International

Sustainability Proxy Voting Guidelines Updates

2018 Policy Recommendations

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INTERNATIONAL

BOARD OF DIRECTORS

2018 Classification of Directors

Current Sustainability Policy Classification, incorporating policy changes:	New Sustainability Policy Classification:
Executive Director › Employee or executive of the company or a wholly-owned subsidiary of the company; › Any director who is classified as a non-executive, but receives salary, fees, bonus, and/or other benefits that are in line with the highest-paid executives of the company. **Non-Independent Non-Executive Director (NED)** › Any director who is attested by the board to be a non-independent NED; › Any director specifically designated as a representative of a ~~significant~~ shareholder of the company; › Any director who is also an employee or executive of a significant[1] shareholder of the company; › Any director who is also an employee or executive of a subsidiary, associate, joint venture, or company that is affiliated with a significant[1] shareholder of the company; › Any director who is nominated by a dissenting significant shareholder, unless there is a clear lack of material[2] connection with the dissident, either currently or historically; › Beneficial owner (direct or indirect) of at least 10 percent of the company's stock, either in economic terms or in voting rights (this may be aggregated if voting power is distributed among more than one member of a defined group, e.g., family members who beneficially own less than 10 percent	**Executive Director** Employee or executive of the company or a wholly-owned subsidiary of the company; Any director who is classified as a non-executive, but receives salary, fees, bonus, and/or other benefits that are in line with the highest-paid executives of the company. **Non-Independent Non-Executive Director (NED)** Any director who is attested by the board to be a non-independent NED; Any director specifically designated as a representative of a shareholder of the company; Any director who is also an employee or executive of a significant[1] shareholder of the company; Any director who is also an employee or executive of a subsidiary, associate, joint venture, or company that is affiliated with a significant[1] shareholder of the company; Any director who is nominated by a dissenting significant shareholder, unless there is a clear lack of material[2] connection with the dissident, either currently or historically; Beneficial owner (direct or indirect) of at least 10 percent of the company's stock, either in economic terms or in voting rights (this may be aggregated if voting power is distributed among more than one member of a defined group, e.g., family members who beneficially own less than 10 percent individually, but

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individually, but collectively own more than 10 percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances); › Government representative; › Currently provides or has provided (or a relative[3] provides) professional services[4] to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in the latest fiscal year in excess of USD~~$~~ 10,000 per year; › Represents customer, supplier, creditor, banker, or other entity with which the company maintains transactional/commercial relationship (unless company discloses information to apply a materiality test[5]); › Any director who has a conflicting relationship with the company, including but not limited to~~or~~ cross-directorships with executive directors or the chairman of the company; › Relative[3] of a current or former executive of the company or its affiliates; › A new appointee elected other than by a formal process through the General Meeting (such as a contractual appointment by a substantial shareholder); › Founder/co-founder/member of founding family but not currently an employee or executive; › Former executive or employee (five-year cooling off period); [7] › Years of service is generally not a determining factor unless it is recommended best practice in a market and/or in extreme circumstances, in which case it may be considered.[6] › Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance. [8] **Independent NED** No material[2] connection, either directly or indirectly, to the company (other than a board seat) or the dissenting significant shareholder. **Employee Representative** Represents employees or employee shareholders of the company (classified as "employee representative" but considered a non-independent NED). **Footnotes:** [1] At least 10 percent of the company's stock, unless market best practice dictates a	collectively own more than 10 percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances); Government representative; Currently provides or has provided (or a relative[3] provides) professional services[4] to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in the latest fiscal year in excess of USD 10,000 per year; Represents customer, supplier, creditor, banker, or other entity with which the company maintains transactional/commercial relationship (unless company discloses information to apply a materiality test[5]); Any director who has a conflicting relationship with the company, including but not limited to cross-directorships with executive directors or the chairman of the company; Relative[3] of a current or former executive of the company or its affiliates; A new appointee elected other than by a formal process through the General Meeting (such as a contractual appointment by a substantial shareholder); Founder/co-founder/member of founding family but not currently an employee or executive; Former executive or employee (five-year cooling off period); [7] Years of service is generally not a determining factor unless it is recommended best practice in a market and/or in extreme circumstances, in which case it may be considered.[6] Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance. [8] **Independent NED** No material[2] connection, either directly or indirectly, to the company (other than a board seat) or the dissenting significant shareholder. **Employee Representative** Represents employees or employee shareholders of the company (classified as "employee representative" but considered a non-independent NED). **Footnotes:** [1] At least 10 percent of the company's stock, unless market best practice dictates a

lower ownership and/or disclosure threshold.	lower ownership and/or disclosure threshold.
[2] For purposes of Sustainability Advisory Services' 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.	[2] For purposes of Sustainability Advisory Services' 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.
[3] "Relative" follows the definition of "immediate family members" which covers spouses, parents, children, stepparents, 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.	[3] "Relative" follows the definition of "immediate family members" which covers spouses, parents, children, stepparents, 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.
[4] Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship.	[4] Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship.
[5] A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company's turnover or 1 percent of the turnover of the company or organization with which the director is associated. OR, a business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is associated is more than 10 percent of the company's shareholder equity or the transaction value, (of all outstanding financing operations), compared to the company's total assets, is more than 5 percent.	[5] A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company's turnover or 1 percent of the turnover of the company or organization with which the director is associated. OR, a business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is associated is more than 10 percent of the company's shareholder equity or the transaction value, (of all outstanding financing operations), compared to the company's total assets, is more than 5 percent.
[6] For example, in continental Europe, directors with a tenure exceeding 12 years will be considered non-independent. In ~~the United Kingdom, Ireland,~~ Hong Kong, Singapore and Taiwan, directors with a tenure exceeding nine years will be considered non-independent, unless the company provides sufficient and clear justification that the director is independent despite his long tenure.	[6] For example, in continental Europe, directors with a tenure exceeding 12 years will be considered non-independent. In Hong Kong, Singapore and Taiwan, directors with a tenure exceeding nine years will be considered non-independent, unless the company provides sufficient and clear justification that the director is independent despite his long tenure.

[7] For purposes of independence classification of directors incorporated in the Middle East and Africa region, this criterion will be taken into account in accordance with market best practice and disclosure standards and availability. [8] For MEA markets, directors' past services as statutory auditor/partner of the statutory audit firm will be taken into account, with cooling-off periods in accordance with local market best practice.	[7] For purposes of independence classification of directors incorporated in the Middle East and Africa region, this criterion will be taken into account in accordance with market best practice and disclosure standards and availability. [8] For MEA markets, directors' past services as statutory auditor/partner of the statutory audit firm will be taken into account, with cooling-off periods in accordance with local market best practice.

Rationale for Change:

The changes to the director classification document are intended to eliminate potential ambiguities in the existing document which could result in different interpretations by analysts covering different markets, which could lead to misalignments in approach. The updated document, which would further synchronize the approach of research teams across Asia ex-Japan in terms of director classification, will be incorporated into the voting guidelines for China, Hong Kong, India, Singapore and Taiwan.

CANADA

Board of Directors - Voting on Director Nominees in Uncontested Elections

Board Structure and Independence (TSX)

Current Sustainability Advisory Services Recommendation, incorporating policy changes:	**New Sustainability Advisory Services Recommendation:**
General Recommendation: [Not formally included in the guidelines] Vote withhold for any Executive Director or Non-Independent, Non-Executive Director where: › The board is less than majority independent; or › The board lacks a separate compensation or nominating committee. **Rationale:** The balance of board influence should reside with independent directors free of any pressures or conflicts which might prevent them from	**General Recommendation:** Vote withhold for any Executive Director or Non-Independent, Non-Executive Director where: › The board is less than majority independent; or › The board lacks a separate compensation or nominating committee. **Rationale:** The balance of board influence should reside with independent directors free of any pressures or conflicts which might prevent them from objectively overseeing strategic direction, evaluating management effectiveness, setting appropriate executive compensation, maintaining internal control

objectively overseeing strategic direction, evaluating management effectiveness, setting appropriate executive compensation, maintaining internal control processes, and ultimately driving long-term shareholder value creation. Best practice corporate governance standards do not advocate that no inside directors sit on boards. Company executives have extensive company knowledge and experience that provides a significant contribution to business decisions at the board level. In order to maintain, however, the independent balance of power necessary for independent directors to fulfill their oversight mandate and make difficult decisions that may run counter to management's self-interests, executives, former executives and other related directors should not dominate the board or continue to be involved on key board committees charged with the audit, compensation, and nomination responsibilities.	processes, and ultimately driving long-term shareholder value creation. Best practice corporate governance standards do not advocate that no inside directors sit on boards. Company executives have extensive company knowledge and experience that provides a significant contribution to business decisions at the board level. In order to maintain, however, the independent balance of power necessary for independent directors to fulfill their oversight mandate and make difficult decisions that may run counter to management's self-interests, executives, former executives and other related directors should not dominate the board or continue to be involved on key board committees charged with the audit, compensation, and nomination responsibilities.

Rationale for Change:

This update is a codification of existing approach for Canadian board elections and more specifically describes the factors that are considered in assessing board and committee composition in Canada.

Non-Independent Directors on Key Committees (TSX)

Current Sustainability Advisory Services Recommendation, incorporating policy changes:	**New Sustainability Advisory Services Recommendation:**
General Recommendation: [Not formally included in the guidelines] Vote withhold for members of the audit, compensation, or nominating committee who: Are Executive Directors; Are Controlling Shareholders; or Is a Non-employee officer of the company or its affiliates if he/she is among the five most highly compensated.	**General Recommendation:** Vote withhold for members of the audit, compensation, or nominating committee who: Are Executive Directors; Are Controlling Shareholders; or Is Non-employee officer of the company or its affiliates if he/she is among the five most highly compensated.

Rationale for Change:

This update is a codification of existing approach for Canadian board elections and more specifically describes the factors that are considered in assessing board and committee composition in Canada.

Non-Independent Directors on Key Committees (TSX-V)

Current Sustainability Advisory Services Recommendation, incorporating policy changes:	New Sustainability Advisory Services Recommendation:
General Recommendation: [Not formally included in the guidelines] Vote withhold for Executive Directors, Controlling Shareholders or a Non-employee officer of the company or its affiliates if he/she is among the five most highly compensated who: › Are members of the audit committee; › Are members of the compensation committee or the nominating committee and the committee is not majority independent; or › Are board members and the entire board fulfills the role of a compensation committee or a nominating committee and the board is not majority independent.	**General Recommendation:** Vote withhold for Executive Directors, Controlling Shareholders or a Non-employee officer of the company or its affiliates if he/she is among the five most highly compensated who: Are members of the audit committee; Are members of the compensation committee or the nominating committee and the committee is not majority independent; or Are board members and the entire board fulfills the role of a compensation committee or a nominating committee and the board is not majority independent.

Rationale for Change:

This update is a codification of existing approach for Canadian board elections and more specifically describes the factors that are considered in assessing board and committee composition in Canada.

Gender Diversity Policy (S&P/TSX Composite Index companies only)

Current Sustainability Advisory Services Recommendation, incorporating policy changes:	**New Sustainability Advisory Services Recommendation:**
General Recommendation: [No current policy] For S&P/TSX Composite Index companies, generally vote withhold for the Chair of the Nominating Committee or Chair of the committee designated with the responsibility of a nominating committee, or Chair of the board of directors if no nominating committee has been identified or no chair of such committee has been identified, where: The company has not disclosed a formal written gender diversity policy*; and There are zero female directors on the board of directors. This policy will be applied to all TSX Companies starting in Feb 2019. ** Per NI 58-101 and Form 58-101F1, the issuer should disclose whether it has adopted a written policy relating to the identification and nomination of women directors. The policy, if adopted, should provide a short summary of its objectives and key provisions; describe the measures taken to ensure that the policy has been effectively implemented; disclose annual and cumulative progress by the issuer in achieving the objectives of the policy, and whether and, if so, how the board or its nominating committee measures the effectiveness of the policy.* The gender diversity policy should include a clear commitment to increase board gender diversity. Boilerplate or contradictory language may result in withhold recommendations for directors. The gender diversity policy should include measurable goals and/or targets denoting a firm commitment to increasing board gender diversity within a reasonable period of time. When determining a company's commitment to board gender diversity, consideration will also be given to the board's disclosed approach to considering gender diversity in executive officer positions and stated goals or targets or programs and processes for advancing women in executive officer roles, and how the success of such programs and processes is monitored.	**General Recommendation:** For S&P/TSX Composite Index companies, generally vote withhold for the Chair of the Nominating Committee or Chair of the committee designated with the responsibility of a nominating committee, or Chair of the board of directors if no nominating committee has been identified or no chair of such committee has been identified, where: The company has not disclosed a formal written gender diversity policy*; and There are zero female directors on the board of directors. This policy will be applied to all TSX Companies starting in Feb 2019. **Per NI 58-101 and Form 58-101F1, the issuer should disclose whether it has adopted a written policy relating to the identification and nomination of women directors. The policy, if adopted, should provide a short summary of its objectives and key provisions; describe the measures taken to ensure that the policy has been effectively implemented; disclose annual and cumulative progress by the issuer in achieving the objectives of the policy, and whether and, if so, how the board or its nominating committee measures the effectiveness of the policy.* The gender diversity policy should include a clear commitment to increase board gender diversity. Boilerplate or contradictory language may result in withhold recommendations for directors. The gender diversity policy should include measurable goals and/or targets denoting a firm commitment to increasing board gender diversity within a reasonable period of time. When determining a company's commitment to board gender diversity, consideration will also be given to the board's disclosed approach to considering gender diversity in executive officer positions and stated goals or targets or programs and processes for advancing women in executive officer roles, and how the success of such programs and processes is monitored.

Exemptions: This policy will not apply to: › Newly publicly listed companies within the current or prior fiscal year; › Companies that have transitioned from the TSXV within the current or prior fiscal year; or › Companies with four or fewer directors.	**Exemptions:** This policy will not apply to: › Newly publicly listed companies within the current or prior fiscal year; › Companies that have transitioned from the TSXV within the current or prior fiscal year; or › Companies with four or fewer directors.

Rationale for Change:

Gender diversity has become a high profile corporate governance issue in the Canadian market since the Canadian Securities Regulators implemented revised National Instrument 58-101 Disclosure of Corporate Governance Practices that became effective prior to 2015 proxy season. NI 58-101 includes a requirement that companies disclose whether, and if so how, the board or nominating committee considers the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board. Also required is disclosure of targets regarding the representation of women on the board. The disclosure requirement has been a catalyst for the addition of women on the boards of many larger TSX-listed reporting issuers, including Composite Index companies. However, among non-Composite Index TSX-listed issuers, many have disclosed that they have not adopted a gender diversity policy, or goals or targets in this regard. Further, approximately 50 percent do not have any women on the board of directors.

In addition, the Canadian Coalition for Good Governance (CCGG), whose members comprise institutional investors who together manage approximately $3 trillion in assets, has espoused the need to enhance gender diversity on boards in its October 2015 Board Gender Diversity Policy. CCGG states that it views the underrepresentation of women on boards to be a governance issue and therefore an appropriate policy focus for CCGG.

Canadian institutional investors have already begun to indicate their frustration with the slow movement of lagging boards of directors in this regard, by increasingly developing voting policies and withholding votes from nominating committee members or board members responsible for board recruitment. During a summer roundtable discussion on the topic, ISS' Canadian institutional clients overwhelmingly supported the adoption of a board gender diversity policy. They also indicated that the policy should apply to all TSX companies, with a few indicating that size may be a consideration for policy application so as not to onerously burden the smallest TSX companies where it may be impractical to add women to the board of directors. Further, some indicated that over time the policy expectation should be increased to only support a critical mass of 20 to 30 percent of each board comprising female directors. General consensus was expressed that the rigor of the disclosed policies, if any, should also be taken into account and that, in addition to the absence of any targets or goals, boilerplate language, or contradictory language that appears to dismiss the importance of diversity in the boardroom, should be found unacceptable under the policy. Client participants also supported that withhold votes should be recommended for either the chair of the nominating committee or the entire nominating committee or other directors charged with the responsibility of the nominating committee.

Based on institutional investor feedback obtained during roundtable discussions, one-on-one client meetings, and the comment period, many of the clients canvassed supported a one-year transition before implementing the new policy for non-Composite Index companies. Therefore, Sustainability Advisory Services will not implement the new policy for these smaller non-Composite Index companies until February 2019.

According to ISS' 2017-2018 Governance Principles Survey, 69 percent of investor respondents replied that they could consider it problematic if there were no female directors on a public company board: 43 percent said that the absence of women directors could indicate problems in the board recruitment process, while 26 percent indicated concerns could be mitigated if there is a disclosed policy/approach that describes the considerations taken into account/or statements to increase gender diversity. A majority (54 percent) of non-investor respondents answered "yes" (could be problematic), although more than half of these respondents said their concerns might be mitigated by a company's disclosed policy or approach.

The new policy aligns with recommended best market practices in board gender diversity.

Overboarding (TSX only)

Current Sustainability Advisory Services Recommendation, incorporating policy changes:	New Sustainability Advisory Services Recommendation:
General Recommendation: (in effect until January 31, 2019): Generally vote withhold for individual director nominees if: Irrespective of whether the company has adopted a majority voting director resignation policy, the director is overboarded[1] AND the individual director has attended less than 75 percent of his/her respective board and committee meetings held within the past year without a valid reason for these absences. Cautionary language will be included in Sustainability Advisory Services reports where directors are overboarded regardless of attendance. **For meetings on or after February 1, 2019,** generally vote withhold for individual director nominees who: Are non-CEO directors and serve on more than five public company boards; or Are CEOs of public companies who serve on the board of more than two public company besides their own – withhold only at their outside boards[2].	**General Recommendation:** (in effect until January 31, 2019): Generally vote withhold for individual director nominees if: Irrespective of whether the company has adopted a majority voting director resignation policy, the director is overboarded[1] AND the individual director has attended less than 75 percent of his/her respective board and committee meetings held within the past year without a valid reason for these absences. Cautionary language will be included in Sustainability Advisory Services reports where directors are overboarded regardless of attendance. **For meetings on or after February 1, 2019,** generally vote withhold for individual director nominees who: Are non-CEO directors and serve on more than five public company boards; or Are CEOs of public companies who serve on the board of more than two public company besides their own – withhold only at their outside boards[2].

Rationale for Change:

The removal of the attendance factor from the overboarding policy combined with revised overboarding thresholds will further align the Sustainability policy with feedback received from Canadian institutional investors during roundtable discussions and one-on-one policy outreach meetings. Additionally, the approach is intended to align with the policy approach of global institutional investors. Given the large number of Canadian issuers that are dual-listed in both Canada and the US, institutional investors have also indicated in ISS' 2017 comment period that it would be appropriate to harmonize ISS' Canadian and US overboarding thresholds. The updated thresholds are also aligned with those recommended by the Canadian Coalition for Good Governance (CCGG). Commenters also requested that subsidiary boards (>50 percent owned) upon which the parent company CEO serves, be exempted when determining the vote recommendation for the CEO under this policy, which further aligns the Canadian overboarding policy with the approach under the current U.S. policy.

A one-year transition period on the implementation of the updated policy has been provided to allow directors adequate time to address overboarding instances, if they so choose. As such, the updated policy will be in effect commencing February 2019.

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[1] "Overboarded" is defined by Sustainability Advisory Services as: a CEO of a public company who sits on more than 1 outside public company board in addition to the company of which he/she is CEO, OR the director is not a CEO of a public company and sits on more than 4 public company boards in total.

[2] Although a CEO's subsidiary boards will be counted as separate boards, Sustainability Advisory Services will not recommend a withhold vote for 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 relationship.

UK/IRELAND AND EUROPE

Virtual Meetings

Current Sustainability Advisory Services Recommendation, incorporating policy changes:	New Sustainability Advisory Services Recommendation:
Sustainability Advisory Services Recommendation: [No current formal policy] Generally vote for proposals allowing for the convening of hybrid* shareholder meetings if it is clear that it is not the intention to hold virtual-only AGMs. Generally vote against proposals allowing for the convening of virtual-only* shareholder meetings. * The phrase "virtual-only shareholder meeting" refers to a meeting of shareholders that is held exclusively through the use of online technology without a corresponding in-person meeting. The term "hybrid shareholder meeting" refers to an in-person, or physical, meeting in which shareholders are permitted to participate online.	**Sustainability Advisory Services Recommendation:** Generally vote for proposals allowing for the convening of hybrid* shareholder meetings if it is clear that it is not the intention to hold virtual-only AGMs. Generally vote against proposals allowing for the convening of virtual-only* shareholder meetings. * The phrase "virtual-only shareholder meeting" refers to a meeting of shareholders that is held exclusively through the use of online technology without a corresponding in-person meeting. The term "hybrid shareholder meeting" refers to an in-person, or physical, meeting in which shareholders are permitted to participate online.

Rationale for Change:

Several UK companies have requested shareholder approval for article amendments allowing for the convening of virtual (i.e. non-physical) shareholder meetings. Though the practice itself remains rare in the UK and Europe, it is becoming more common in the U.S.

Investor opinion on this development is divided. While there is recognition of the potential benefits of enabling participation at shareholder meetings via electronic means, many have raised concerns about moves to completely eliminate physical shareholder meetings, arguing that virtual-only meetings may hinder meaningful exchanges between management and shareholders and enable management to avoid uncomfortable questions. In ISS' 2017-2018 Governance Principles Survey, investor respondents were largely supportive of so-called "hybrid meetings", where companies employ technology to allow for virtual participation as a supplement to the physical shareholder meeting. In fact, with improving technology, hybrid meetings could become standard good practice.

Investor respondents were less supportive of virtual-only meetings however. Whilst a relatively large number indicated that virtual-only meetings could merit support if they were to provide the same shareholder rights as a physical meeting, at present it is difficult to draw any definite conclusions as to whether companies in the UK, Ireland, and Continental Europe will be able to meet this standard, given that thus far only one UK company, and no companies covered by the International Sustainability proxy voting guidelines, have held virtual-only AGMs. In addition, even with improved technology, it is unclear how virtual-only meetings will be able provide shareholders with the same opportunity for meaningful face-to-face dialogue with the board, particularly if the directors are not all in the same room.

The new policy, which establishes an approach to evaluating virtual meeting authorizations, is reflective of investor views. Under the policy, Social Advisory Services will generally recommend in favor of proposals allowing a company to hold "hybrid" shareholder meetings. Regarding proposals allowing a company to hold virtual-only meetings, Social Advisory Services will generally recommend a vote against

EUROPE

Board of Directors- Non-Contested Director Elections

Bundling of Proposal to Elect Directors

Current Sustainability Advisory Services Recommendation, incorporating policy changes:	**New Sustainability Advisory Services Recommendation:**
Bundling together proposals that could be presented as separate voting items is not considered good market practice, because bundled resolutions leave shareholders with an all-or-nothing choice, skewing power disproportionately towards the board and away from shareholders. As director elections are one of the most important voting decisions that shareholders make, directors should be elected individually. For the markets of **Bulgaria**, **Croatia**, **Czech Republic**, **Estonia**, **France**, **Germany**, **Hungary**, **Latvia**, **Lithuania**, **Poland***, **Romania**, **Slovakia**, and **Slovenia**~~, and **Spain**~~ vote against the election or reelection of any directors if individual director elections are an established market practice and the company proposes a single slate of directors. *Bundled director elections in Poland may be supported for companies that go beyond market practice by disclosing the names of nominees on a timely basis.	Bundling together proposals that could be presented as separate voting items is not considered good market practice, because bundled resolutions leave shareholders with an all-or-nothing choice, skewing power disproportionately towards the board and away from shareholders. As director elections are one of the most important voting decisions that shareholders make, directors should be elected individually. For the markets of **Bulgaria**, **Croatia**, **Czech Republic**, **Estonia**, **France**, **Germany**, **Hungary**, **Latvia**, **Lithuania**, **Poland***, **Romania**, **Slovakia**, and **Slovenia**, vote against the election or reelection of any directors if individual director elections are an established market practice and the company proposes a single slate of directors. *Bundled director elections in Poland may be supported for companies that go beyond market practice by disclosing the names of nominees on a timely basis.

Rationale for Change:

Poland is one of the markets included in the voting policy on bundled director elections because the practice of bundling director elections into a single voting item is rare, but nevertheless legally possible in the market. However, Polish companies oftentimes fail to disclose director nominee names to shareholders on a timely basis. While bundling director elections and failing to disclose nominee names are both considered to be negative practices, the latter is considered to be more severe from a shareholder perspective because it deprives shareholders of any possibility of making an informed voting decision. It is therefore considered appropriate to allow for the possibility of supporting bundled director elections for Polish companies that exceed market practice by disclosing nominee names to shareholders on a timely basis.

Individual elections have been mandated in Spain since 2015, so the policy is being updated accordingly.

Board Independence

Current Sustainability Advisory Services Recommendation, incorporating policy changes:	New Sustainability Advisory Services Recommendation:
Independence will be determined according to the International Sustainability Policy's Classification of Directors. If a nominee cannot be categorized, Sustainability Advisory Services will consider that person non-independent and include that nominee in the calculation. ~~The following policies would be applied to all widely held companies[1], unless there is a majority shareholder:~~ *Voting policies* **Widely-held companies** › Non-controlled companies ~~For all markets (except Greece or Portugal),~~ Generally vote against the election or reelection of any non-independent directors (excluding the CEO) if: 1. Fewer than 50 percent of the board members elected by shareholders~~,~~ – excluding, where relev~~e~~ant, employee shareholder representatives~~,~~ –would be independent;~~,~~ or 2. Fewer than one-third of all board members, ~~including those who, in accordance with local law(s) requiring their mandatory board membership, are not elected by shareholders,~~ would be independent. Greece and Portugal are excluded from Provision (1.) in the above-mentioned voting policy. B. Controlled companies Generally vote against the election or reelection of any non-independent directors (excluding the CEO) if less than one-third of the board members are independent.	Independence will be determined according to the International Sustainability Policy's Classification of Directors. If a nominee cannot be categorized, Sustainability Advisory Services will consider that person non-independent and include that nominee in the calculation. *Voting policies* **Widely-held companies** A. Non-controlled companies Generally vote against the election or reelection of any non-independent directors (excluding the CEO) if: 1. Fewer than 50 percent of the board members elected by shareholders – excluding, where relevant, employee shareholder representatives – would be independent; or 2. Fewer than one-third of all board members would be independent. Greece and Portugal are excluded from Provision (1.) in the above-mentioned voting policy. B. Controlled companies Generally vote against the election or reelection of any non-independent directors (excluding the CEO) if less than one-third of the board members are independent.

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Non-widely held companies Generally vote against the election or reelection of any non-independent directors (excluding the CEO) if less than one-third of the board members are independent. Voting sanctions will be applied under this policy from February 2019. *Definition of terms* 'Widely-held companies' are determined based on their membership in a major index and/or the number of Sustainability Advisory Services clients holding the securities. For Sweden, Norway, Denmark, and Luxembourg, this is based on membership on a local blue chip market index and/or MSCI EAFE companies. For Portugal, it is based on membership in the PSI-20 and/or MSCI EAFE index. A company is considered to be controlled for the purposes of the above-mentioned voting policies if a shareholder, or multiple shareholders acting in concert, control a majority of the company's equity capital (i.e. 50 percent + one share). If a company is majority-controlled by virtue of a shareholder structure in which shareholders' voting rights do not accrue in accordance with their equity capital commitment (e.g. unequal or multi-class share structures), the company will not be classified as controlled unless the majority shareholder/majority shareholding group also holds a majority of the company's equity capital. ~~In Italy, at least half of the board should be independent (50 percent). Issuers with a controlling shareholder will be required to have a board consisting of at least one-third independent members (33 percent). This applies to individual director appointments (co-options). In the case of complete board renewals that are regulated by the Italian slate system ("voto di lista"), board independence will be one of the factors for determining which list of nominees ISS considers best suited to add value for shareholders based, as applicable, on ISS European policies.~~ ~~For companies incorporated in Portugal or Greece, at least one-third of the board will be required to be independent. ISS will recommend a vote against the~~	**Non-widely held companies** Generally vote against the election or reelection of any non-independent directors (excluding the CEO) if less than one-third of the board members are independent. Voting sanctions will be applied under this policy from February 2019. *Definition of terms* 'Widely-held companies' are determined based on their membership in a major index and/or the number of Sustainability Advisory Services clients holding the securities. For Sweden, Norway, Denmark, and Luxembourg, this is based on membership on a local blue chip market index and/or MSCI EAFE companies. For Portugal, it is based on membership in the PSI-20 and/or MSCI EAFE index. A company is considered to be controlled for the purposes of the above-mentioned voting policies if a shareholder, or multiple shareholders acting in concert, control a majority of the company's equity capital (i.e. 50 percent + one share). If a company is majority-controlled by virtue of a shareholder structure in which shareholders' voting rights do not accrue in accordance with their equity capital commitment (e.g. unequal or multi-class share structures), the company will not be classified as controlled unless the majority shareholder/majority shareholding group also holds a majority of the company's equity capital.

~~entire slate of candidates (in the case of bundled elections), or a vote against the election of any non-independent directors (in the case of unbundled elections) if board independence level does not meet the minimum recommended one-third threshold.~~ ~~For companies with a majority shareholder (excluding Italy and Portugal):~~ ~~Generally vote against the election or reelection of any non-independent directors (excluding the CEO) if the level of independence on the board will be lower than minority shareholders' percentage of equity ownership, or, in any case, if the board will be less than one-third independent (whichever is higher).~~ ~~Minority shareholders' ownership percentage is calculated by subtracting the majority shareholder's equity ownership percentage from 100 percent. Majority control is defined in terms of economic interest and not voting rights, and is considered to be any shareholder or group of shareholders acting collectively that control at least 50 percent + 1 share of the company's equity capital. This independence threshold is applied to controlled widely held companies or main index-listed/MSCI-EAFE member companies which would otherwise fall under a 50-percent independence guideline as described in the Board Independence Policy.~~ ~~However, in markets where the local corporate governance code addresses board independence at controlled companies, ISS will generally recommend against the election or reelection of any non-independent directors (excluding the CEO) if the level of independence on the board is lower than the local code recommendation, but in any case, if the level of board independence will be less than one-third.~~	

Rationale for Change:

Majority controlled companies: The current International Sustainability voting policy on board independence contains a special carve-out for controlled companies that are widely-held, according to which a majority non-independent board may be deemed acceptable as long as the overall independence level does not fall below a specified minimum threshold. The intention of this carve-out is to recognize that the inclusion of majority shareholder representatives on boards is a widely-accepted practice in Europe, while at the same time emphasizing that boards should include a sufficient number of independent directors in order to protect minority interests and act as a potential counterweight to the controlling shareholder in situations where this may be required.

The purpose of this amendment is to simplify the policy, making it easier to understand for investors and companies alike, while preserving the policy's basic purpose. This would mainly be achieved by removing the 'proportional independence' rule in the policy, which sets the minimum board independence threshold as the inverse of the majority shareholder's percentage of equity ownership. Additionally, carve-outs in the policy for Italy and Portugal, and for markets where there is a local best practice recommendation on board independence at controlled companies, would be removed.

Non-widely held companies: Under the International Sustainability Proxy Voting Guidelines, smaller companies (i.e. "non-widely held companies") are currently excluded from the voting policy on board independence. However, several local codes of best practice recommend that small companies maintain a minimum level of board independence. Most codes do not operate any distinction in terms of size, implying that all companies are subject to the same regime.

According to ISS' 2017-2018 Policy Application Survey, significant majorities of both corporate and investor respondents consider that board independence should be taken into account in non-widely held companies when evaluating director elections.

The policy on board independence at non-widely held companies will come into effect in **February 2019** following a one-year transition period. In 2018, warning language will appear in the analysis of director elections at non-widely held companies where the board does not meet the minimum independence threshold foreseen in the voting policy.

Combined Chairman/CEO

Current Sustainability Advisory Services Recommendation, incorporating policy changes:	**New Sustainability Advisory Services Recommendation:**
General Recommendation: Generally, vote against the (re)election of combined chair/CEOs at widely held European companies. ~~However~~, ~~w~~When the company provides assurance that the chair/CEO would only serve in the combined role on an interim basis (no more than two years), ~~with the intent of separating the roles within a given time frame, considerations should be given to these exceptional circumstances. In this respect,~~ the vote recommendation would be made on a case-by-case basis. ~~In order for ISS to consider a favorable vote recommendation for a combined chair/CEO to serve on an interim basis,~~ In the above-mentioned situation, Sustainability Advisory Services will consider the rationale provided by the company and whether it has set up ~~the company would need to~~ ~~provide~~ adequate control mechanisms on the board (such as a lead independent director, a high overall level of board independence, and a high level of independence on the board's key committees).	**General Recommendation:** Generally, vote against the (re)election of combined chair/CEOs at widely held European companies. When the company provides assurance that the chair/CEO would only serve in the combined role on an interim basis (no more than two years), the vote recommendation would be made on a case-by-case basis. In the above-mentioned situation, Sustainability Advisory Services will consider the rationale provided by the company and whether it has set up adequate control mechanisms on the board (such as a lead independent director, a high overall board independence, and a high level of independence on the board's key committees).

Rationale for Change:

Sustainability Advisory Services generally recommends against the election or reelection of directors who serve in the roles of CEO and board chairman on a combined basis. In cases where the combined chair/CEO would serve on an interim basis of no more than two years, Sustainability Advisory Services recommends on a case-by-case basis.

The editorial amendments simplify the wording of the policy.

Overboarded Directors

Current Sustainability Advisory Services Recommendation, incorporating policy changes:	New Sustainability Advisory Services Recommendation:
In **Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Spain**, **Sweden**, and **Switzerland**, at widely-held companies, Sustainability Advisory Services will generally recommend a vote against a candidate when s/he holds an excessive number of board appointments, ~~as referenced by the more stringent of the provisions prescribed in local law or best practice governance codes, or~~ as defined by the following guidelines: › Any person who holds more than five mandates at listed companies will be classified as overboarded. For the purposes of calculating this limit, a non-executive directorship counts as one mandate, a non-executive chairmanship counts as two mandates, and a position as executive director (or a comparable role) is counted as three mandates. › Also, any person who holds the position of executive director (or a comparable role) at one company and a non-executive chairman at a different company will be classified as overboarded. ~~Directors who hold more than five non-chair non-executive director positions.~~ ~~A non-executive chairman who, in addition to this role, holds (i) more than three non-chair non-executive director positions, (ii) more than one other non-executive chair position and one non-chair non-executive director position, or (iii) any executive position.~~ ~~Executive directors or those in comparable roles holding (i) more than two non-chair non-executive director positions, (ii) any other executive positions, or (iii) any non-executive chair position.~~ CEOs and Chairmen An adverse vote recommendation will not be applied to a director within a company where he/she serves as CEO; instead, any adverse vote recommendations will be applied to his/her additional seats on other company boards. ~~The same is also valid for chairmen, except (i) where they exclusively hold other chair and/or executive positions, or (ii) where they are elected as~~	In **Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Spain**, **Sweden**, and **Switzerland**, at widely-held companies, Sustainability Advisory Services will generally recommend a vote against a candidate when s/he holds an excessive number of board appointments, as defined by the following guidelines: Any person who holds more than five mandates at listed companies will be classified as overboarded. For the purposes of calculating this limit, a non-executive directorship counts as one mandate, a non-executive chairmanship counts as two mandates, and a position as executive director (or a comparable role) is counted as three mandates. Also, any person who holds the position of executive director (or a comparable role) at one company and a non-executive chairman at a different company will be classified as overboarded. CEOs and Chairmen An adverse vote recommendation will not be applied to a director within a company where he/she serves as CEO; instead, any adverse vote recommendations will be applied to his/her additional seats on other company boards. For chairmen, negative recommendations would first be applied towards non-executive positions held, but the chairmanship position itself would be

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~~chairman for the first time.~~ For chairmen, negative recommendations would first be applied towards non-executive positions held, but the chairmanship position itself would be targeted where they are being elected as chairman for the first time or, when in aggregate their chair positions are three or more in number, or if the chairman holds an outside executive position.	targeted where they are being elected as chairman for the first time or, when in aggregate their chair positions are three or more in number, or if the chairman holds an outside executive position.

Rationale for Change:

This policy change harmonizes the overboarding policy across continental Europe by including Denmark, Finland, Norway and Sweden. The changes are prompted by (i) Danish, Norwegian, and Swedish market practice of unbundling elections in main index companies, (ii) recommendations in Norwegian, Danish, and Finnish corporate governance codes on over-boarding and (iii) investor support for applying the policy for bundled elections.

The Nordic markets have previously been excluded from the overboarding policy as director elections in these markets were, for the most part, bundled. However, all Danish companies currently have individual elections. Furthermore, a majority of Swedish and Norwegian companies on the local main indices apply individual elections. All Finnish companies still apply bundled elections. However, investor opinion has shown to be favorable towards applying the overboarding policy at bundled elections and for this reason, Finland is included in this policy update.

On July 7, 2017, the Danish committee on Corporate Governance released a new set of draft recommendations for corporate governance that includes an amendment focusing on the risk of executives and directors taking on too many obligations. Similar to the Danish code, the Norwegian and Finnish codes contain general statements on the fact that overboarding should be considered when assessing the sufficiency of an individual director.

In addition, the updated policy simplifies the definition of overboarded directors, and includes changes in respect of the appointment/reappointment of the board chairman.

Composition of Committees

Current Sustainability Advisory Services Recommendation, incorporating policy changes:	New Sustainability Advisory Services Recommendation:
In **Belgium**, **Denmark**, **Finland**, **France**, **Luxembourg**, the **Netherlands**, **Norway**, **Spain**, **Sweden**, and **Switzerland**, vote against the (re)election of executives who serve on the company's audit or remuneration committee. Sustainability Advisory Services may recommend against if the disclosure is too poor to determine whether an executive serves or will serve on a committee. If a company does not have an audit or a remuneration committee, Sustainability Advisory Services may consider that the entire board fulfills the role of a committee. In such case, Sustainability Advisory Services may recommend against the executives, including the CEO, up for election to the board. For **Belgium**, the **Netherlands**, and **Switzerland**, vote against the (re)election of non-independent members of the audit committee and/or the remuneration committee if their (re)election would lead to a non-independent majority on the respective committee. These policies apply only to companies for which Sustainability Advisory Services includes overall board independence as a factor in its analysis of board elections. ~~Markets where local corporate governance codes prescribe specific composition requirements are assessed in accordance with compliance with their local codes. More stringent requirements are applied to those markets where local corporate governance codes prescribe more robust composition requirements.~~	In **Belgium**, **Denmark**, **Finland**, **France**, **Luxembourg**, the **Netherlands**, **Norway**, **Spain**, **Sweden**, and **Switzerland**, vote against the (re)election of executives who serve on the company's audit or remuneration committee. Sustainability Advisory Services may recommend against if the disclosure is too poor to determine whether an executive serves or will serve on a committee. If a company does not have an audit or a remuneration committee, Sustainability Advisory Services may consider that the entire board fulfills the role of a committee. In such case, Sustainability Advisory Services may recommend against the executives, including the CEO, up for election to the board. For **Belgium**, the **Netherlands**, and **Switzerland**, vote against the (re)election of non-independent members of the audit committee and/or the remuneration committee if their (re)election would lead to a non-independent majority on the respective committee. These policies apply only to companies for which Sustainability Advisory Services includes overall board independence as a factor in its analysis of board elections.

Rationale for Change:

This update is to clarify Sustainability Advisory Services' approach to analyzing board committee independence in continental Europe.

Composition Nomination Committee- (Sweden, Norway, and Finland)

Current Sustainability Advisory Services Recommendation, incorporating policy changes:	New Sustainability Advisory Services Recommendation:
Vote for proposals in **Sweden**, **Norway**, and **Finland** to elect or appoint a nominating committee consisting mainly of non-board members. Vote for shareholder proposals calling for disclosure of the names of the proposed candidates at the meeting, as well as the inclusion of a representative of minority shareholders in the committee. Vote against proposals where the names of the candidates (in the case of an election) or the principles for the establishment of the committee have not been disclosed in a timely manner. ~~The above policy notwithstanding, v~~Vote against proposals in **Sweden** to elect or appoint such a committee if the company is on the MSCI-EAFE or local main index and the following conditions exist: 1. A member of the executive management would be a member of the committee; 2. More than one board member who is dependent on a major shareholder would be on the committee; or 3. The chair of the board would also be the chair of the committee. In cases where the principles for the establishment of the nominating committee, rather than the election of the committee itself, are being voted on, vote against the adoption of the principles if any of the above conditions are met for the current committee, and there is no publicly available information indicating that this would no longer be the case for the new nominating committee.	Vote for proposals in **Sweden**, **Norway**, and **Finland** to elect or appoint a nominating committee consisting mainly of non-board members. Vote for shareholder proposals calling for disclosure of the names of the proposed candidates at the meeting, as well as the inclusion of a representative of minority shareholders in the committee. Vote against proposals where the names of the candidates (in the case of an election) or the principles for the establishment of the committee have not been disclosed in a timely manner. Vote against proposals in **Sweden** to elect or appoint such a committee if the company is on the MSCI-EAFE or local main index and the following conditions exist: 1. A member of the executive management would be a member of the committee; 2. More than one board member who is dependent on a major shareholder would be on the committee; or 3. The chair of the board would also be the chair of the committee. In cases where the principles for the establishment of the nominating committee, rather than the election of the committee itself, are being voted on, vote against the adoption of the principles if any of the above conditions are met for the current committee, and there is no publicly available information indicating that this would no longer be the case for the new nominating committee.

Rationale for Change:

The International Sustainability policy currently does not take into account proposals where the names of the nominating committee members (in the case of an election) or the principles for the establishment of the committee have not been disclosed. Nominating committee members in Nordic companies are mainly composed of non-board members and, as such, the election and appointment of the committee members does not fall under the policy that concerns the failure to disclose the proposed director names. By including the amendment, Sustainability Advisory Services would recommend against proposals regarding the election of committee members or the approval of the principles for the establishment of the committee when no information on the names or principles have been disclosed.

Capital Structure

Share Issuance Requests – General Issuances

Current Sustainability Advisory Services Recommendation, incorporating policy changes:	New Sustainability Advisory Services Recommendation:
General Recommendation: 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**). **Starting in Feb 2019, the maximum will be 50 percent.** 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**). **Starting in Feb 2019, the maximum will be 10 percent.** For **French** companies: Vote for general issuance requests with preemptive rights, or without preemptive rights but with a binding "priority right," for a maximum of 50 percent over currently issued capital. Generally vote for general authorities to issue shares without preemptive rights up to a maximum of 10 percent of share capital. When companies are listed on a regulated market, the maximum discount on share issuance price proposed in the resolution must, in addition, comply with the legal discount (i.e., a maximum of 5 percent discount to the share listing price) for a vote for to be warranted.	**General Recommendation:** 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). **Starting in Feb 2019, the maximum will be 50 percent.** 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). Starting in Feb 2019, the maximum will be 10 percent.** For **French** companies: Vote for general issuance requests with preemptive rights, or without preemptive rights but with a binding "priority right," for a maximum of 50 percent over currently issued capital. Generally vote for general authorities to issue shares without preemptive rights up to a maximum of 10 percent of share capital. When companies are listed on a regulated market, the maximum discount on share issuance price proposed in the resolution must, in addition, comply with the legal discount (i.e., a maximum of 5 percent discount to the share listing price) for a vote for to be warranted.

Rationale for Change:

General share issuance requests under both authorized and conditional capital systems allow companies to issue shares to raise funds for general financing purposes. Approval of such authorization requests gives companies sufficient flexibility to carry out ordinary business activities without having to bear the expense of calling shareholder meetings for every issuance.

Issuances can be carried out with or without preemptive rights. Preemptive rights permit shareholders to share proportionately in any new issuances of stock. These rights guarantee existing shareholders the first opportunity to purchase shares of new issuances of stock in the class they own in an amount equal to the percentage of the class they already own. Sustainability Advisory Services' current approach is that issuance authorities of more than 100 percent (50 percent in France) can lead to excessive cash calls on shareholders, requiring them to provide the funds necessary to maintain their relative positions in the company or to accept substantial dilution. Corporate law in many countries recognizes preemptive rights and requires shareholder approval to waive such rights.

When companies make issuance requests without preemptive rights, shareholders suffer dilution because of such issuances. Therefore, authorizations should be limited to a fixed number of shares or a percentage of capital at the time of issuance. While conventions regarding this type of authority vary widely among countries, currently Sustainability Advisory Services routinely approves issuance requests without pre-emptive rights for up to 20 percent of a company's outstanding capital in Continental Europe (10 percent in France).

However, trends among institutional investors are changing globally. More and more investors have tightened their internal voting guidelines and a majority of them only support general share issuances if the maximal dilution is 10 percent (without preemptive rights) or 50 percent (with preemptive rights), respectively. Especially in Europe where this policy is applicable, many investors in larger markets like the UK, France, or Germany already follow a stricter approach.

Sustainability Advisory Services has not changed its policy on general share issuance requests for more than a decade. However, investors' guidelines and voting behaviors are evolving, and Sustainability Advisory Services aims to adapt its policy considering these trends. Since Sustainability Advisory Services is aware of the significance of this policy change for many European issuers, the policy changes will not take effect until Feb. 1, 2019, following a one-year transition period.

Share Repurchase Plans / Market-Specific Exceptions (Italy and Germany)

Current Sustainability Advisory Services Recommendation, incorporating policy changes:	New Sustainability Advisory Services Recommendation:
General Recommendation: For **Italy** and **Germany**, vote for share-repurchase plans and share reissuance plans that would use call and put options if the following criteria are met~~.~~: The duration of the ~~authorization is~~ options is limited in time to no more than 18 months; The total number of shares covered by the authorization is disclosed; The number of shares that would be purchased with call options and/or sold with put options is limited to a maximum of 5 percent of currently outstanding capital (or half of the total amounts allowed by law in Italy and Germany); A financial institution, with experience conducting sophisticated transactions, is indicated as the party responsible for the trading; and The company has a clean track record regarding repurchases.	**General Recommendation:** For **Italy** and **Germany**, vote for share-repurchase plans and share reissuance plans that would use call and put options if the following criteria are met: The duration of the options is limited in time to no more than 18 months; The total number of shares covered by the authorization is disclosed; The number of shares that would be purchased with call options and/or sold with put options is limited to a maximum of 5 percent of currently outstanding capital (or half of the total amounts allowed by law in Italy and Germany); A financial institution, with experience conducting sophisticated transactions, is indicated as the party responsible for the trading; and The company has a clean track record regarding repurchases.

Rationale for Change:

This change is for clarification purposes only, since the term "authorization" could be misunderstood as referring to the share repurchase authorization.

SINGAPORE

Share Issuance Requests

Share Repurchase Plans

Current Sustainability Advisory Services Recommendation, incorporating policy changes:	**New Sustainability Advisory Services Recommendation:**
Sustainability Advisory Services Recommendation: Generally vote for resolutions authorizing the company to repurchase its own shares, unless the premium over the average trading price of the shares as implied by the maximum price paid exceeds 5 percent for on-market and/or off-market repurchases.	**Sustainability Advisory Services Recommendation:** Generally vote for resolutions authorizing the company to repurchase its own shares, unless the premium over the average trading price of the shares as implied by the maximum price paid exceeds 5 percent for on-market and/or off-market repurchases.

Rationale for Change:

Under Singapore Exchange rules, the premium at which market share repurchases can be made is limited to a price not more than 5 percent above the average closing market price over the five trading days before the repurchase. However, there are no rules regarding the premium allowed for off-market share repurchases.

Share repurchases at excessive premiums could prove costly to the company and lead to the deterioration of shareholder value. The introduction of price ceilings for share repurchases would limit potential abuses of the mandate, such as the buyback of shares from a related-party shareholder at an above-market price.

The adoption of share price limits would generally align the Sustainability policy with the viewpoints expressed by institutional investors during the ISS policy development process.

The updated policy will only apply to on-market and/or off-market share repurchase mandates. Repurchases under exceptional circumstances, such as one-off company specific events, would be assessed case-by-case based on the merits.

SOCIAL AND ENVIRONMENTAL PROPOSALS

Overall Approach

Current Sustainability Advisory Services Recommendation, incorporating policy changes:	**New Sustainability Advisory Services Recommendation:**
Sustainability Advisory Services Recommendation: ~~Generally vote in favor of social and environmental proposals that seek to promote good corporate citizenship while enhancing~~ ISS' Sustainability Policy generally supports standards-based ESG shareholder proposals that enhance long-term shareholder and stakeholder value while aligning the interests of the company with those of society at large. In particular, the policy will focus on resolutions seeking greater transparency and/or adherence to internationally recognized standards and principles.	**Sustainability Advisory Services Recommendation:** ISS' Sustainability Policy generally supports standards-based ESG shareholder proposals that enhance long-term shareholder and stakeholder value while aligning the interests of the company with those of society at large. In particular, the policy will focus on resolutions seeking greater transparency and/or adherence to internationally recognized standards and principles.

Climate Change

Current Sustainability Advisory Services Recommendation, incorporating policy changes:	**New Sustainability Advisory Services Recommendation:**
Sustainability Advisory Services Recommendation: [Not formally included in the guidelines] Vote for shareholder proposals seeking information on the financial, physical, or regulatory risks it faces related to climate change- on its operations and investments, or on how the company identifies, measures, and manage such risks. Vote for shareholder proposals calling for the reduction of GHG emissions. Vote for shareholder proposals seeking reports on responses to regulatory and public pressures surrounding climate change, and for disclosure of research that aided in setting company policies around climate change. Vote for shareholder proposals requesting a report/disclosure of goals on GHG emissions from company operations and/or products.	**Sustainability Advisory Services Recommendation:** Vote for shareholder proposals seeking information on the financial, physical, or regulatory risks it faces related to climate change- on its operations and investments, or on how the company identifies, measures, and manage such risks. Vote for shareholder proposals calling for the reduction of GHG emissions. Vote for shareholder proposals seeking reports on responses to regulatory and public pressures surrounding climate change, and for disclosure of research that aided in setting company policies around climate change. Vote for shareholder proposals requesting a report/disclosure of goals on GHG emissions from company operations and/or products.

Rationale for Change:

The update refines and highlights the Sustainability Policy's overall approach on climate change and other social and environmental issues, ISS

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