

## COOKE & BIELER, L.P.

### PROXY POLICY

Cooke & Bieler, L.P. has a fiduciary obligation to vote client proxies in the best interest of our clients. We believe that our fiduciary duty is to protect and enhance the economic interests of the beneficial owner of the securities which are under our supervision. In determining how to vote on a particular issue, the firm will consider the opinion of management and the effect on management as well as the effect on shareholder value and the issuer's business practices. In addition, Cooke & Bieler will consider the voting recommendations of third parties, such as proxy services firms or other organizations or associations (e.g., the AFL-CIO, RMG or Glass Lewis), but these recommendations are not determinative. The firm will also consider the views of third parties when revising its proxy voting policies, procedures or guidelines.

Cooke & Bieler utilizes the services of an outside proxy firm, currently Broadridge, to act as agent for the proxy process and to maintain records on proxy votes for our clients and Glass Lewis to provide the proxy research on companies. In the rare situation where a custodian does not have a relationship with Broadridge, we may use a different proxy voting vendor but continue to use Glass Lewis as the research provider. Proxy statements are thoroughly reviewed by the portfolio manager most familiar with the company to ensure that proxies are voted in the best interest of our clients. Cooke & Bieler defines the best interest of the client to mean the best economic interest of the shareholders of the company.

The following guidelines have been established to ensure voting which is consistent with our fiduciary responsibility. While we follow the guidelines listed below, each vote is ultimately cast on a case-by-case basis, taking into consideration all the relevant facts and circumstances at the time of the vote.

#### I. The Board of Directors

##### A. Voting on Director Nominees in Elections

Votes on director nominees are made on a **case-by-case** basis, examining the following factors:

- long-term corporate performance and stock price
- composition of board and key board committees
- nominee's attendance at meetings
- track record
- if contested- background of proxy contest, qualifications of both slates of nominees, what they are offering and likelihood objectives can be met

##### B. Separation of Chairman and CEO

We generally vote **case-by-case** shareholder proposals asking that the chairman and CEO positions be separated (independent chairman). We believe in most cases, an independent chairman would be better suited to oversee the board and the company's management, assess performance and ensure that shareholder interests are being served. However sometimes we believe that the individual is capable of fulfilling both roles especially when the company's performance has been strong under the leadership of this individual.

##### C. Majority of Independent Directors

We vote **for** shareholder proposals that request that the board be comprised of a majority of independent directors. We believe that a majority of independent directors helps to facilitate objective decision making and enhances accountability to shareholders.

##### D. Stock Ownership Requirements

We typically vote **against** shareholder proposals requiring directors to own a minimum amount of company stock in order to qualify as a director, or to remain on the board. Requiring stock ownership may limit the

number of persons qualified to be on the board. We believe a director can serve the company well regardless of the extent of his or her ownership.

#### **E. Term of Office**

We vote **against** shareholder proposals to limit the tenure of outside directors because this may result in prohibiting the service of directors who significantly contribute to the company's success and represent shareholders' interest effectively.

#### **F. Director and Officer Indemnification and Liability Protection**

Proposals concerning director and officer indemnification and liability protection are evaluated on a **case-by-case** basis.

We vote **against** proposals to limit or eliminate entirely director and officer liability for monetary damages for violating the duty of care.

We vote **against** indemnification proposals that would expand coverage beyond just legal expenses to acts, such as negligence, that are more serious violations of fiduciary obligations than mere carelessness.

We vote **for** only those proposals that provide such expanded coverage in cases when a director's or officer's legal defense was unsuccessful if: (1) the director was found to have acted in good faith and in a manner that he reasonably believed was in the best interests of the company; *and* (2) only if the director's legal expenses would be covered.

#### **G. Charitable Contributions**

We vote **against** shareholder proposals to eliminate, direct or otherwise restrict charitable contributions.

#### **H. Requiring Majority Voting for Election of Directors**

We typically vote **For** requiring majority voting for election of directors

#### **I. Requiring Two Director Nominations Per Open Seat**

We vote **Against** shareholder proposals requiring two candidates per board seat.

### **II. Proxy Contests**

#### **A. Reimburse Proxy Solicitation Expenses**

Decisions to provide full reimbursement for dissidents waging a proxy contest are made on a **case-by-case** basis after reviewing:

- the identity of the persons who will pay the expenses;
- estimated total cost of solicitation;
- fees to be paid to proxy solicitation firms; and
- when applicable, terms of a proxy contest settlement.

### **III. Auditors**

#### **A. Ratifying Auditors**

We generally vote **For** ratifying auditors unless they have a financial interest in or association with the company, and are therefore not independent; or there is reason to believe that the independent auditor has rendered an opinion which is neither accurate nor indicative of the company's financial position; or finally if non-audit service fees are excessive.

## IV. Proxy Contest Defenses

### A. Board Structure: Staggered vs. Annual Elections

We vote **against** proposals to classify the board.

We vote **for** proposals to repeal classified boards and to elect all directors annually.

### B. Cumulative Voting

We review on a **case-by-case** basis proposals to permit/eliminate cumulative voting. We weigh the positive of enhancing the ability of minority shareholders to concentrate support with the negative that this may be used destructively by a minority of shareholders with extreme points of view. We consider:

- Historical shareholder-friendliness of said corporation;
- Past dealings with minority shareholders;
- Conflicts of interest

### C. Shareholder Ability to Call Special Meetings

We review on a **case-by-case** basis proposals to permit/eliminate shareholder's ability to call special meetings. We consider how shareholder friendly the company is as we believe that this right may be abused by special interests at the expense of the majority of shareholders.

## V. Tender Offer Defenses

### A. Poison Pills

We vote **for** shareholder proposals that ask a company to submit its poison pill for shareholder ratification.

We review on a **case-by-case** basis shareholder proposal to redeem or ratify a company's poison pill. We consider the trigger, value of the NOLs, terms and conditions, and shareholder protection mechanisms.

### B. Fair Price Provisions

We review on a **case-by-case** basis fair price proposals. We evaluate vote required to approve the proposed acquisition, the vote required to repeal the fair price provisions, and the mechanism for determining the fair price.

### C. Supermajority Shareholder Vote Requirement

We vote **against** management proposals to require a supermajority shareholder vote.

We vote **for** shareholder proposals to lower supermajority shareholder vote requirements.

## VI. Miscellaneous Governance Provisions

### A. Confidential Voting

We vote **for** management proposals to adopt confidential voting.

We vote **for** shareholder proposals that request corporations to adopt confidential voting, use independent tabulators and use independent inspectors of election as long as the proposals include clauses for proxy contests as follow: In the case of a contested election, management is permitted to request that the

dissident group honor its confidential voting policy. If the dissidents agree, the policy remains in place. If the dissidents do not agree, the confidential voting policy is waived.

## **B. Bundled Proposals**

We review on a **case-by-case** basis bundled or “conditioned” proxy proposals. In the case of items that are conditioned upon each other, we examine the benefits and costs of the packages items. In instances when the joint effect of the conditioned items is not in shareholder’s best interests, we vote against the proposals. If the combined effect is positive, we support such proposals.

# **VII. Capital Structure**

## **A. Common Stock Authorization**

We review on a **case-by-case** basis proposals to increase the number of shares of common stock authorized for issue. We will make an assessment regarding:

- the need for the increase;
- the percentage increase with respect to the existing authorization;
- voting rights of the stock;
- overall capitalization structures;
- board’s governance structure and practices;
- whether company is in danger of being de-listed or if going concern is an issue.

## **B. Stock Splits**

We will vote **for** management proposals to implement a stock split.

## **C. Reverse Stock Splits**

We vote **for** management’s proposals to implement a reverse stock split. We will generally support a reverse stock split if management provides a reasonable justification for the split and if the reverse stock split would proportionately reduce number of authorized shares.

## **D. Preemptive Rights**

We review on a **case-by-case** basis proposals to create or abolish preemptive rights. In evaluating proposals on preemptive rights, we look at the size of a company, the characteristics of its shareholder base, and the liquidity of the stock.

## **E. Share Repurchase Programs**

We vote **for** management proposals to institute open-market share repurchase plans in which all shareholders may participate on equal terms.

## **F. Approve Distribution of Dividend**

We typically vote **for** management proposals to distribute a dividend in which the financial stability of the company will not be affected.

# **VIII. Compensation**

In general, we vote on a **case-by-case** basis on executive and director compensation plans, with the view that viable compensation programs are designed to attract, retain and motivate talented executives and outside directors. In evaluating a pay plan, we weigh the need to attract and retain qualified people against the implications for dilution and transfer of shareholder wealth.

#### **A. Shareholder Proposals to Limit Executive and Directors Pay**

We review on a **case-by-case** basis all shareholder proposals that seek additional disclosure of executive and director pay information.

We review on a **case-by-case** basis all other shareholder proposals that seek to limit executive and director pay.

#### **B. Golden and Tin Parachutes**

We vote **for** shareholder proposals to have golden and tin parachutes submitted for shareholder ratification.

We review on a **case-by-case** basis all proposals to ratify or cancel golden or tin parachutes.

#### **C. Employee Stock Ownership Plans (ESOPs)**

We vote review on a **case-by-case** basis proposals that request shareholder approval in order to implement an ESOP or to increase authorized shares for existing ESOPs.

#### **D. 401(k) Employee Benefit Plans**

We vote **for** proposals to implement a 401(k) savings plan for employees since this will help attract and retain quality personnel.

#### **E. Pay for Superior Performance**

We typically vote **for** proposals that incentivize company's executives based off of performance. We consider the following factors:

- type of industry
- stage of business cycle
- appropriateness of current incentive programs
- performance of company with current incentive program

#### **F. Restrictions on Golden Coffin Compensations**

We vote **for** proposals calling companies to adopt policies that require obtaining shareholder approval for payments after the death of a senior executive

We typically vote **for** proposals that reduce the use of golden coffin type payments.

#### **G. Limit Supplemental Executive Retirement Plans (SERPs)**

We generally vote **for** proposals that require putting extraordinary benefits contained in SERP agreements to shareholder vote.

We also generally vote **for** shareholder proposals requesting to limit extraordinary executive benefits provided under company's SERP.

#### **H. Advisory Vote on Executive Compensation**

We generally vote **for** shareholder proposals that call for non-binding shareholder ratification of compensation of executive officers.

#### **I. Stock Retention/Holding Period Requirements**

We evaluate on a **case by case** basis shareholder proposals asking companies to adopt policies requiring executive officers to retain a certain percentage of shares acquired while employed at the company. We consider the following factors:

- actual officer stock ownership
- degree to which current requirements differ from proponent's suggested holding period/retention ratio
- current and past problematic pay practices

## **J. Tax Gross-Up Proposals**

We generally vote **against** proposals calling for companies to adopt a policy providing tax gross-up payments to executives.

## **IX. State of Incorporation**

### **A. Voting on State Takeover Statutes**

We review on a **case-by-case** basis proposals to opt out of state takeover statutes. We consider the following factors:

- the power the statute vests with the issuer's board;
- the potential for the statute to empower the board to negotiate a better deal for shareholders;
- provisions incorporated.

### **B. Voting on Reincorporation Proposals**

Proposals to change a company's state of incorporation are examined on a **case-by-case** basis. A company may choose to reincorporate under the laws of a different state for many reasons, including:

- taxation;
- comparison of corporation laws of original state and destination state
- the level of corporate experience of the state court;
- reason for reincorporation
- comparison of company's governance practices and provisions prior to and following reincorporation.

## **X. Mergers and Corporate Restructurings**

### **A. Mergers and Acquisitions**

Votes on mergers and acquisitions are considered on a **case-by-case** basis, taking into account the following:

- anticipated financial and operating benefits;
- offer price (cost vs. premium);
- prospects of the combined companies;
- how the deal was negotiated; and
- changes in corporate governance and their impact on shareholder rights.

### **B. Corporate Restructuring**

Votes on corporate restructuring proposals, including minority squeezeouts, leveraged buyout, spin-offs, liquidations and asset sales are considered on a **case-by-case** basis with the following considerations:

- dilution of existing shareholder's position
- terms of the offer
- financial and control issues
- conflicts of interest

### C. Spin-offs

Votes on spin-offs are considered on a **case-by-case** basis depending on:

- tax and regulatory advantages
- planned use of sale proceeds
- market focus
- managerial incentives
- corporate governance changes
- capital structure changes
- conflicts of interest

### D. Liquidations

Votes on liquidations are made on a **case-by-case** basis after reviewing management's efforts to pursue other alternatives, the appraisal value of assets, and the compensation plan for executives managing the liquidation.

## XII. Social and Environmental Issues

Voting on shareholder social and environmental proposals is on a **case-by-case** basis. We believe companies face real financial, regulatory and reputational risks from their environmental and social practices and thoughtful management of these issues is important for the creation of shareholder value over the long-term. We expect the managements and boards of the companies in which we invest to address these issues as part of their overall risk control and firm management responsibilities.

We will typically vote **for** disclosure reports that seek additional information that is not available elsewhere and that is not proprietary, particularly when it appears that companies have not adequately addressed shareholder's social and environmental concerns. We will generally vote **against** proposals we deem duplicative, overly burdensome or unlikely to further the long-term economic interests of shareholders.

In determining our vote on shareholder social and environmental proposals, we also analyze the following factors:

- whether adoption of the proposal would have either a positive or negative impact on the company's short-term or long-term share value;
- whether the company has already responded in some appropriate manner to the request embodied in the proposal;
- whether the proposal itself is well framed and reasonable;
- whether implementation of the proposal would achieve the objectives sought in the proposal;
- what other companies have done in response to the issue;
- any recent related fines, controversies, or litigations.

## XIII. Conflicts of Interest

If Cooke & Bieler, L.P. has a material conflict of interest, the following four-step process will be used to address the conflict. The first step is to identify those issuers where Cooke & Bieler has a significant business or personal/family relationship that could give rise to a conflict of interest. The second step is to identify those proxy proposals where the conflict of interest may be material. The third step is to identify whether Glass Lewis also has a conflict of interest. If Glass Lewis does not have a conflict of interest, we will vote according to Glass Lewis. If Glass Lewis does have a conflict of interest we will identify another unaffiliated third party to vote the proposals according to. The fourth step is to document the conflict of interest and the resolution of the conflict.

## **(1) Identifying Those Issuers with which Cooke & Bieler May Have a Conflict of Interest**

Cooke & Bieler will identify issuers with which it may have a conflict of interest and maintain a list of such issuers.

a.) Significant Business Relationships – Cooke & Bieler will maintain a list of issuers with which we may have a significant business relationship, for example, where we also manage a pension plan whose management is soliciting proxies. For this purpose, a “significant business relationship” is one that: (1) represents [1%] or [\$1,000,000] of Cooke & Bieler’s revenues for the most recent fiscal year, whichever is less, or is reasonably expected to represent this amount for the current fiscal year; or (2) may not directly involve revenue to Cooke & Bieler but is otherwise determined by us to be significant, for example:

- Cooke & Bieler has a significant relationship with a particular company which may create an incentive for Cooke & Bieler to vote in favor of management.

b.) Significant Personal/Family Relationships – Cooke & Bieler will identify issuers with which its employees who are involved in the proxy voting process may have a significant personal/family relationship. For this purpose, a “significant personal/family relationship” is one that would be reasonably likely to influence how Cooke & Bieler votes proxies. To identify any such relationships, we will obtain information on an annual basis about any significant personal/family relationship between any employees of Cooke & Bieler who is involved in the proxy voting process.

c.) Contact with Proxy Voting Employees – Cooke & Bieler will attempt to prevent employees who are not involved in the proxy voting process from trying to influence how Cooke & Bieler votes any proxy. If a person employed by Cooke & Bieler and not involved in the proxy voting process contacts anyone for the purpose of influencing how a proxy is voted, the member will immediately contact the Compliance Officer who will determine: (1) whether Cooke & Bieler should now treat the proxy in question as one involving a material conflict of interest; and (2) if so, anyone who was contacted should remove himself/herself from all further matters regarding the proxy.

d.) Duties of the Proxy Voting Employees – Cooke & Bieler has a duty to make reasonable investigation of information relating to conflicts of interest. Absent actual knowledge, we are not required to investigate possible conflicts involving Cooke & Bieler where the information is non-public or otherwise not readily available.

In connection with the consideration of any proxy voting matters under this policy, employees who vote proxies have a duty to disclose any material conflicts of interest of which the member has actual knowledge but which have not been identified pursuant to this policy.

## **(2) Identifying Those Proxy Proposals Where Cooke & Bieler’s Conflict is Material**

If Cooke & Bieler receives a proxy relating to an issuer with which it has a conflict of interest (as determined above), Cooke & Bieler will then determine whether the conflict is “material” to any specific proposal included within the proxy. If not, then Cooke & Bieler can vote the proxy in accordance with its proxy voting procedures; if so, Cooke & Bieler will vote according to an independent third party, currently Glass Lewis, after confirming that they do not have a conflict of interest.

a.) Routine Proxy Proposals – Proxy proposals that are “routine” shall be presumed not to involve a material conflict of interest for Cooke & Bieler, unless they have actual knowledge that a routine proposal should be treated as material. For this purpose, “routine” proposals would typically include matters such as the selection of an accountant, uncontested election of directors, meeting formalities, and approval of an annual report/financial statements.

b.) Non-Routine Proxy Proposals – Proxy proposals that are “non-routine” shall be presumed to involve a material conflict of interest for Cooke & Bieler, unless the firm determines that Cooke & Bieler’s conflict is unrelated to the proposal in question. For this purpose, “non-routine” proposals would typically include any contested matter, including a contested election of directors, a merger or sale of substantial assets, a change in the articles of incorporation that materially affects the rights of shareholders, and compensation matters for management (e.g., stock option plans, retirement plans, profit sharing or other special remuneration plans).

c.) Determining that a Non-Routine Proposal is Not Material – As discussed above, although non-routine proposals are presumed to involve a material conflict of interest, the firm may determine on a case-by-case basis that particular non-routine proposals do not involve a material conflict of interest. To make this determination, they must conclude that a proposal is not directly related to Cooke & Bieler's conflict with the issuer. The firm shall record in writing the basis for any such determination.

### **(3) Determining How to Vote Proxies Involving a Material Conflict of Interest**

For any proposal where Cooke & Bieler has a material conflict of interest, we will vote according to an independent third party, currently Glass Lewis, to vote the specific proposals that involve a conflict. If it is determined that the independent third party also has a conflict, we will identify another unaffiliated third party to vote the specific proposals.

These procedures are designed to ensure that all proxies are voted in the best interests of clients and not the product of the conflict.

### **(4) Proxy Voting Process**

1. Broadridge will reroute proxy materials for our clients that were historically sent to custodian banks and incorporate that information onto the ProxyEdge system.
2. When a new account is opened and the contract states Cooke & Bieler is responsible for voting proxies, Cooke & Bieler will fill out an account registration form with Broadridge including custodian name and account information. Broadridge will then email or fax the form to the custodian for approval. Once Broadridge receives approval they can setup the account on ProxyEdge and start rerouting proxy materials as described in (1).
3. Broadridge will determine client accounts that receive ballots and match the ballots to the correct account.
4. The designated proxy person forwards all meeting material, including agenda items and Glass Lewis research as well as Taft Hartley research, to the responsible portfolio manager for review.
5. Absent material conflicts, the responsible portfolio manager will determine how the firm should vote the proxy in the best interest of our clients.
6. The designated proxy person will vote the proxy according to the portfolio manager's directions on a secure proprietary website, ProxyEdge.
7. For custodians who do not have a relationship with Broadridge, about 1% of custodians, Cooke & Bieler will vote with the proxy voting vendor that the custodian uses according to the portfolio manager's directions and then incorporate that voting history onto the ProxyEdge platform.

### **(5) Responsibilities**

Broadridge is responsible for notifying Cooke & Bieler in advance of the meeting; providing the appropriate proxies to be voted; and for maintaining records of proxy statements received and votes cast.

The compliance officer is responsible for: maintaining the proxy policies and procedures; determining when a potential conflict of interest exists (see examples below); maintaining records of all communications received from clients requesting information on how their proxies were voted; and notifying clients how they can obtain voting records and policies and procedures.

The operations department is responsible for: determining which accounts Cooke & Bieler has proxy voting responsibilities for; obtaining the appropriate guidance from the portfolio manager on how to vote; and maintaining documents created that were material to the voting