal itself is well framed and reasonable;
- › Whether adoption of the proposal would have either a positive or negative impact on the company's short-term or long-term share value;
- › The percentage of sales, assets and earnings affected;
- › Whether the company has already responded in some appropriate manner to the request embodied in a proposal;
- › Whether the company's analysis and voting recommendation to shareholders is persuasive;
- › What other companies have done in response to the issue addressed in the proposal;
- › Whether implementation of the proposal would achieve the objectives sought in the proposal; and
- › The degree to which the company's stated position on the issues raised in the proposal could affect its reputation or license to operate.

Endorsement of Principles

SSCP Policy: Generally vote against proposals seeking a company's endorsement of principles that support a particular public policy position. Endorsing a set of principles may require a company to take a stand on an issue that is beyond its own control and may limit its flexibility with respect to future developments. Management and the board should be afforded the flexibility to make decisions on specific public policy positions based on their own assessment of the most beneficial strategies for the company.

Reports on Potentially Controversial Business/Financial Practices

SSCP Policy: Vote case-by-case on requests for reports on a company's potentially controversial business or financial practices or products, taking into account:

- › Whether the company has adequately disclosed mechanisms in place to prevent abuses;
- › Whether the company has adequately disclosed the financial risks of the products/practices in question;
- › Whether the company has been subject to violations of related laws or serious controversies; and
- › Peer companies' policies/practices in this area.

Health Pandemics

SSCP Policy: Vote case-by-case on requests for reports outlining the impact of health pandemics (such as HIV/AIDS, malaria, tuberculosis, and avian flu) on the company's operations and how the company is responding to the situation, taking into account:

- › The scope of the company's operations in the affected/relevant area(s);
- › The company's existing healthcare policies, including benefits and healthcare access; and
- › Company donations to relevant healthcare providers.

Vote against proposals asking companies to establish, implement, and report on a standard of response to health pandemics (such as HIV/AIDS, malaria, tuberculosis, and avian flu), unless the company has significant operations in the affected markets and has failed to adopt policies and/or procedures to address these issues comparable to those of industry peers.

Product Safety and Toxic/Hazardous Materials

SSCP Policy: Generally vote for proposals requesting that a company report on its policies, initiatives/procedures, and oversight mechanisms related to toxic/hazardous materials or product safety in its supply chain, unless:

- › The company already discloses similar information through existing reports such as a supplier code of conduct and/or a sustainability report;
- › The company has formally committed to the implementation of a toxic/hazardous materials and/or product safety and supply chain reporting and monitoring program based on industry norms or similar standards within a specified time frame; and
- › The company has not been recently involved in relevant significant controversies, fines, or litigation.

Vote case-by-case on resolutions requesting that companies develop a feasibility assessment to phase-out of certain toxic/hazardous materials, or evaluate and disclose the potential financial and legal risks associated with utilizing certain materials, considering:

- › The company's current level of disclosure regarding its product safety policies, initiatives, and oversight mechanisms;
- › Current regulations in the markets in which the company operates; and
- › Recent significant controversies, litigation, or fines stemming from toxic/hazardous materials at the company.

Generally vote against resolutions requiring that a company reformulate its products.

Climate Change

Climate Change/Greenhouse Gas (GHG) Emissions

Greenhouse gas emissions may represent a risk. Shareholder proposals asking a company to issue a report to shareholders, "at reasonable cost and omitting proprietary information," on greenhouse gas emissions typically ask that the report include descriptions of efforts within companies to reduce emissions, their financial exposure and potential liability from operations that generate GHG emissions and their goals in reducing these emissions from their operations.

SSCP Policy: Generally vote for resolutions requesting that a company disclose information on the risks related to GHG emissions on its operations and investments, such as financial, physical, or regulatory risks, considering:

- › Whether the company already provides current, publicly-available information on the impact that climate change may have on the company as well as associated company policies and procedures to address related risks and/or opportunities;
- › The company's level of disclosure is at least comparable to that of industry peers; and
- › There are no significant controversies, fines, penalties, or litigation associated with the company's environmental performance.

Generally vote for proposals requesting a report on greenhouse gas (GHG) emissions from company operations and/or products and operations, unless:

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- › The company already discloses current, publicly-available information on the impacts that GHG emissions may have on the company as well as associated company policies and procedures to address related risks and/or opportunities;
 - › The company's level of disclosure is comparable to that of industry peers; and
 - › There are no significant, controversies, fines, penalties, or litigation associated with the company's GHG emissions.

Vote case-by-case on proposals that call for the adoption of GHG reduction goals from products and operations, taking into account:

- › Whether the company provides disclosure of year-over-year GHG emissions performance data;
- › Whether company disclosure lags behind industry peers;
- › The company's actual GHG emissions performance;
- › The company's current GHG emission policies, oversight mechanisms, and related initiatives; and
- › Whether the company has been the subject of recent, significant violations, fines, litigation, or controversy related to GHG emissions.

Energy Efficiency

SSCP Policy: Generally vote for proposals requesting that a company report on its energy efficiency policies, unless:

- › The company complies with applicable energy efficiency regulations and laws, and discloses its participation in energy efficiency policies and programs, including disclosure of benchmark data, targets, and performance measures; or
- › The proponent requests adoption of specific energy efficiency goals within specific timelines.

Diversity

Board Diversity

SSCP Policy: Generally vote for requests for reports on a company's efforts to diversify the board, unless:

- › The gender and racial minority representation of the company's board is reasonably inclusive in relation to companies of similar size and business; and
- › The board already reports on its nominating procedures and gender and racial minority initiatives on the board and within the company.

Vote case-by-case on proposals asking a company to increase the gender and racial minority representation on its board, taking into account:

- › The degree of existing gender and racial minority diversity on the company's board and among its executive officers;
- › The level of gender and racial minority representation that exists at the company's industry peers;
- › The company's established process for addressing gender and racial minority board representation;
- › Whether the proposal includes an overly prescriptive request to amend nominating committee charter language;
- › The independence of the company's nominating committee;
- › Whether the company uses an outside search firm to identify potential director nominees; and
- › Whether the company has had recent controversies, fines, or litigation regarding equal employment practices.

Equality of Opportunity

SSCP Policy: Generally vote for proposals requesting a company disclose its diversity policies or initiatives, or proposals requesting disclosure of a company's comprehensive workforce diversity data, including requests for EEO-1 data, unless:

- › The company publicly discloses equal opportunity policies and initiatives in a comprehensive manner;
- › The company already publicly discloses comprehensive workforce diversity data; and
- › The company has no recent significant EEO-related violations or litigation.

Generally vote against proposals seeking information on the diversity efforts of suppliers and service providers. Such requests may pose a significant burden on the company.

Gender Identity and Sexual Orientation

SSCP Policy: Generally vote for proposals seeking to amend a company's EEO statement or diversity policies to prohibit discrimination based on sexual orientation and/or gender identity, unless the change would be unduly burdensome.

Environment and Sustainability

Facility and Workplace Safety

SSCP Policy: Vote case-by-case on requests for workplace safety reports, including reports on accident risk reduction efforts, taking into account:

- › The company's current level of disclosure of its workplace health and safety performance data, health and safety management policies, initiatives, and oversight mechanisms;
- › The nature of the company's business, specifically regarding company and employee exposure to health and safety risks;
- › Recent significant controversies, fines, or violations related to workplace health and safety; and
- › The company's workplace health and safety performance relative to industry peers.

Vote case-by-case on resolutions requesting that a company report on safety and/or security risks associated with its operations and/or facilities, considering:

- › The company's compliance with applicable regulations and guidelines;
- › The company's current level of disclosure regarding its security and safety policies, procedures, and compliance monitoring; and
- › The existence of recent, significant violations, fines, or controversy regarding the safety and security of the company's operations and/or facilities.

General Environmental Proposals and Community Impact Assessments

SSCP Policy: Vote case-by-case on requests for reports on policies and/or the potential (community) social and/or environmental impact of company operations, considering:

- › Current disclosure of applicable policies and risk assessment report(s) and risk management procedures;
- › The impact of regulatory non-compliance, litigation, remediation, or reputational loss that may be associated with failure to manage the company's operations in question, including the management of relevant community and stakeholder relations;
- › The nature, purpose, and scope of the company's operations in the specific region(s);
- › The degree to which company policies and procedures are consistent with industry norms; and
- › The scope of the resolution.

Hydraulic Fracturing

SSCP Policy: Generally vote for proposals requesting greater disclosure of a company's hydraulic fracturing operations, including measures the company has taken to manage and mitigate the potential community and environmental impacts of those operations, considering:

- › The company's current level of disclosure of relevant policies and oversight mechanisms;
- › The company's current level of such disclosure relative to its industry peers;
- › Potential relevant local, state, or national regulatory developments; and
- › Controversies, fines, or litigation related to the company's hydraulic fracturing operations.

Operations in Protected Areas

SSCP Policy: Generally vote for requests for reports on potential environmental damage as a result of company operations in protected regions, unless:

- › Operations in the specified regions are not permitted by current laws or regulations;
- › The company does not currently have operations or plans to develop operations in these protected regions; or
- › The company's disclosure of its operations and environmental policies in these regions is comparable to industry peers.

Recycling

SSCP Policy: Generally vote for proposals to adopt a comprehensive recycling strategy, taking into account:

- › The nature of the company's business;
- › The economics of the recycling program
- › The current level of disclosure of the company's existing related programs;
- › The timetable and methods of program implementation prescribed by the proposal;
- › The company's ability to address the issues raised in the proposal; and
- › How the company's recycling programs compare to similar programs of its industry peers.

Sustainability Reporting

SSCP Policy: Generally vote for proposals requesting that a company report on its policies, initiatives, and oversight mechanisms related to social, economic, and environmental sustainability, unless:

- › The company already discloses similar information through existing reports or policies such as an environment, health, and safety (EHS) report; a comprehensive code of corporate conduct; and/or a diversity report; or
- › The company has formally committed to the implementation of a reporting program based on Global Reporting Initiative (GRI) guidelines or a similar standard within a specified time frame.

Water Issues

SSCP Policy: Vote case-by-case on proposals requesting a company to report on, or to adopt a new policy on, water-related risks and concerns, taking into account:

- › The company's current disclosure of relevant policies, initiatives, oversight mechanisms, and water usage metrics;
- › Whether or not the company's existing water-related policies and practices are consistent with relevant internationally recognized standards and national/local regulations;
- › The potential financial impact or risk to the company associated with water-related concerns or issues; and

- › Recent, significant company controversies, fines, or litigation regarding water use by the company and its suppliers.

General Corporate Issues

Charitable Contributions

SSCP Policy: Vote against proposals restricting a company from making charitable contributions. Charitable contributions are generally useful for assisting worthwhile causes and for creating goodwill in the community. In the absence of bad faith, self-dealing, or gross negligence, management should determine which, and if, contributions are in the best interests of the company.

Data Security, Privacy, and Internet Issues

SSCP Policy: Vote case-by-case on proposals requesting the disclosure or implementation of data security, privacy, or information access and management policies and procedures, considering:

- › The level of disclosure of company policies and procedures relating to data security, privacy, freedom of speech, information access and management, and Internet censorship;
- › Engagement in dialogue with governments or relevant groups with respect to data security, privacy, or the free flow of information on the Internet;
- › The scope of business involvement and of investment in countries whose governments censor or monitor the Internet and other telecommunications;
- › Applicable market-specific laws or regulations that may be imposed on the company; and
- › Controversies, fines, or litigation related to data security, privacy, freedom of speech, or Internet censorship.

Environmental, Social, and Governance (ESG) Compensation-Related Proposals

SSCP Policy: Vote case-by-case on proposals to link, or report on linking, executive compensation to sustainability (environmental and social) criteria, considering:

- › The scope and prescriptive nature of the proposal;
- › The scope and nature of ESG related factors in the current compensation framework;
- › Whether the company has significant and/or persistent controversies or regulatory violations regarding social and/or environmental issues;
- › Whether the company has management systems and oversight mechanisms in place regarding its social and environmental performance;
- › The degree to which industry peers have incorporated similar non-financial performance criteria in their executive compensation practices; and
- › The company's current level of disclosure regarding its environmental and social performance.

Human Rights, Labor Issues, and International Operations

Human Rights Proposals

SSCP Policy: Generally vote for proposals requesting a report on company or company supplier labor and/or human rights standards and policies unless such information is already publicly disclosed.

Vote case-by-case on proposals to implement company or company supplier labor and/or human rights standards and policies, considering:

- › The degree to which existing relevant policies and practices are disclosed;
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- › Whether or not existing relevant policies are consistent with internationally recognized standards;
 - › Whether company facilities and those of its suppliers are monitored and how;
 - › Company participation in fair labor organizations or other internationally recognized human rights initiatives;
 - › Scope and nature of business conducted in markets known to have higher risk of workplace labor/human rights abuse;
 - › Recent, significant company controversies, fines, or litigation regarding human rights at the company or its suppliers;
 - › The scope of the request; and
 - › Deviation from industry sector peer company standards and practices.

Vote case-by-case on proposals requesting that a company conduct an assessment of the human rights risks in its operations or in its supply chain, or report on its human rights risk assessment process, considering:

- › The degree to which existing relevant policies and practices are disclosed, including information on the implementation of these policies and any related oversight mechanisms;
- › The company's industry and whether the company or its suppliers operate in countries or areas where there is a history of human rights concerns;
- › Recent significant controversies, fines, or litigation regarding human rights involving the company or its suppliers, and whether the company has taken remedial steps; and
- › Whether the proposal is unduly burdensome or overly prescriptive.

Operations in High Risk Markets

SSCP Policy: Vote case-by-case on requests for a report on a company's potential financial and reputational risks associated with operations in "high-risk" markets, such as a terrorism-sponsoring state or politically/socially unstable region, taking into account:

- › The nature, purpose, and scope of the operations and business involved that could be affected by social or political disruption;
- › Current disclosure of applicable risk assessment(s) and risk management procedures;
- › Compliance with U.S. sanctions and laws;
- › Consideration of other international policies, standards, and laws; and
- › Whether the company has been recently involved in recent, significant controversies, fines or litigation related to its operations in "high-risk" markets.

Political Activities

Lobbying

SSCP Policy: Vote case-by-case on proposals requesting information on a company's lobbying (including direct, indirect, and grassroots lobbying) activities, policies, or procedures, considering:

- › The company's current disclosure of relevant lobbying policies, and management and board oversight;
- › The company's disclosure regarding trade associations or other groups that it supports, or is a member of, that engage in lobbying activities; and
- › Recent significant controversies, fines, or litigation regarding the company's lobbying-related activities.

Political Contributions

SSCP Policy: Generally vote for proposals requesting greater disclosure of a company's political contributions and trade association spending policies and activities, considering:

- › The company's policies, and management and board oversight related to its direct political contributions and payments to trade associations or other groups that may be used for political purposes;
- › The company's disclosure regarding its support of, and participation in, trade associations or other groups that may make political contributions; and
- › Recent significant controversies, fines, or litigation related to the company's political contributions or political activities.

Vote against proposals barring a company from making political contributions. Businesses are affected by legislation at the federal, state, and local level; barring political contributions can put the company at a competitive disadvantage.

Vote against proposals to publish in newspapers and other media a company's political contributions. Such publications could present significant cost to the company without providing commensurate value to shareholders.

Political Ties

SSCP Policy: Generally vote against proposals asking a company to affirm political nonpartisanship in the workplace, so long as:

- › There are no recent, significant controversies, fines, or litigation regarding the company's political contributions or trade association spending; and
- › The company has procedures in place to ensure that employee contributions to company-sponsored political action committees (PACs) are strictly voluntary and prohibit coercion.

Vote against proposals asking for a list of company executives, directors, consultants, legal counsels, lobbyists, or investment bankers that have prior government service and whether such service had a bearing on the business of the company. Such a list would be burdensome to prepare without providing any meaningful information to shareholders.