



2022 Global Proxy Seasons Preview
Bulletin Webcast
March 17, 2022

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AGENDA & PRESENTERS

Welcome & Introductions
2021 AGM Logistics
Sustainability/ESG Focus
Executive Compensation
Boardroom Issues
SPACs and IPOs
Regulatory Updates
Closing Remarks

Moderator:
Georgina Marshall, Global Head of Research
Speakers:
Americas: John Vizikas, Marc Goldstein, Kevan Marvasti, Enver Fitch
Continental Europe and UK: Koen Kostermans, Sofian Ounaha, Laith Cahill
Asia Pacific:
Lorenzo Montecillo, Yafei Zeng
Russian sanctions update:
Gleb Klivitkin

Canada: Proxy Season Overview

Virtual-only Meetings, Shareholder Proposals

- It appears most larger companies will hold virtual-only meetings
- Peak meeting dates similar to pre-pandemic years
 - Half of S&P/TSX Composite Index constituents will hold AGMs during late April to mid-May
- Bank meetings in April
- 25 shareholder proposals at Big Five banks
 - 8 at RBC, 5 at TD, and 4 at each of Scotiabank, BMO, and CIBC
 - 6 at Laurentian Bank, 3 at National Bank
- Climate-related shareholder proposals at all 7 banks
 - 6 say-on-climate
 - Benefit Company at all 7

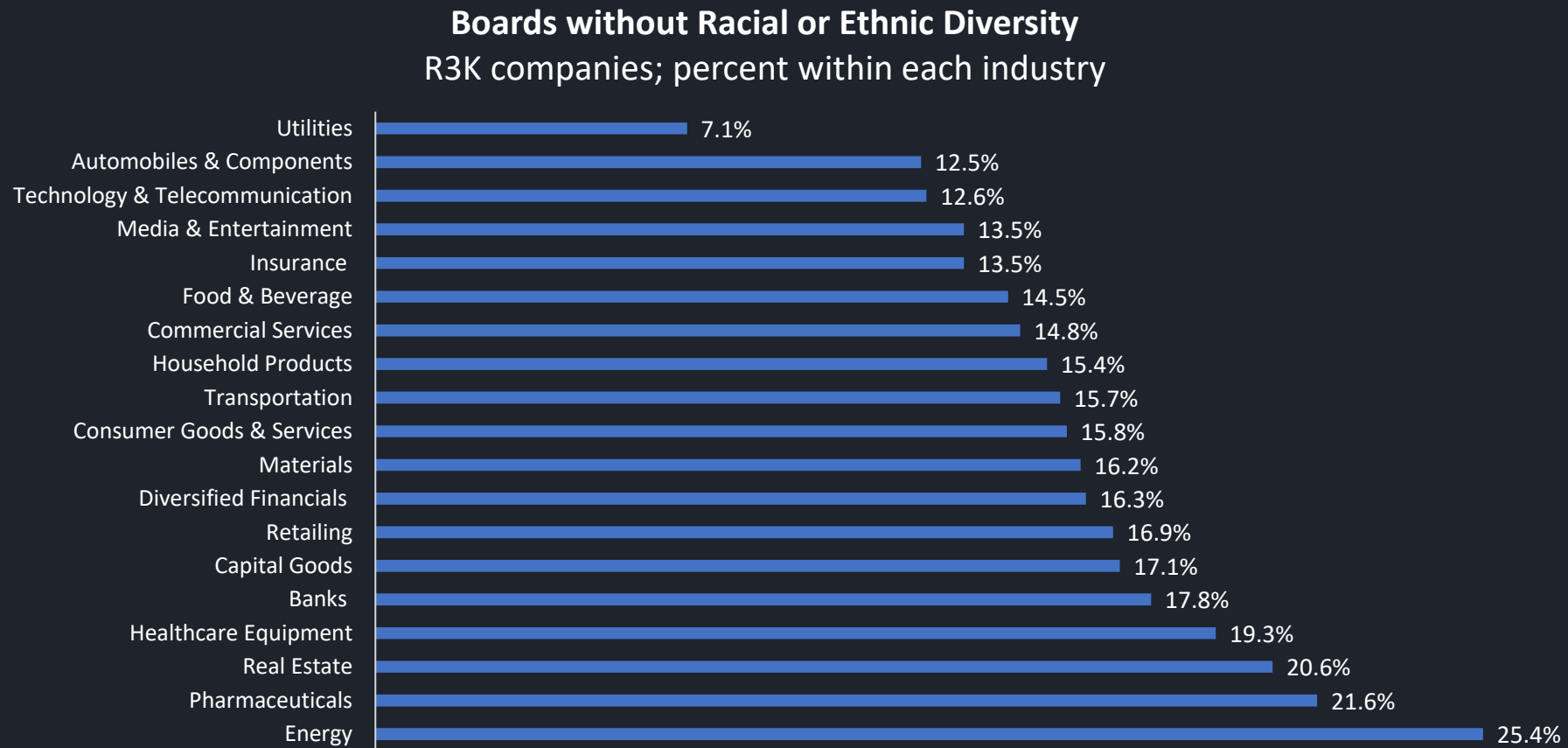
United States: Proxy Season Overview

Majority of companies expected to return to in-person meetings; higher energy prices and other challenges will impact companies

- A slight majority of meetings covered by ISS through early March had a "virtual-only" format
- Some companies may delay announcing their meetings as they look for more clarity on the progress of the pandemic, but major impact on proxy season workflows not expected
- The conflict in Ukraine has fueled debate over energy production, supply chain restrictions and climate transition; cybersecurity risks are also being highlighted
- Given current market conditions, social risks such as Human Capital Management (HCM) risks have also become key areas of focus for investors

United States: Racial/Ethnic Diversity

Increases observed, but Not at the Same Rate in Every Sector

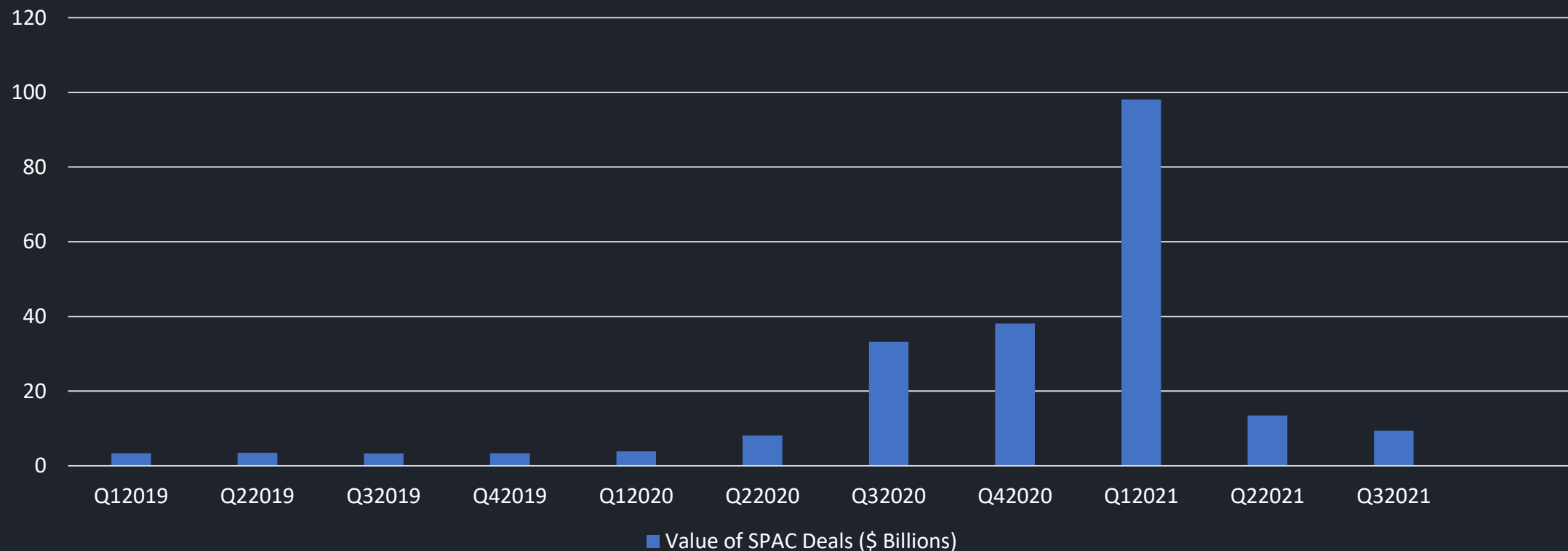


Source: ISS Governance Research & Voting

United States: SPAC Boom Turns to Bust

Poor post-merger performance and misalignment of interests reduce appeal to investors

Value of SPAC Transactions by Quarter, 2019-2021*



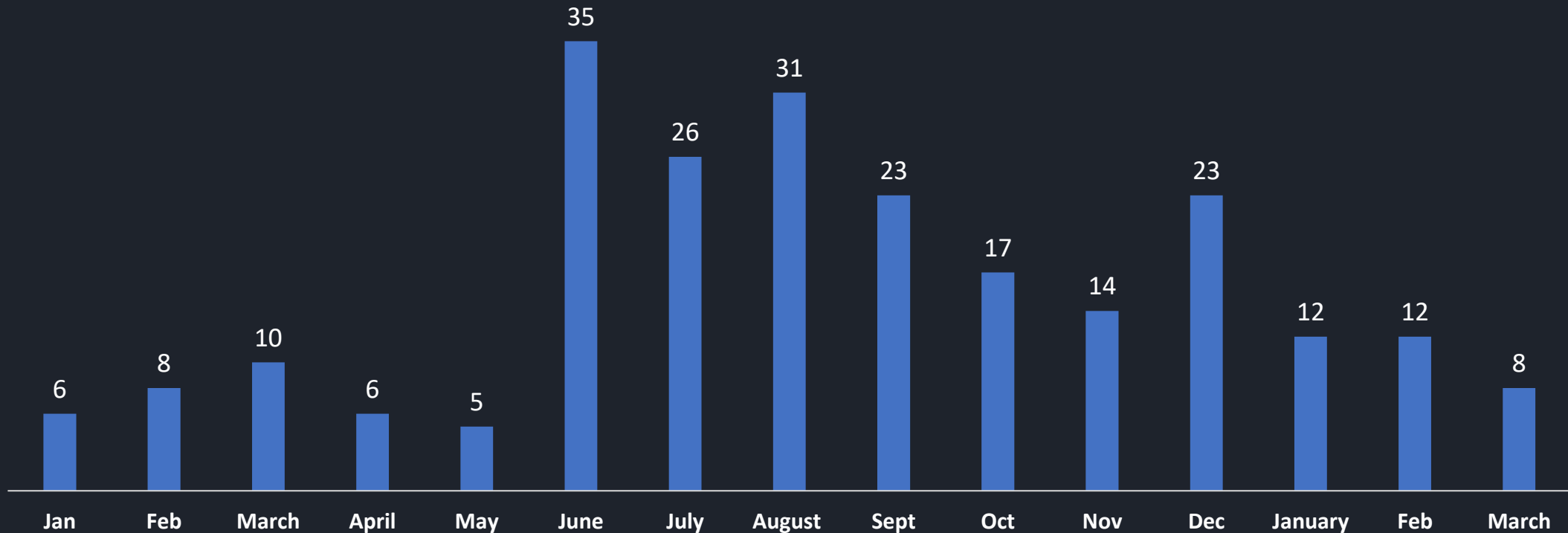
* Data from Dealogic/Barron's; Q32021 data is as of Aug. 23



United States: “De-SPAC” Merger Meetings Month-by-Month

Poor post-merger performance and misalignment of interests reduce appeal to investors

US SPAC Meetings to Approve Initial Transactions
January 2021 to date



Source: ISS Governance Research & Voting

United States: SEC Initiatives

What a Difference a New Administration Makes

- New Staff Legal Bulletin 14L expected to make it easier for E&S proposals to survive no-action challenges
- Universal proxy cards to be required in contested board elections after Aug. 31
- New proposed rules related to cybersecurity: prompt disclosure of incidents; disclosure of policies and of board-level expertise
- First steps taken to delist Chinese companies where PCAOB cannot inspect auditors.
- Meeting scheduled for March 21 to vote on proposed climate-related disclosure framework

Canada: Regulatory Initiatives

Disclosure of climate risk, diversity top the list

- Final recommendations of the Ontario Capital Markets Modernization Taskforce
 - Ontario Government published consultation draft of proposed Ontario Capital Markets Act
 - Proposed Act would give OSC the authority to implement regulatory requirements in certain areas of disclosure and corporate governance
- Disclosure on climate risk
 - CSA released proposed National Instrument 51-107 Disclosure of Climate-Related Matters and its companion policy for comment (comments accepted until 2/16/2022)
 - CSA aims to provide investors with mandatory standardized consistent, comparable and decision-useful climate-related disclosure
 - Align disclosure requirements with TCFD
- Corporations Canada released enhanced diversity guidelines to improve clarity and consistency of disclosure by federally incorporated corporations
 - Follow Corporations Canada 2021 published guidelines to help corporations report on representation of four designated groups: women, Indigenous peoples, persons with disabilities, and members of visible minorities

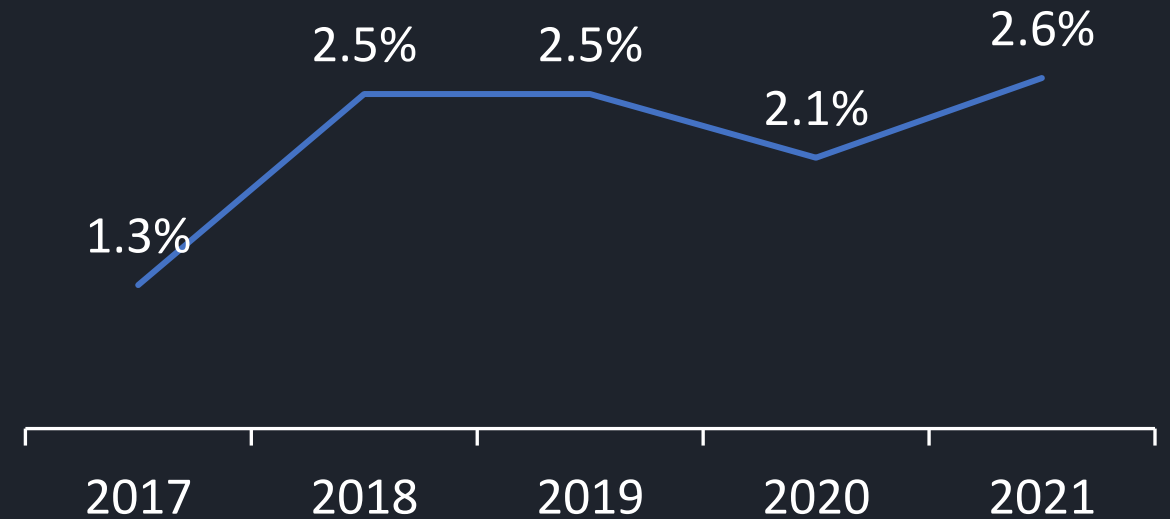


United States: Executive Compensation

2021 Proxy Season Say-on-Pay Failure Rate Tied All-Time High

- The 2021 proxy season saw a record failure rate, with 2.6% of Russell 3000 companies failing to receive majority support from shareholders
- This failure rate tied with 2012 for the highest rate of say-on-pay vote failures since the beginning of say-on-pay in the US
- Investors will see more responsiveness disclosure including feedback provided by dissenting shareholders and steps taken by the board to address concerns

Proportion of say-on-pay proposals receiving <50% support, Russell 3000



Source: ISS Governance Research & Voting

United States: Executive Compensation

COVID Continues to Impact Compensation Landscape in the US

- Investors have begun to expect a return to more normal incentive programs, following temporary changes in response to COVID-related uncertainty
 - Therefore, the mid-cycle incentive program changes which headlined the 2021 proxy season are unlikely to be as prevalent in 2022
 - Investors may expect companies to return to objective metrics for 2022 and will likely have less tolerance for mid-year changes to incentive awards
 - High levels of shareholder opposition in 2021 were more common among companies with mid-cycle incentive program changes or other one-time compensation actions taken in response to the pandemic

US COMPENSATION MEETINGS TO WATCH

Activision Blizzard (ATVI)

Over 44 percent of Activision Blizzard's shareholders voted against the 2021 say-on-pay proposal, which included CEO Bobby Kotick's total reported pay of over \$150 million. In addition, in January 2022, Microsoft agreed to buy Activision Blizzard. A recent filing disclosed that Kotick will continue to serve as CEO of Activision Blizzard through the closing; however, investors should monitor his potential golden parachute payments.

Six Flags Entertainment (SIX)

Citing pandemic-related uncertainty, Six Flags shifted its long-term incentive program from an equal split of time-based and performance-conditioned awards to entirely time-vesting restricted stock in 2020. Approximately 40 percent of votes cast in 2021 were voted against the proposal.



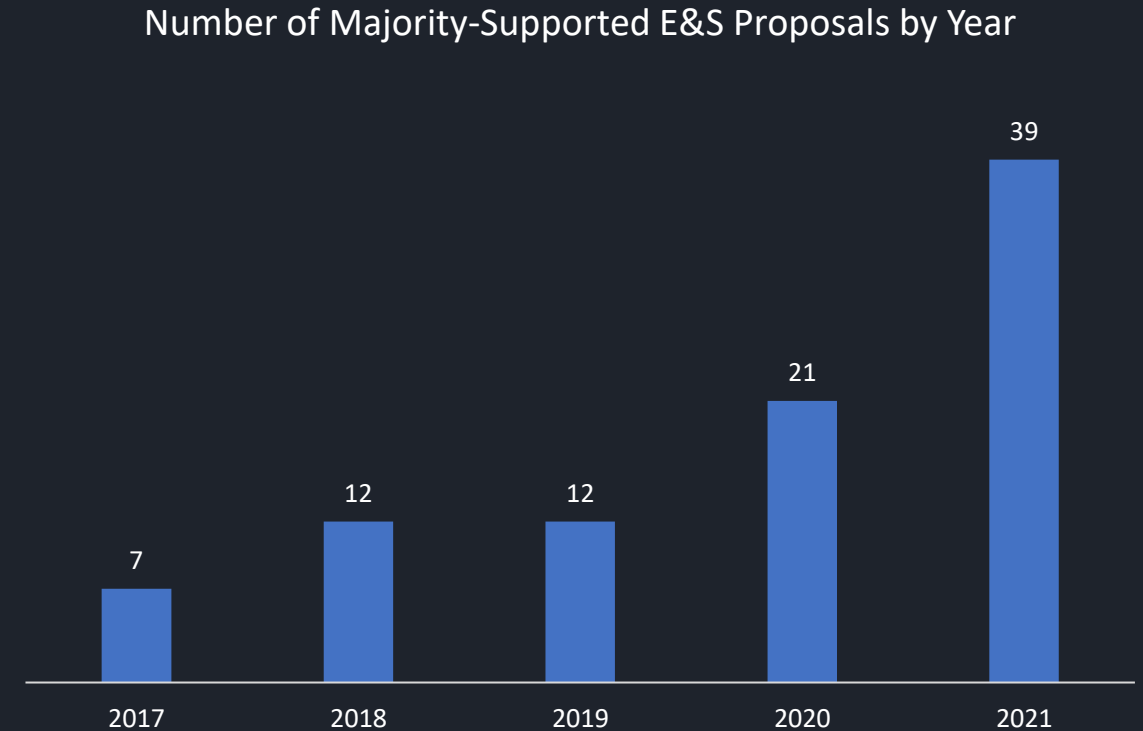
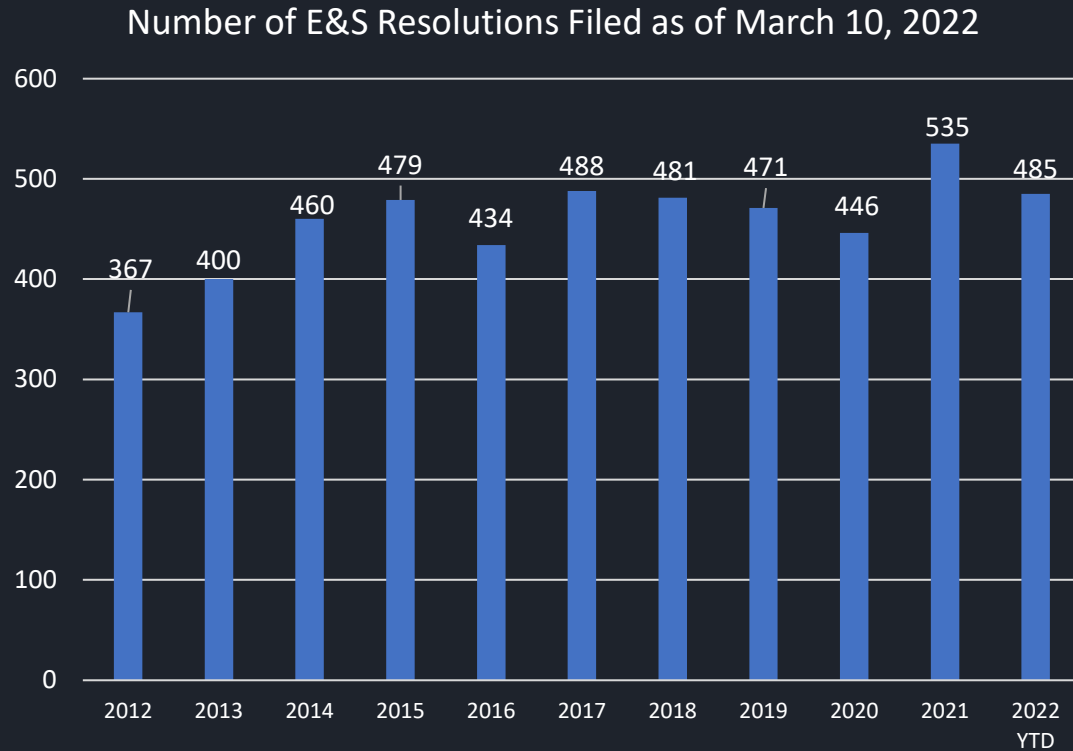
Canada: Executive Compensation

High levels of scrutiny of pay expected as pandemic restriction abate

- 6 failed say-on-pay votes in 2021
- 10% of companies received less than 80% say-on-pay vote support
- First failed say-on-pay vote in 2022 at Engouse Systems
 - 63.5% voted against
 - Pay-for-performance misalignment
 - Lack of disclosure regarding engagement efforts with shareholders in response to 2021 low say-on-pay support
- Surprise element of the pandemic in early 2020 no longer applicable in 2022
- Return to more normal pre-pandemic incentive program structures

United States: Focus on ESG

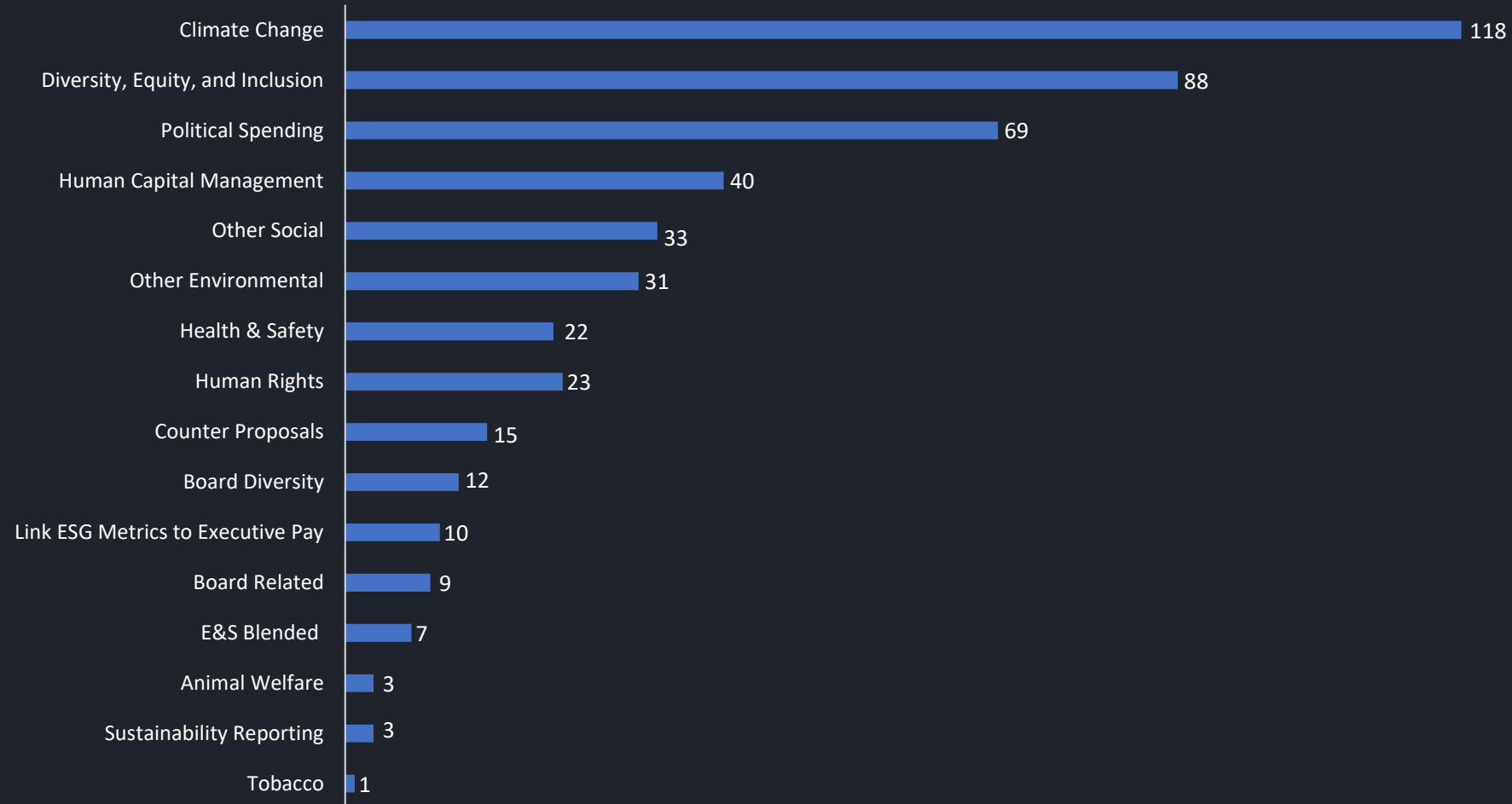
E&S shareholder proposal filings and support continue to rise



United States: Focus on ESG

Climate change and diversity equity and inclusion issues top list of investor concerns

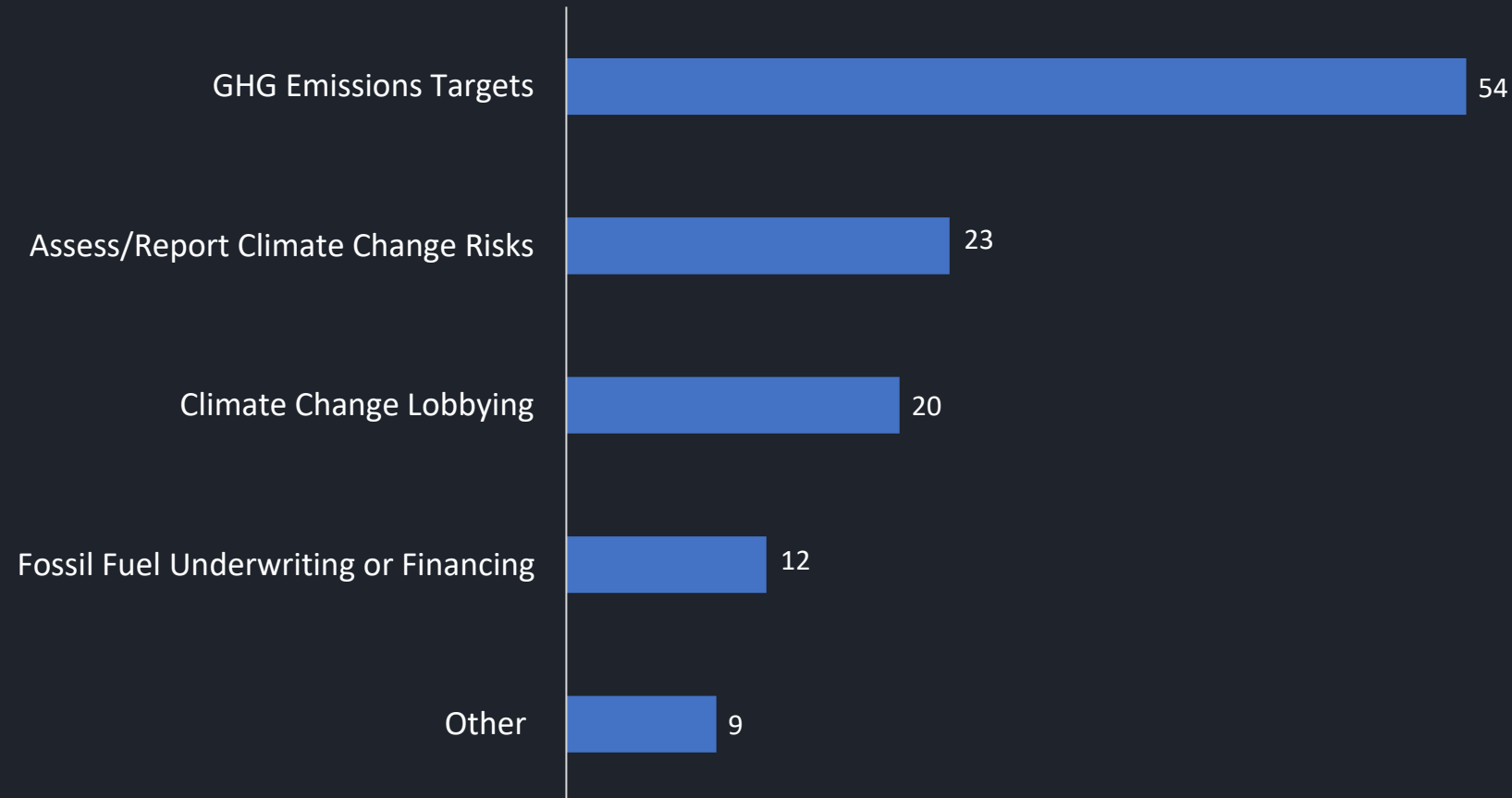
2022 E&S Shareholder Proposals Filed by Topic, as of March 10, 2022



United States: Focus on ESG

GHG emissions targets top request of climate change proposals

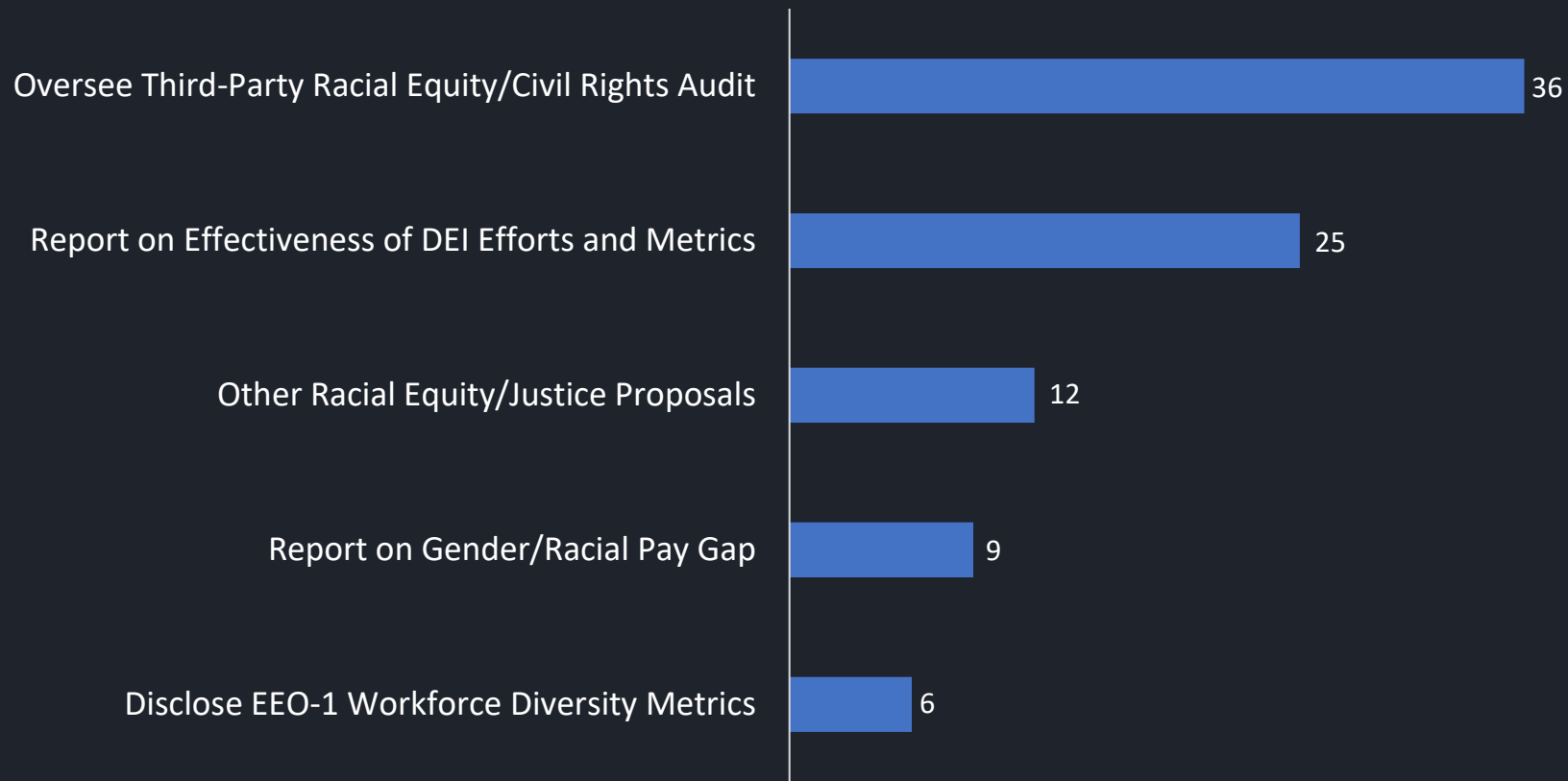
2022 Climate Proposals, Type and Number Filed



United States: Focus on ESG

Filings of Racial Equity/Civil Rights Audit Proposals More than Double

2022 DEI Proposals, Type and Number Filed



Europe: Proxy Season Overview

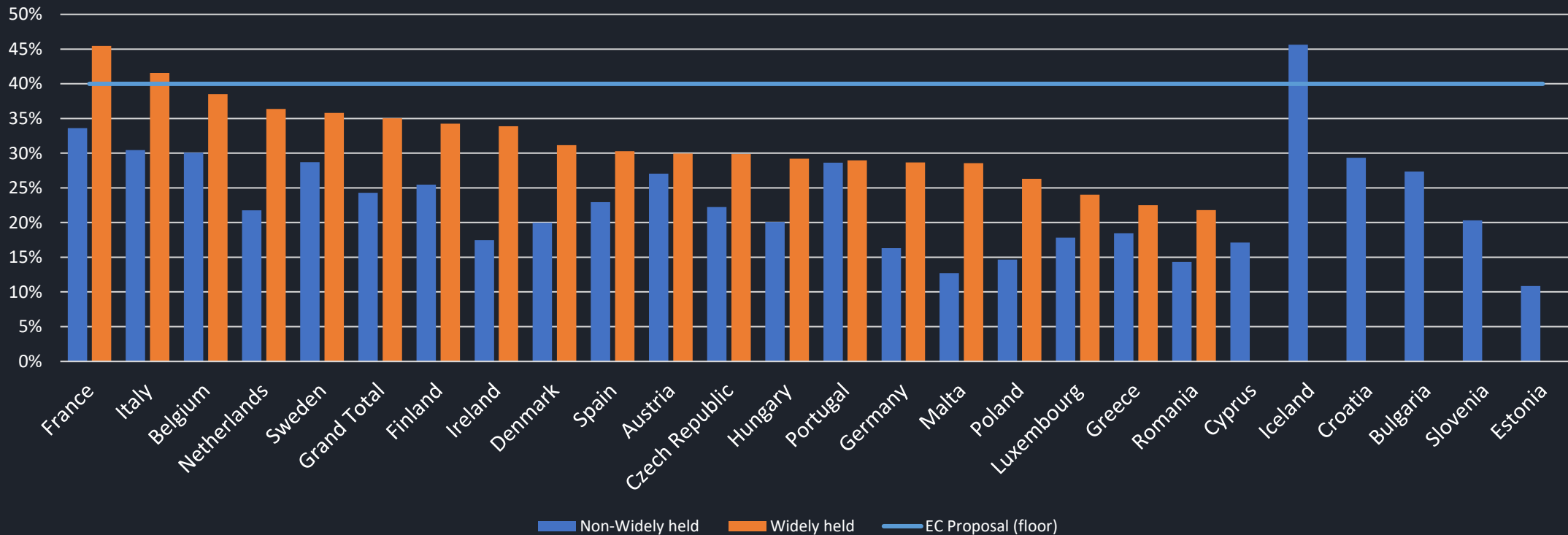
As pandemic restrictions ease, questions still abound whether European companies will opt for in-person or hybrid AGMs, except for France

- Most European seasons will be from March to June
- COVID-19 related restrictions are being eased across Europe, including on physical gatherings like shareholder meetings
- As the situation normalizes, it is not yet clear how many companies will choose virtual-only meetings vs. in-person or hybrid.
- French companies are expected to revert to in-person AGMs soonest as the temporary rules that enabled companies to hold virtual meetings have expired

Europe: Boardroom Issues

Gender diversity garners renewed traction at EU level

EU gender diversity levels generally still below EC's proposal (40%)
% of women on the board



United Kingdom: Boardroom Issues

Ethnic and race diversity continue to edge up at UK boards

Parker Review Targets:

FTSE 100 - At least one director from an ethnic minority background by 2021

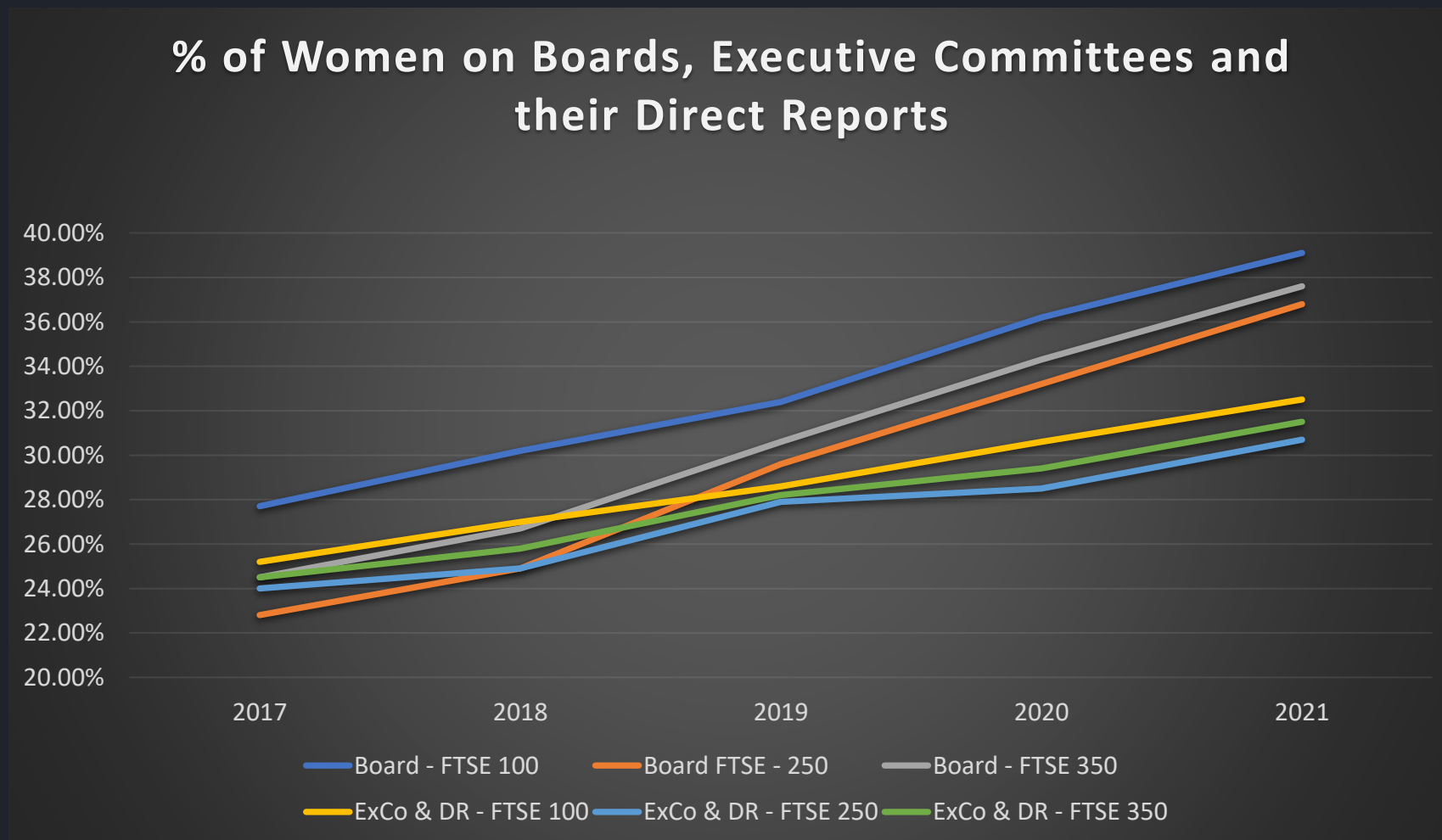
FTSE 250 – At least one director from an ethnic minority background by 2024

2022 ISS Policy

ISS will generally recommend against the chair of the nomination committee (or other directors on a case-by-case basis) if the company is a constituent of the FTSE 100 index (excluding investment companies) and has not appointed at least one individual from an ethnic minority background to the board.

United Kingdom: Boardroom Issues

UK board-level gender diversity has exceeded the Hampton Alexander Review, with target set to increase to 40% by the end of 2025



Europe: Executive Remuneration

As COVID restrictions ease, will companies continue to make special awards or seek adjustments?

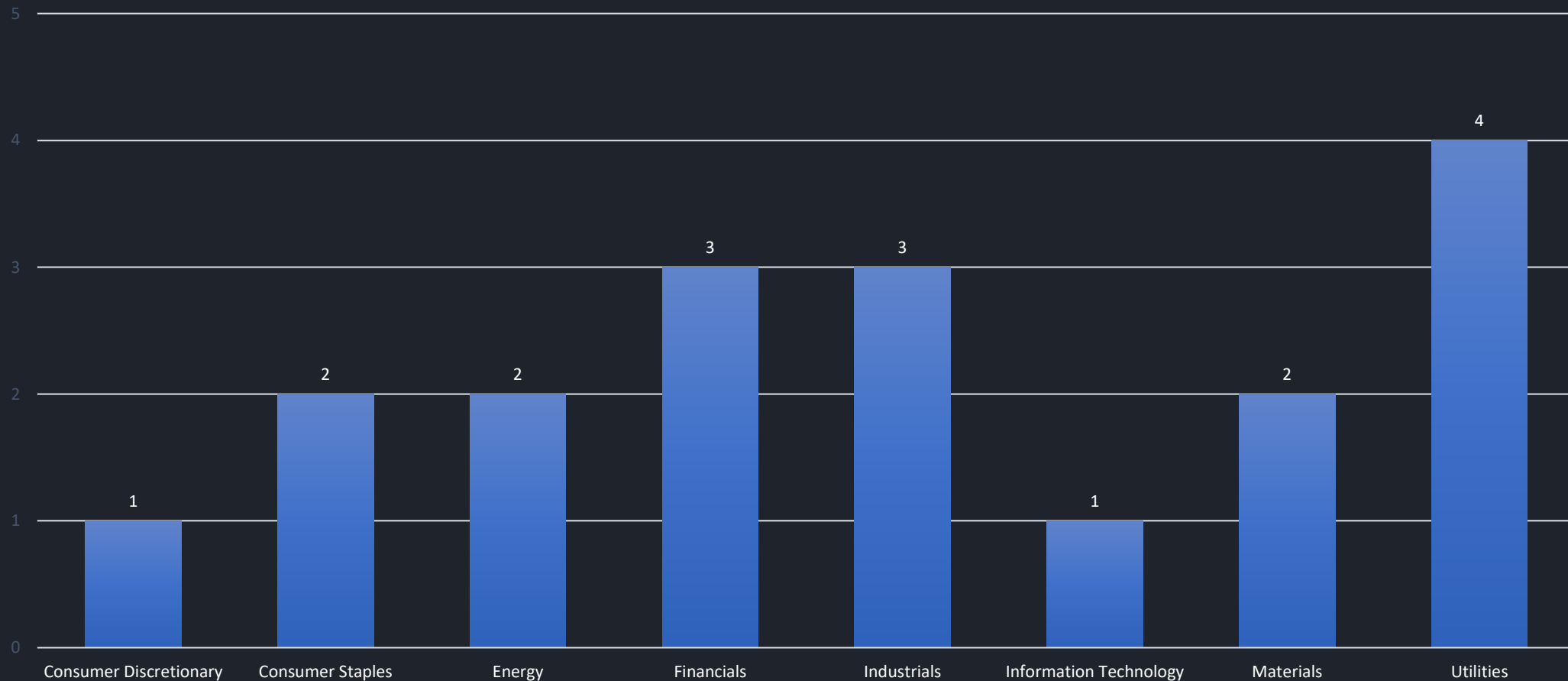
- Continental Europe:
 - SRD II and continued ripple effect of implementation of more say-on-pay votes and increased disclosure expectations on remuneration reports
- United Kingdom:
 - Response to reduced payouts during the pandemic – How will Remuneration Committees balance incentivization, retention and restraint?
 - Windfall gains – Long term incentives granted during the pandemic will be subject to windfall gains. Committees will need to communicate their approach for coming years
 - ESG – ISS policy expects the majority of the payout to be triggered by the financial performance conditions. Environment, Social and Governance (ESG) performance conditions may be used but targets should be material to the business and quantifiable. There should also be a clear link between the objectives chosen and the company's strategy
- France:
 - COVID-related special awards, replacement bonuses or significant derogations unlikely
 - Adjustments to LTIP performance criteria measured during the COVID period may continue



United Kingdom: Focus on ESG

Premium-listed companies required to provide TCFD-aligned disclosures on a comply-or-explain basis

Number of European Climate-Related Management Proposals, 2021 - by sector



Europe: Changes in Regulations & Other Items

Lord Hill's UK Listing Review seeks to strengthen UK's position as a leading global financial center; France's Rixain Act seek to redress gender imbalance on boards in C-suites

- United Kingdom
 - Lord Hill Review: Recent listing rule changes seek to encourage new listings by allowing dual-class share and SPACs
- France
 - The Rixain Act addresses gender representation
 - Majority of SBF 120 and CAC 40 companies will no longer have a combined chair/CEO
- Europe
 - 2021 Strong capital market year with record number of IPO and emergence of SPACs across Europe

Asia-Pacific: Proxy Season Overview

Expectations for the upcoming proxy season

- Hong Kong
 - AGMs must be held within 6 months after the end of accounting reference period
 - Updated FAQs on the holding of general meetings by the companies during the period of COVID-19 by the Companies Registry of the Hong Kong government
 - companies are advised to consider hybrid meetings
 - companies must check in their own articles of association if hybrid meetings are permissible
 - Fifth wave of Hong Kong's COVID-19 cases propelled by Omicron in February 2022
 - Hybrid meetings are predicted to remain in the upcoming proxy season
- Singapore
 - AGMs must be held within 4 months after the end of a listed issuer's financial year
 - 22 percent increase in virtual meetings held in the first seven months of 2021, compared to the first seven months of 2020
 - Companies are expected to hold the 2022 AGMs virtually amid recent COVID-19 situation in Singapore
 - No extensions granted in publishing year-end results and convening 2022 AGMs
 - More companies are anticipated to adhere to AGM deadlines
- China
 - China Proxy season from April – June, volume concentrated in April & May
 - In-person meetings with network equipment provided
 - Hybrid AGMs permitted but not fully virtual ones
 - Electronic votes cast via stock exchange-designated online voting platforms
 - Online voting typically begins prior to the meeting and concludes by 3:00 p.m. on the meeting date.



Asia-Pacific: IPO Outlook

IPO candidates that delayed their listings in Hong Kong due to uncertain market conditions are expected to list in 2022

- Hong Kong IPO market slowed, ranking 4th in 2021 global IPO ranking from 2nd last year (NASDAQ and NYSE placing 1st and 2nd, respectively with the Shanghai Stock Exchange following in 3rd)
- 2021 IPO raised HKD 328.9 billion through year-end, 17.82 percent less than the HKD 400.14 billion recorded in 2020
- Healthcare and biotech firms accounting for 86.6 percent of 2021 IPO funds raised
- Number of companies listed under the new listing regime:
 - 9 companies with Weighted Voting Rights (WVR)
 - 20 biotech companies
 - 5 concessionary secondary listing (includes 3 WVR companies)
- More IPO activity expected for 2022 with potential new listings, among which are candidates that delayed their IPO due to uncertain market conditions in 2021

Asia-Pacific: Changes in Law, Regulations or Codes

Hong Kong makes regulatory updates relating to the board and board committees

- Additional requirements relating to INEDs serving for more than 9 years
 - disclosures on confirmation of independence
 - where all INEDs have served more than 9 years on the board, the company should (i) disclose their tenure periods in the relevant materials; and (ii) appoint a new INED at the AGM (effective for financial years commencing on or after Jan. 1, 2023)
- For the period from January 2021 to June 2021, 86.03 percent of all Hong Kong-listed companies covered had established a nomination committee chaired by an INED and/or board chairman

Asia-Pacific: Changes in Law, Regulations or Codes

Singapore makes regulatory updates relating to the board

- Introduction of two-tier voting system for INEDs serving an aggregate period of more than 9 years:
 - continued appointment as INED should be approved in separate resolutions by (i) all shareholders; and (ii) shareholders, excluding the directors, CEO, and their respective associates (required by Jan. 1, 2022)
 - in force until the earlier of (i) the director's retirement or resignation; or (ii) the conclusion of the third AGM following the passing of such resolutions
 - an INED will no longer be considered independent upon failure of two-tier voting system execution
- 32.54 percent of all Singapore-listed companies covered in 2021 have already implemented the two-tier voting system

Asia-Pacific: Focus on ESG

ESG regulatory developments for Hong Kong

- Disclosures on ESG plans and targets, reporting principles, reporting boundaries, and provisions on environment and social issues in ESG reports
- Climate risk requirements for fund managers in line with recommendations from TCFD
- Key changes resulting from the Consultation conclusions:
 - ESG reporting timeline to be aligned with annual reports (effective for financial years commencing on or after Jan. 1, 2022)
 - Mandatory disclosure of board diversity policy, gender ratio in the workforce, and measurable objectives on gender diversity
 - Transitional arrangements:

1. Existing listed issuers with single-gender board should appoint a director of different gender by Dec. 31, 2024

2. Issuers with commitment in listing document should appoint a director of different gender

3. A director of different gender should be appointed by IPO applicants for A1 submission filed on or after July 1, 2022

Asia-Pacific: Focus on ESG

ESG regulatory developments in Singapore include requirement for climate-related disclosures consistent with TCFD

- Effective Jan. 1, 2022, companies are required to disclose their board diversity policy plans and targets in achieving board diversity in the annual report
- Amendments to the deadline for issuance of the company's sustainability report
- Sustainability reports will be subject to internal review
- Amendments to the contents of the sustainability report to include:
 - Climate-related disclosures consistent with TCFD recommendations
 - Comply or explain basis starting FY 2022
 - Mandatory for issuers operating in the industries of finance, agriculture, food and forest products, or energy, effective for all FY commencing Jan. 1, 2023
 - Mandatory for issuers operating in the industries of materials and buildings or transportation, effective for all FY commencing Jan. 1, 2024

Asia-Pacific: Focus on ESG

ESG regulatory developments in China seek to drive awareness of environmental and social risks

- Promoting awareness in the environmental and social aspects of Environment, Social and Governance (ESG) issues
- Public companies required to input an E&S section in annual reports and half-year reports
 - key polluting units shall disclose environment-related information including information regarding the pollution discharge, construction and operation of pollution control facilities and penalties received that are imposed on environmental issues
 - voluntarily disclose information regarding measures taken to reduce carbon emissions, prevent pollution and protect environment
 - attempts to fulfill their social responsibilities, poverty alleviation and rural vitalization



Asia-Pacific: Changes in Law, Regulations or Codes

Chinese government seeks greater presence of Party Committee at public companies

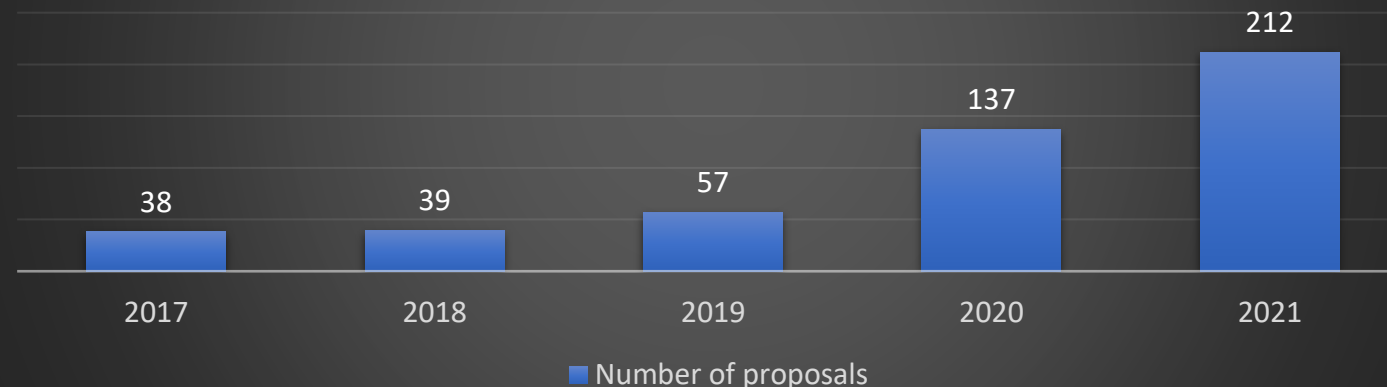
- Existing laws and regulations: establishing a Chinese Communist Party Committee (the Party Committee) in State-own enterprises (SOEs)
- Party Committee requirement codified into other rules and regulations:
 - 2018: Code of Corporate Governance for Listed Companies
Added: “Companies shall establish the Chinese Communist Party Committee to carry out Party-building activities”
 - December 2021: Draft Amendments to Company Law
Proposed to add: “The Party Committee of Stated-funded enterprises shall discuss major management decisions and provide supports to shareholders, directors, supervisors and the senior management in exercising their respective rights”
 - 2022: Guidelines on the Articles of Association of Listed Companies
Added: “The company should establish a Party Committee in the company with accordance to the Constitution of the Communist Party of China. The company shall provide the necessary conditions for the Party Committee's activities”

Asia-Pacific: Other Notables

Liability insurance at Chinese companies are gaining popularity

- Liability insurance for directors, supervisors and senior executives
 - Enhanced investor protection system
 - Increasing cost of fraudulent securities issuance
 - Overall number of liability insurance proposals remain low

**Number of liability insurance proposals by
Chinese listed companies
2017-2021**



Russia: Sanctions impact on ISS services and operations

ISS impacted by two main categories of Russian sanctions relating to the Ukraine situation

- One category of sanctions applicable to Specially Designated Nationals (“SDNs”), all dealings involving services to blocked individuals and entities are prohibited
- A second category of sanctions provides narrower restrictions on specific transactions or services involving designated persons or entities and their subsidiaries.
- According to the most recent information, ISS’ count of sanctioned individuals is as follows:
 - US sanctions list: approximately 300 individuals
 - EU sanctions list: approximately 860 individuals
 - UK sanctions list: approximately 590 names (which include various spelling options on each individual)

The foregoing describes ISS’ course of action on this matter, is provided for informational purposes, is not intended as legal advice, and should not be construed as such



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