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## Active Ownership

Active ownership is an essential tool for investors who are focused on using their investment in publicly traded stocks to improve environmental and social outcomes, while maximizing the value of their investment. Diversified, buy-and-hold investors are especially well positioned to practice active ownership because they tend to have long-term holdings in a wide range of companies. Active ownership encompasses a spectrum of activities that includes informed proxy voting, direct dialogue with companies and filing shareholder resolutions.

At Parametric, our active ownership practices are focused on voting and would apply to any account that delegates voting authority to us. Regarding filing shareholder resolutions, this may be initiated by any Parametric client in a separately managed account (SMA) at the client's discretion. For clients who choose to do this, Parametric will endeavor to facilitate by helping to verify and maintain ownership for any securities that may be the subject of such a filing.

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## Proxy Voting Explained

### At a Glance

- ✓ Shareholders can vote on matters put forward by management or other shareholders, including:
  - Routine management proposals related to board nominees, auditor ratification, executive compensation
  - Less common management proposals, such as approving mergers or acquisitions, reincorporation, or issuing new stock
  - Shareholder proposals covering governance, social or environmental issues
- ✓ Each proposal is unique and must be evaluated by shareholders on a company-specific basis
- ✓ Voting guidelines provide discipline and transparency, and set rules that establish a checklist of considerations for each vote

### At Parametric

- ✓ Parametric's proxy voting guidelines apply to any account that has delegated voting authority to us
- ✓ Our guidelines follow corporate governance best practices to safeguard shareholder capital, and they consider the relevant environmental and social implications of management and shareholder proposals
- ✓ In considering our vote, we use company research provided by dedicated corporate governance research providers, as well as other company-level environmental, social, and governance data

## Key Elements of Parametric's Proxy Voting Guidelines

Stock ownership represents an opportunity to participate in the economic rewards of a long-lived asset and shareholder rights represent an important path to maximizing these benefits. Given this, Parametric expects the companies in which we invest to adhere to effective governance practices and to consider their impact on the environment and the communities in which they operate.

Our guidelines are designed to safeguard investor capital over the long-run by voting for qualified, independent boards that show accountability and responsiveness to shareholders and for shareholder proposals that are prudent and relevant. In this effort, we consider the work of recognized corporate governance experts and outside research providers, as well as collaborative investor groups.

Our guidelines are reviewed annually and updated as needed. An expanded version can be obtained upon request. The following is a quick snapshot of our approach to specific matters:

- **Auditors:** Investors rely on auditors to attest to the integrity of a company's financial statements, without which the business could not be properly evaluated. Therefore, it is essential that auditors be independent, accurate, fair in their fees charged, and not subject to conflicts of interest. Parametric will vote for ratification of auditors that meet this criteria and vote case-by-case on shareholder proposals for mandatory rotation.
- **Board of Director Nominees:** Investors rely on the board of directors to oversee management and respond to reasonable shareholder concerns. Therefore, the independence, competence, and responsiveness of directors is paramount. Independence and competence implies that directors will include a broad range of qualified individuals. Although race and gender represent one dimension of diversity, they can be telling indicators, and they will be considered in our voting. Responsiveness includes a willingness to consider labor, human rights, and environmental issues pertinent to the business, in addition to more routine corporate governance issues. Parametric will vote for nominees who demonstrate these qualities and against individual directors, or the entire board, in the absence of these qualities. We will generally support shareholder proposals for independent chairman/CEO roles and for proxy access, with reasonable requirements.
- **Mergers & Acquisitions:** Business combinations can be a valuable strategic tool, but many fail to live up to expectations. Therefore, each must be evaluated on a case-by-case basis. In addition to considering valuation, strategic rationale, any conflicts of interest, and potential changes to the governance profile, we also consider the impact on community stakeholders. We will generally support combinations that appear to have a high chance of improving shareholder value over the long-run.
- **Executive Compensation:** Properly structured compensation is essential to attracting and retaining effective corporate management. Improperly structured compensation can create perverse incentives and contribute to the erosion of public trust. We generally vote for compensation that is well-disclosed, reasonably in line with peers and total shareholder returns, and reflects longer-term strategic company goals. We also support resolutions calling for annual vote frequency.
- **Environmental and Social Shareholder Resolutions:** Shareholder resolutions are an important communication mechanism between the board and shareholders, and we consider each with great care. In addition to supporting the resolutions mentioned above, we also support resolutions that encourage the board to improve relevant policies and disclosures, as well as take action on certain matters. Our guiding principles are that businesses must adhere to internationally recognized labor and human rights standards; be transparent around corporate practices involving weapons, repressive governments, public health, and product safety; maintain accountability for lobbying and political contributions; and set and report on environmental performance goals related to the firm's long-term strategy. We will not support resolutions on matters best left to the board's discretion or addressed via legislation or regulation, or resolutions that would be unduly burdensome.

**Disclosures**

Parametric Portfolio Associates LLC ("Parametric"), headquartered in Seattle, Washington, is registered as an investment adviser with the U.S. Securities and Exchange Commission under the Investment Advisers Act of 1940. Parametric is a leading global asset management firm, providing investment strategies and customized exposure management directly to institutional investors and indirectly to individual investors through financial intermediaries. Parametric offers a variety of rules-based investment strategies, including alpha-seeking equity, alternative and options strategies, as well as implementation services, including customized equity, traditional overlay and centralized portfolio management. Parametric is a majority-owned subsidiary of Eaton Vance Corp. and offers these capabilities through investment centers in Seattle, WA, Minneapolis, MN and Westport, CT.

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