AMERICAS

PROXY VOTING GUIDELINES UPDATES FOR 2020

Benchmark Policy Changes for U.S., Canada, and Latin America

Effective for Meetings on or after February 1, 2020

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United States

Board of Directors – Voting on Director Nominees in Uncontested Elections

Exemptions for new nominees

Current ISS Policy, incorporating changes:	New ISS Policy:
General Recommendation: Generally vote for director nominees, except under the following circumstances (with new nominees[1] considered on a case-by-case basis): [1] A "new nominee" is a director who is being presented for election by shareholders for the first time. Recommendations on new nominees who have served for less than one year are made on a case-by-case basis depending on the timing of their appointment and the problematic governance issue in question. …… **Accountability** ~~Vote against or withhold from the entire board of directors (except new nominees[4], who should be considered case-by-case) for the following:~~ ~~[4] A "new nominee" is any current nominee who has not already been elected by shareholders and who joined the board after the problematic action in question transpired. If ISS cannot determine whether the nominee joined the board before or after the problematic action transpired, the nominee will be considered a "new nominee" if he or she joined the board within the 12 months prior to the upcoming shareholder meeting.~~	**General Recommendation:** Generally vote for director nominees, except under the following circumstances (with new nominees[1] considered on case-by-case basis): [1] A "new nominee" is a director who is being presented for election by shareholders for the first time. Recommendations on new nominees who have served for less than one year are made on a case-by-case basis depending on the timing of their appointment and the problematic governance issue in question. …… **Accountability**

Rationale for Change:

The ISS research reports highlight nominees presented to shareholders for the first time by an asterisk in the Board Profile, and an informational section on these "new nominees" in the Election of Directors vote recommendation write-up. However, a new nominee is not necessarily a person who just joined the board. If the board is classified, the director could have served on the board for up to three years depending on the class he/she was appointed to before being elected by shareholders. For newly-public companies, the director may have served for years on the board prior to the IPO.

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When making recommendations on nominees, ISS takes into consideration if a director has limited tenure; whether he/she should be held responsible for an action taken by the board before he/she joined. But this case-by-case consideration only occurs if the director has been on the board for less than one year. While this is the current policy application, the current footnote under Board Accountability on new nominees is being clarified such that only the subset of new nominees who have served on board for less than one year will be considered on a case-by-case basis.

The footnote on new nominees is also being moved to the beginning of the Director Election section from Accountability, as it may be applied to other policies in the other pillars of Independence, Responsiveness, and Composition.

Board Composition – Attendance

Current ISS Policy, incorporating changes:	New ISS Policy:
Attendance at Board and Committee Meetings: Generally vote against or withhold from directors (except ~~new~~ nominees who served only part of the fiscal year~~, who should be considered case-by-case~~[1]) who attend less than 75 percent of the aggregate of their board and committee meetings for the period for which they served, unless an acceptable reason for absences is disclosed in the proxy or another SEC filing. Acceptable reasons for director absences are generally limited to the following: ▪ Medical issues/illness; ▪ Family emergencies; and ▪ Missing only one meeting (when the total of all meetings is three or fewer).	**Attendance at Board and Committee Meetings:** Generally vote against or withhold from directors (except nominees who served only part of the fiscal year[1]) who attend less than 75 percent of the aggregate of their board and committee meetings for the period for which they served, unless an acceptable reason for absences is disclosed in the proxy or another SEC filing. Acceptable reasons for director absences are generally limited to the following: ▪ Medical issues/illness; ▪ Family emergencies; and ▪ Missing only one meeting (when the total of all meetings is three or fewer).

Rationale for Change:

The term "new nominee" is being removed from the attendance policy, because the issue for recently-added directors under this policy is whether they served the entire fiscal year under review, not whether they have been previously elected by shareholders. It is quite common for a director to be appointed to the board a few months prior to the annual meeting at which he/she is first elected by shareholders. For example, a company on a calendar fiscal year may have appointed a director to the board in April of 2018; the director was subsequently elected by shareholders at the annual general meeting (AGM) in May of 2018. Such a director would not be

[1] ~~New n~~Nominees who served for only part of the fiscal year are generally exempted from the attendance policy.

considered a "new nominee" at the May 2019 AGM, but should continue to be exempted from the attendance policy at the 2019 meeting as he or she only served for part of the 2018 fiscal year.

Board Composition – Diversity

Current ISS Policy, incorporating changes:	New ISS Policy:
Diversity: ~~Highlight boards with no gender diversity. For 2019 meetings, no adverse vote recommendations will be made due to a lack of gender diversity.~~ For companies in the Russell 3000 or S&P 1500 indices, ~~effective for meetings on or after Feb. 1, 2020,~~ generally vote against or withhold from the chair of the nominating committee (or other directors on a case-by-case basis) at companies where~~when~~ there are no women on the company's board. Mitigating factors include: ▪ Until Feb. 1, 2021, a ~~A~~ firm commitment, as stated in the proxy statement, to appoint at least one ~~female~~ woman to the board within a year ~~in the near term~~; ▪ The presence of a ~~female~~ woman on the board at the preceding annual meeting and a firm commitment to appoint at least one woman to the board within a year; or ▪ Other relevant factors as applicable.	**Diversity:** For companies in the Russell 3000 or S&P 1500 indices, generally vote against or withhold from the chair of the nominating committee (or other directors on a case-by-case basis) at companies where there are no women on the company's board. Mitigating factors include: ▪ Until Feb. 1, 2021, a firm commitment, as stated in the proxy statement, to appoint at least one woman to the board within a year; ▪ The presence of a woman on the board at the preceding annual meeting and a firm commitment to appoint at least one woman to the board within a year; or ▪ Other relevant factors as applicable.

Rationale for Change:

The one-year transition period for the U.S. gender diversity policy has now passed, and absent a firm commitment from the company to achieve gender diversity within a year, ISS will recommend against the chair of the nominating committee (or other directors as appropriate), if the board lacks a female director. In addition, ISS is clarifying that such a commitment from a board with no women on it previously will only be a mitigating factor for 2020, not beyond.

Furthermore, going forward, having board gender diversity the previous year but not in the current year will not alone prevent the withhold/ against recommendations: the company will need to acknowledge the current lack of a gender-diverse board, and provide a firm commitment to re-achieving board gender diversity by the following year. A "firm commitment" will be considered to be a plan, with measurable goals, outlining the way in which the board will achieve gender diversity.

Board Accountability – Problematic Governance Structure - Newly Public Companies

Current ISS Policy, incorporating changes:	New ISS Policy:
Problematic Governance Structure - Newly public companies: For newly public companies[2], generally vote against or withhold from directors individually, committee members, or the entire board (except new nominees, who should be considered case-by-case) if, prior to or in connection with the company's public offering, the company or its board adopted the following bylaw or charter provisions that are considered to be materially adverse to shareholder rights~~, or implemented a multi-class capital structure in which the classes have unequal voting rights considering the following factors~~: ▪ ~~The level of impairment of shareholders' rights;~~ ▪ ~~The disclosed rationale;~~ ▪ ~~The ability to change the governance structure (e.g., limitations on shareholders' right to amend the bylaws or charter, or s~~Supermajority vote requirements to amend the bylaws or charter~~)~~; ▪ ~~The ability of shareholders to hold directors accountable through annual director elections, or whether the board has a~~ A classified board structure; or ▪ Other egregious provisions. ▪ ~~Any reasonable sunset provision. and~~ ▪ ~~Other relevant factors~~ A reasonable sunset provision will be considered a mitigating factor. Unless the adverse provision ~~and/or problematic capital structure~~ is reversed or removed, vote case-by-case on director nominees in subsequent years. **Problematic Capital Structure - Newly public companies:** For newly public companies, generally vote against or withhold from the entire board (except new nominees, who should be considered case-by-case) if, prior to or in connection	**Problematic Governance Structure - Newly public companies:** For newly public companies[2], generally vote against or withhold from directors individually, committee members, or the entire board (except new nominees, who should be considered case-by-case) if, prior to or in connection with the company's public offering, the company or its board adopted the following bylaw or charter provisions that are considered to be materially adverse to shareholder rights: ▪ Supermajority vote requirements to amend the bylaws or charter; ▪ A classified board structure; or ▪ Other egregious provisions. A reasonable sunset provision will be considered a mitigating factor. Unless the adverse provision is reversed or removed, vote case-by-case on director nominees in subsequent years. **Problematic Capital Structure - Newly public companies:** For newly public companies, generally vote against or withhold from the entire board (except new nominees, who should be considered case-by-case) if, prior to or in connection with the company's public offering, the company or its board implemented a

[2] Newly-public companies generally include companies that emerge from bankruptcy, spin-offs, direct listings, and those who complete a traditional initial public offering.

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with the company's public offering, the company or its board implemented a multi-class capital structure in which the classes have unequal voting rights without subjecting the multi-class capital structure to a reasonable time-based sunset. In assessing the reasonableness of a time-based sunset provision, consideration will be given to the company's lifespan, its post-IPO ownership structure and the board's disclosed rationale for the sunset period selected. No sunset period of more than seven years from the date of the IPO will be considered to be reasonable. Continue to vote against or withhold from incumbent directors in subsequent years, unless the problematic capital structure is reversed or removed.	multi-class capital structure in which the classes have unequal voting rights without subjecting the multi-class capital structure to a reasonable time-based sunset. In assessing the reasonableness of a time-based sunset provision, consideration will be given to the company's lifespan, its post-IPO ownership structure and the board's disclosed rationale for the sunset period selected. No sunset period of more than seven years from the date of the IPO will be considered to be reasonable. Continue to vote against or withhold from incumbent directors in subsequent years, unless the problematic capital structure is reversed or removed.

Rationale for Change:

The prevalence of multi-class capital structure companies with disparate voting rights has grown among newly-listed entities in the U.S. over the past several years. According to ISS data, in 2018, 14 percent of newly public companies included such a capital structure. Moreover, in each of the past four years, at least 10 percent of newly-public companies had dual class capital structures with unequal voting rights in place when they went public. Overall, approximately seven percent of Russell 3000 companies currently have a multi-class capital structure in place.

Companies that choose to come public with a multi-class capital structure may have provisions written into their charters to provide for a sunset of such structures and a switch to a one-share, one-vote structure. Most of these sunsets are either based upon an ownership trigger, or a time-based trigger. Alternatively, some multi-class companies may not provide for any sunset to the structure. According to figures by the Council of Institutional Investors, 23 companies had an initial public offering in 2017 with a dual-class structure, with 15 in 2018, and 15 in the first half of 2019. Of these, only six of the IPO companies in 2017 had a time-based sunset, with five in 2018, and four so far in 2019. Time-based sunset requirements over this time period vary from as short as three years to as long as 10 years.

Investor sentiment varies regarding the use of multi-class share structures in principle, and the appropriate mechanism for unwinding them. One academic study indicates that benefits attributed to multi-class structures dissipate over time, which strengthens the case for sunset mechanisms.[3] Another study found that not only did valuation premiums for dual-class structure companies dissipate over time, they actually turned to discounts within six to nine years after the IPO.[4] In ISS' 2019 Global Policy Survey, for U.S. companies, ISS asked investors whether a time-based sunset requirement of no more than seven years was seen as appropriate. For those who provided an answer to the question, 55 percent of investor respondents agreed that a maximum seven-year sunset is appropriate.

[3] Lucian Bebchuck, Kobi Kastiel – *The Untenable Case for Perpetual Dual-Class Stock*
[4] Martijn Cremers, Beni Lauterbach, and Anete Pajuste – *The Life Cycle of Dual-Class Firms*

The policy update is intended to provide clarity on policy application at newly-public companies by creating two distinct policies to address (1) problematic governance provisions and (2) multi-class capital structures with unequal voting rights. The change specifically creates a policy to address problematic capital structures at newly-public companies and with a framework for addressing acceptable sunset requirements. In line with the current implementation of the policy, the update also clarifies and narrows the focus of the policy to certain highly problematic governance structures.

Board Accountability – Restrictions on Shareholders' Rights

Current ISS Policy, incorporating changes:	New ISS Policy:
Restricting Binding Shareholder Proposals: Generally vote against or withhold from the members of the governance committee if: ▪ The company's governing documents impose undue restrictions on shareholders' ability to amend the bylaws. Such restrictions include but are not limited to: outright prohibition on the submission of binding shareholder proposals or share ownership requirements, subject matter restrictions, or time holding requirements in excess of SEC Rule 14a-8. Vote against or withhold on an ongoing basis. Submission of management proposals to approve or ratify requirements in excess of SEC Rule 14a-8 for the submission of binding bylaw amendments will generally be viewed as an insufficient restoration of shareholders' rights. Generally continue to vote against or withhold on an ongoing basis until shareholders are provided with an unfettered ability to amend the bylaws or a proposal providing for such unfettered right is submitted for shareholder approval.	**Restricting Binding Shareholder Proposals:** Generally vote against or withhold from the members of the governance committee if: ▪ The company's governing documents impose undue restrictions on shareholders' ability to amend the bylaws. Such restrictions include but are not limited to: outright prohibition on the submission of binding shareholder proposals or share ownership requirements, subject matter restrictions, or time holding requirements in excess of SEC Rule 14a-8. Vote against or withhold on an ongoing basis. Submission of management proposals to approve or ratify requirements in excess of SEC Rule 14a-8 for the submission of binding bylaw amendments will generally be viewed as an insufficient restoration of shareholders' rights. Generally continue to vote against or withhold on an ongoing basis until shareholders are provided with an unfettered ability to amend the bylaws or a proposal providing for such unfettered right is submitted for shareholder approval.

Rationale for Change:

ISS has seen a general increase in the number of companies submitting proposals to shareholders seeking ratification or approval of requirements in excess of SEC Rule 14a-8 regarding submission of binding bylaw amendments. The update provides guidance on how ISS will apply the policy and will ensure consistency in recommendations. Specifically, ISS will generally recommend that shareholders vote against or withhold from members of the governance committee until shareholders are provided with an unfettered ability to amend the bylaws or a proposal providing for such unfettered right is submitted for shareholder approval.

We are further clarifying that subject matter restrictions – prohibitions on shareholders' being able to amend the particular bylaws that govern their ability to amend the bylaws (thus preventing shareholders from being able to remove the time or ownership restrictions) are also considered undue restrictions on shareholders' rights.

Other Board-Related Proposals

Independent Board Chair

Current ISS Policy, incorporating changes:	New ISS Policy:
General Recommendation: Generally vote for shareholder proposals requiring that the board chair~~man's~~ position be filled by an independent director, taking into consideration the following: ▪ The scope and rationale of the proposal; ▪ The company's current board leadership structure; ▪ The company's governance structure and practices; ▪ Company performance; and ▪ Any other relevant factors that may be applicable. The following factors will increase the likelihood of a "for" recommendation: ▪ A majority non-independent board and/or the presence of non-independent directors on key board committees; ▪ A weak or poorly-defined lead independent director role that fails to serve as an appropriate counterbalance to a combined CEO/chair role; ▪ The presence of an executive or non-independent chair in addition to the CEO; a recent recombination of the role of CEO and chair; and/or departure from a structure with an independent chair. ▪ Evidence that the board has failed to oversee and address material risks facing the company; ▪ A material governance failure, particularly if the board has failed to adequately respond to shareholder concerns or if the board has materially diminished shareholder rights; or ▪ Evidence that the board has failed to intervene when management's interests are contrary to shareholders' interests. ~~Regarding the scope of the proposal, consider whether the proposal is precatory or binding and whether the proposal is seeking an immediate change in the chairman role or the policy can be implemented at the next CEO transition.~~	**General Recommendation:** Generally vote for shareholder proposals requiring that the board chair position be filled by an independent director, taking into consideration the following: ▪ The scope and rationale of the proposal; ▪ The company's current board leadership structure; ▪ The company's governance structure and practices; ▪ Company performance; and ▪ Any other relevant factors that may be applicable. The following factors will increase the likelihood of a "for" recommendation: ▪ A majority non-independent board and/or the presence of non-independent directors on key board committees; ▪ A weak or poorly-defined lead independent director role that fails to serve as an appropriate counterbalance to a combined CEO/chair role; ▪ The presence of an executive or non-independent chair in addition to the CEO, a recent recombination of the role of CEO and chair, and/or departure from a structure with an independent chair; ▪ Evidence that the board has failed to oversee and address material risks facing the company; ▪ A material governance failure, particularly if the board has failed to adequately respond to shareholder concerns or if the board has materially diminished shareholder rights; or ▪ Evidence that the board has failed to intervene when management's interests are contrary to shareholders' interests.

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~~Under the review of the company's board leadership structure, ISS may support the proposal under the following scenarios absent a compelling rationale: the presence of an executive or non-independent chair in addition to the CEO; a recent recombination of the role of CEO and chair; and/or departure from a structure with an independent chair. ISS will also consider any recent transitions in board leadership and the effect such transitions may have on independent board leadership as well as the designation of a lead director role.~~ ~~When considering the governance structure, ISS will consider the overall independence of the board, the independence of key committees, the establishment of governance guidelines, board tenure and its relationship to CEO tenure, and any other factors that may be relevant. Any concerns about a company's governance structure will weigh in favor of support for the proposal.~~ ~~The review of the company's governance practices may include, but is not limited to, poor compensation practices, material failures of governance and risk oversight, related-party transactions or other issues putting director independence at risk, corporate or management scandals, and actions by management or the board with potential or realized negative impact on shareholders. Any such practices may suggest a need for more independent oversight at the company thus warranting support of the proposal.~~ ~~ISS' performance assessment will generally consider one-, three-, and five-year TSR compared to the company's peers and the market as a whole. While poor performance will weigh in favor of the adoption of an independent chair policy, strong performance over the long term will be considered a mitigating factor when determining whether the proposed leadership change warrants support.~~	

Rationale for Change:

Calls for independent board chairs remain among the most common type of shareholder proposal offered for consideration at U.S. companies' annual general meetings. ISS periodically includes questions related to this topic in its annual policy surveys – including both the 2018 and 2019 surveys – to keep abreast of evolving investor viewpoints and to refine its policy in relation to which factors to emphasize when analyzing these proposals. In ISS' 2019 Global Policy Survey, for U.S. companies, investors strongly favored incorporating factors such as poor responsiveness to shareholder concerns and risk oversight failures.

The update largely codifies the existing ISS policy application. While ISS would maintain a holistic approach to evaluating these proposals, the policy now explicitly states the types of factors that will be given substantial weight. Identification of such factors will generally result in ISS recommending "for" these proposals. The overview of how ISS will analyze the scope and rationale of the proposal, the company's current board leadership structure, the company's governance structure and practices, company performance, and the overriding factors will be updated and subsequently relocated to ISS' Policy FAQ document.

Capital/Restructuring

Share Repurchase Programs

Current ISS Policy, incorporating changes:	New ISS Policy:
General Recommendation: For U.S.-incorporated companies, and foreign-incorporated U.S. Domestic Issuers that are traded solely on U.S. exchanges, v~~V~~ote for management proposals to institute open-market share repurchase plans in which all shareholders may participate on equal terms, or to grant the board authority to conduct open-market repurchases, in the absence of company-specific concerns regarding: ▪ Greenmail, ▪ The use of buybacks to inappropriately manipulate incentive compensation metrics, ▪ Threats to the company's long-term viability, or ▪ Other company-specific factors as warranted. Vote case-by-case on proposals to repurchase shares directly from specified shareholders, balancing the stated rationale against the possibility for the repurchase authority to be misused, such as to repurchase shares from insiders at a premium to market price.	**General Recommendation:** For U.S.-incorporated companies, and foreign-incorporated U.S. Domestic Issuers that are traded solely on U.S. exchanges, vote for management proposals to institute open-market share repurchase plans in which all shareholders may participate on equal terms, or to grant the board authority to conduct open-market repurchases, in the absence of company-specific concerns regarding: ▪ Greenmail, ▪ The use of buybacks to inappropriately manipulate incentive compensation metrics, ▪ Threats to the company's long-term viability, or ▪ Other company-specific factors as warranted. Vote case-by-case on proposals to repurchase shares directly from specified shareholders, balancing the stated rationale against the possibility for the repurchase authority to be misused, such as to repurchase shares from insiders at a premium to market price.

Rationale for Change:

While most U.S. companies can and do implement share buyback programs via board resolutions without shareholder votes, there are exceptions to this rule. Certain financial institutions, for example, are required by their regulators to receive shareholder approval for buyback programs. In addition, certain U.S.-listed cross-market companies are required by the law of their country of incorporation to receive shareholder approval to grant the board the authority to repurchase shares. While some buyback critics express concerns that boards may authorize repurchases at the expense of R&D, CapEx or worker pay, shareholders generally support the use of buybacks as a way of returning cash without creating an immediate taxable event for shareholders who retain their shares, and as a form of market discipline to reduce the likelihood of uneconomic investments and empire-building acquisitions. The revised policy would provide safeguards against (1) the use of targeted share buybacks as greenmail or to reward company insiders by purchasing their shares at a price higher than they could receive in an open market sale, (2) the use of buybacks to boost EPS or other compensation metrics to increase payouts to executives or other insiders, and 3) repurchases that threaten a company's long-term viability (or a bank's capitalization level). In the absence of these abusive practices, support will generally be warranted for a grant of authority to the board to engage in a buyback.

This policy update codifies the existing ISS approach, particularly with respect to the rare cases in which an "against" recommendation may be warranted. Unlike most of ISS' capital-related policies which are based on companies' country of incorporation, this policy will also cover foreign-incorporated U.S. Domestic Issuers (DEF 14 filers) if they are listed solely in the U.S., regardless of their country of incorporation.

Compensation

Equity-Based and Other Incentive Plans – Evergreen Provision

Current ISS Policy, incorporating changes:	New ISS Policy:

General Recommendation: Vote case-by-case on certain equity-based compensation plans depending on a combination of certain plan features and equity grant practices, where positive factors may counterbalance negative factors, and vice versa, as evaluated using an "Equity Plan Scorecard" (EPSC) approach with three pillars:
 	
▪ **Plan Cost:** The total estimated cost of the company's equity plans relative to industry/market cap peers, measured by the company's estimated Shareholder Value Transfer (SVT) in relation to peers and considering both:
  ▪ SVT based on new shares requested plus shares remaining for future grants, plus outstanding unvested/unexercised grants; and
  ▪ SVT based only on new shares requested plus shares remaining for future grants.
▪ **Plan Features:**
  ▪ Quality of disclosure around vesting upon a change in control (CIC);
  ▪ Discretionary vesting authority;
  ▪ Liberal share recycling on various award types;
  ▪ Lack of minimum vesting period for grants made under the plan;
  ▪ Dividends payable prior to award vesting.
	General Recommendation: Vote case-by-case on certain equity-based compensation plans depending on a combination of certain plan features and equity grant practices, where positive factors may counterbalance negative factors, and vice versa, as evaluated using an "Equity Plan Scorecard" (EPSC) approach with three pillars:
	
	▪ **Plan Cost:** The total estimated cost of the company's equity plans relative to industry/market cap peers, measured by the company's estimated Shareholder Value Transfer (SVT) in relation to peers and considering both:
	  ▪ SVT based on new shares requested plus shares remaining for future grants, plus outstanding unvested/unexercised grants; and
	  ▪ SVT based only on new shares requested plus shares remaining for future grants.
	▪ **Plan Features:**
	  ▪ Quality of disclosure around vesting upon a change in control (CIC);
	  ▪ Discretionary vesting authority;
	  ▪ Liberal share recycling on various award types;
	  ▪ Lack of minimum vesting period for grants made under the plan;
	  ▪ Dividends payable prior to award vesting.

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- **Grant Practices:**
  - The company's three-year burn rate relative to its industry/market cap peers;
  - Vesting requirements in CEO's recent equity grants (3-year look-back);
  - The estimated duration of the plan (based on the sum of shares remaining available and the new shares requested, divided by the average annual shares granted in the prior three years);
  - The proportion of the CEO's most recent equity grants/awards subject to performance conditions;
  - Whether the company maintains a sufficient claw-back policy;
  - Whether the company maintains sufficient post-exercise/vesting share-holding requirements.

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

- Awards may vest in connection with a liberal change-of-control definition;
- The plan would permit repricing or cash buyout of underwater options without shareholder approval (either by expressly permitting it – for NYSE and Nasdaq listed companies – or by not prohibiting it when the company has a history of repricing – for non-listed companies);
- The plan is a vehicle for problematic pay practices or a significant pay-for-performance disconnect under certain circumstances;
- The plan is excessively dilutive to shareholders' holdings; ~~or~~
- The plan contains an evergreen (automatic share replenishment) feature; or
- Any other plan features are determined to have a significant negative impact on shareholder interests.

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- **Grant Practices:**
  - The company's three-year burn rate relative to its industry/market cap peers;
  - Vesting requirements in CEO's recent equity grants (3-year look-back);
  - The estimated duration of the plan (based on the sum of shares remaining available and the new shares requested, divided by the average annual shares granted in the prior three years);
  - The proportion of the CEO's most recent equity grants/awards subject to performance conditions;
  - Whether the company maintains a sufficient claw-back policy;
  - Whether the company maintains sufficient post-exercise/vesting share-holding requirements.

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

- Awards may vest in connection with a liberal change-of-control definition;
- The plan would permit repricing or cash buyout of underwater options without shareholder approval (either by expressly permitting it – for NYSE and Nasdaq listed companies – or by not prohibiting it when the company has a history of repricing – for non-listed companies);
- The plan is a vehicle for problematic pay practices or a significant pay-for-performance disconnect under certain circumstances;
- The plan is excessively dilutive to shareholders' holdings;
- The plan contains an evergreen (automatic share replenishment) feature; or
- Any other plan features are determined to have a significant negative impact on shareholder interests.

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Rationale for Change:

Prior to the Tax Cuts and Jobs Act in late 2017, Internal Revenue Code Section 162(m) required companies to seek approval of their incentive plan metrics at least every five years for qualification of the performance-based pay exemption. However, the tax reform repealed the performance-based pay exemption, thereby eliminating the need for companies to obtain shareholder regular reapproval of plans. As a result of the tax reform, there has been a significant drop in the number of equity plans brought to shareholder vote (a 27 percent year-over-year drop from 2017 to 2018), and the number of such proposals in 2018 and 2019 has remained significantly below levels seen before the tax reform.

The new environment post-tax reform renews concerns around evergreen provisions that automatically replenish plan reserves and circumvent regular shareholder reapproval of such plans within reasonable time intervals. Further, the presence of an evergreen provision may perpetuate plans with shareholder-unfriendly features. Therefore, ISS will include a plan's containing an evergreen feature as an overriding factor in the U.S. Equity Plan Scorecard analysis.

Social and Environmental Issues

Diversity - Gender Pay Gap

Current ISS Policy, incorporating changes:	New ISS Policy:
General Recommendation: Generally vote case-by-case on requests for reports on a company's pay data by gender, race, or ethnicity, or a report on a company's policies and goals to reduce any gender, race, or ethnicity pay gap, taking into account: ▪ The company's current policies and disclosure related to both its diversity and inclusion policies and practices and its compensation philosophy and fair and equitable compensation practices; ▪ Whether the company has been the subject of recent controversy, litigation, or regulatory actions related to gender, race, or ethnicity pay gap issues; and ▪ Whether the company's reporting regarding gender, race, or ethnicity pay gap policies or initiatives is lagging its peers.	**General Recommendation:** Generally vote case-by-case on requests for reports on a company's pay data by gender, race, or ethnicity, or a report on a company's policies and goals to reduce any gender, race, or ethnicity pay gap, taking into account: ▪ The company's current policies and disclosure related to both its diversity and inclusion policies and practices and its compensation philosophy and fair and equitable compensation practices; ▪ Whether the company has been the subject of recent controversy, litigation, or regulatory actions related to gender, race, or ethnicity pay gap issues; and ▪ Whether the company's reporting regarding gender, race, or ethnicity pay gap policies or initiatives is lagging its peers.

Rationale for Change:

This is an update of current policy to better align it with the requests of all the types of shareholder proposals filed. The updated language will better capture and be more inclusive of the types of requests on this issue, which include reporting on race or ethnicity-based pay inequities.

Canada

Ratification of Auditors (TSX and Venture)

Current ISS Policy, incorporating changes:	New ISS Policy:
General Recommendation: Vote For proposals to ratify auditors unless the following applies: ▪ Non-audit ("other") fees paid to the auditor > audit fees + audit-related fees + tax compliance/preparation fees. **Rationale:** National Instrument 52-110 - *Audit Committees* defines "audit services" to include the professional services rendered by the issuer's external auditor for the audit and review of the issuer's financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements. The instrument also sets out disclosure requirements related to fees charged by external auditors. Every issuer is required to disclose in its annual information form, with a cross-reference in the related proxy circular, fees billed by the external audit firm in each of the last two fiscal years. These fees must be broken down into four categories: Audit Fees, Audit-Related Fees, Tax Fees, and All Other Fees. ISS recognizes that certain tax-related services, e.g. tax compliance and preparation, are most economically provided by the audit firm. Tax compliance and preparation include the preparation of original and amended tax returns, refund claims, and tax payment planning. However, other services in the tax category, e.g. tax advice, planning, or consulting fall more into a consulting category. Therefore, these fees are separated from the tax compliance/preparation category and are added to the Non-audit (Other) fees for the purpose of determining whether excessive non-audit related fees have been paid to the external audit firm in the most recent year.	**General Recommendation:** Vote For proposals to ratify auditors unless the following applies: ▪ Non-audit ("other") fees paid to the auditor > audit fees + audit-related fees + tax compliance/preparation fees. **Rationale:** National Instrument 52-110 - *Audit Committees* defines "audit services" to include the professional services rendered by the issuer's external auditor for the audit and review of the issuer's financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements. The instrument also sets out disclosure requirements related to fees charged by external auditors. Every issuer is required to disclose in its annual information form, with a cross-reference in the related proxy circular, fees billed by the external audit firm in each of the last two fiscal years. These fees must be broken down into four categories: Audit Fees, Audit-Related Fees, Tax Fees, and All Other Fees. ISS recognizes that certain tax-related services, e.g. tax compliance and preparation, are most economically provided by the audit firm. Tax compliance and preparation include the preparation of original and amended tax returns, refund claims, and tax payment planning. However, other services in the tax category, e.g. tax advice, planning, or consulting fall more into a consulting category. Therefore, these fees are separated from the tax compliance/preparation category and are added to the Non-audit (Other) fees for the purpose of determining whether excessive non-audit related fees have been paid to the external audit firm in the most recent year.

In circumstances where "Other" fees include fees related to significant one-time capital restructure events, such as ~~(for the purpose of this policy such events are limited to~~ initial public offerings, emergence from bankruptcy, and spinoffs, ~~)~~ and the company makes public disclosure of the amount and nature of those fees which are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining whether non-audit fees are excessive.	In circumstances where "Other" fees include fees related to significant one-time capital restructure events, such as initial public offerings, emergence from bankruptcy, and spinoffs, and the company makes public disclosure of the amount and nature of those fees which are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining whether non-audit fees are excessive.

Rationale for Change:

Besides IPOs, emergence from bankruptcies, and spin-offs, M&A transactions (including dispositions) may also be considered one-time capital structure events. Even while some companies engage in M&A activities more frequently than others, it is believed they generally are significant, non-routine events that materially impact a company's capital structure/organization to warrant the carve out. For companies that are in the business of acquiring and disposing assets on a regular basis, their M&A transactions may not be deemed as eligible for a carve out. Fees connected to re-domiciliation may also qualify as one-time fee. In all cases, disclosures will be scrutinized when determining the carve out eligibility.

There is no change to the ISS disclosure requirement. Fees related to all one-time capital structure events are carved out only if there is adequate disclosure about the transactions and a clear breakdown of the fees.

Board of Directors- Voting on Director Nominees in Uncontested Elections

Excessive Non-Audit Fees (TSX and Venture)

Current ISS Policy, incorporating changes:	New ISS Policy:
General Recommendation: Vote withhold for individual directors who are members of the audit committee as constituted in the most recently completed fiscal year if: ▪ Non-audit fees ("other") fees paid to the external audit firm > audit fees + audit-related fees + tax compliance/preparation fees. **Rationale:** ISS recognizes that certain tax-related services, e.g. tax compliance and preparation, are most economically provided by the audit firm. Tax	**General Recommendation:** Vote withhold for individual directors who are members of the audit committee as constituted in the most recently completed fiscal year if: ▪ Non-audit fees ("other") fees paid to the external audit firm > audit fees + audit-related fees + tax compliance/preparation fees. **Rationale:** ISS recognizes that certain tax-related services, e.g. tax compliance and preparation, are most economically provided by the audit firm. Tax

compliance and preparation include the preparation of original and amended tax returns, refund claims, and tax payment planning. However, other services in the tax category, e.g. tax advice, planning, or consulting fall more into a consulting category. Therefore, these fees are separated from the tax compliance/preparation category and are added to the Non-audit (Other) fees for the purpose of determining whether excessive non-audit related fees have been paid to the external audit firm in the most recent year. In circumstances where "Other" fees include fees related to significant one-time capital restructure events, such as ~~(for the purpose of this policy such events are limited to~~ initial public offerings, emergence from bankruptcy, and spinoffs, ~~)~~ and the company makes public disclosure of the amount and nature of those fees which are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining whether non-audit fees are excessive. Part 2 of National Instrument 52-110 - Audit Committees states that the audit committee must be directly responsible for overseeing the work of the external auditor and that the audit committee must pre-approve all non-audit services provided to the issuer or its subsidiary entities by the issuer's external auditor. It is therefore appropriate to hold the audit committee accountable for payment of excessive non-audit fees.	compliance and preparation include the preparation of original and amended tax returns, refund claims, and tax payment planning. However, other services in the tax category, e.g. tax advice, planning, or consulting fall more into a consulting category. Therefore, these fees are separated from the tax compliance/preparation category and are added to the Non-audit (Other) fees for the purpose of determining whether excessive non-audit related fees have been paid to the external audit firm in the most recent year. In circumstances where "Other" fees include fees related to significant one-time capital restructure events, such as initial public offerings, emergence from bankruptcy, and spinoffs, and the company makes public disclosure of the amount and nature of those fees which are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining whether non-audit fees are excessive. Part 2 of National Instrument 52-110 - Audit Committees states that the audit committee must be directly responsible for overseeing the work of the external auditor and that the audit committee must pre-approve all non-audit services provided to the issuer or its subsidiary entities by the issuer's external auditor. It is therefore appropriate to hold the audit committee accountable for payment of excessive non-audit fees.

Rationale for Change:

See Ratification of Auditors above.

Policy Considerations for Majority Owned Companies (TSX and Venture)

Current ISS Policy, incorporating changes:	New ISS Policy:
General Recommendation: ISS policies support a one-share, one-vote principle. In recognition of the substantial equity stake held by certain shareholders, on a case-by-case basis, non-management director nominees who are or who represent a controlling shareholder of a majority owned company may be supported under ISS' board and committee independence policies if the company meets all of the following independence and governance criteria: ▪ The number of directors related to the controlling shareholder should not exceed the proportion of common shares controlled by the controlling shareholder. In no event, however, should the number of directors related to the controlling shareholder exceed two-thirds of the board; ▪ In addition to the above, if the CEO is related to the controlling shareholder, no more than one-third of the board should be related to management (as distinct from the controlling shareholder); ▪ If the CEO and chair roles are combined or the CEO is or is related to the controlling shareholder, then there should be an independent lead director and the board should have an effective and transparent process to deal with any conflicts of interest between the company, minority shareholders, and the controlling shareholder; ▪ A majority of the audit and nominating committees should be either independent directors or in addition to at least one independent director, may be directors who are related to the controlling shareholder. All members of the compensation committee should be independent of management. If the CEO is related to the controlling shareholder, no more than one member of the compensation committee should be a director who is related to the controlling shareholder; and ▪ Prompt disclosure of detailed vote results following each shareholder meeting. ISS will also take into consideration any other concerns related to the conduct of the subject director(s) and any controversy or questionable actions on the part of	**General Recommendation:** ISS policies support a one-share, one-vote principle. In recognition of the substantial equity stake held by certain shareholders, on a case-by-case basis, non-management director nominees who are or who represent a controlling shareholder of a majority owned company may be supported under ISS' board and committee independence policies if the company meets all of the following independence and governance criteria: ▪ The number of directors related to the controlling shareholder should not exceed the proportion of common shares controlled by the controlling shareholder. In no event, however, should the number of directors related to the controlling shareholder exceed two-thirds of the board; ▪ In addition to the above, if the CEO is related to the controlling shareholder, no more than one-third of the board should be related to management (as distinct from the controlling shareholder); ▪ If the CEO and chair roles are combined or the CEO is or is related to the controlling shareholder, then there should be an independent lead director and the board should have an effective and transparent process to deal with any conflicts of interest between the company, minority shareholders, and the controlling shareholder; ▪ A majority of the audit and nominating committees should be either independent directors or in addition to at least one independent director, may be directors who are related to the controlling shareholder. All members of the compensation committee should be independent of management. If the CEO is related to the controlling shareholder, no more than one member of the compensation committee should be a director who is related to the controlling shareholder; and ▪ Prompt disclosure of detailed vote results following each shareholder meeting. ISS will also take into consideration any other concerns related to the conduct of the subject director(s) and any controversy or questionable actions on the part of

the subject director(s) that are deemed not to be in the best interests of all shareholders. If any of the above independence and governance criteria are not met, the policy exemption will not be applied. This policy will not be considered at dual class companies having common shares with unequal voting or unequal board representation rights. **Rationale:** Canadian corporate law provides significant shareholder protections. For example, under most BCAs, a shareholder or group of shareholders having a 5 percent ownership stake in a company may requisition a special meeting for the purposes of replacing or removing directors and in most jurisdictions, directors may be removed by a simple majority vote. Shareholders also benefit from the ability to bring an oppression action against the board or individual directors of Canadian incorporated public companies. Against this legal backdrop, Canadian institutions have taken steps to acknowledge and support the premise that a shareholder who has an equity stake in the common shares of a reporting issuer under a single class common share structure has a significant interest in protecting the value of that equity stake in the company and is therefore deemed to have significant alignment of interests with minority shareholders. This policy firmly supports the one-share, one-vote principle and is intended to recognize the commonality of interests between certain shareholders having a majority equity stake under a single class share structure and minority shareholders in protecting the value of their investment. The policy is designed to exempt only non-management director nominees who are or who represent a controlling shareholder of a majority owned company, and not to circumvent ISS' benchmark voting guidelines otherwise applicable to management director nominees. For example, in accordance with benchmark policy, ISS will not support director nominees who are executives, regardless of whether or not they also are or represent a controlling shareholder, and are members of the audit committee.	the subject director(s) that are deemed not to be in the best interests of all shareholders. If any of the above independence and governance criteria are not met, the policy exemption will not be applied. This policy will not be considered at dual class companies having common shares with unequal voting or unequal board representation rights. **Rationale:** Canadian corporate law provides significant shareholder protections. For example, under most BCAs, a shareholder or group of shareholders having a 5 percent ownership stake in a company may requisition a special meeting for the purposes of replacing or removing directors and in most jurisdictions, directors may be removed by a simple majority vote. Shareholders also benefit from the ability to bring an oppression action against the board or individual directors of Canadian incorporated public companies. Against this legal backdrop, Canadian institutions have taken steps to acknowledge and support the premise that a shareholder who has an equity stake in the common shares of a reporting issuer under a single class common share structure has a significant interest in protecting the value of that equity stake in the company and is therefore deemed to have significant alignment of interests with minority shareholders. This policy firmly supports the one-share, one-vote principle and is intended to recognize the commonality of interests between certain shareholders having a majority equity stake under a single class share structure and minority shareholders in protecting the value of their investment. The policy is designed to exempt only non-management director nominees who are or who represent a controlling shareholder of a majority owned company, and not to circumvent ISS' benchmark voting guidelines otherwise applicable to management director nominees. For example, in accordance with benchmark policy, ISS will not support director nominees who are executives, regardless of whether or not they also are or represent a controlling shareholder, and are members of the audit committee.

~~Redlined~~ = deleted; green = added

~~This policy will not be considered at dual class companies having common shares with unequal voting or board representation rights.~~	

Rationale for Change:

The Policy Considerations for Majority Owned Companies policy was adopted in recognition of the significant financial interest through equity holdings of certain controlling shareholders of majority owned corporations (i.e. not dual class) and to support the Canadian Coalition for Good Governance (CCGG) policy approach as set out in the CCGG's Governance Differences of Equity Controlled Corporations document. The policy has not ever been intended to support management directors including those who are or who represent a controlling shareholder under ISS board independence or key committee independence policies. The policy is updated to make this distinction clear and the changes are intended to clarify the existing policy and policy application.

Director Attendance (TSX)

Current ISS Policy, incorporating changes:	New ISS Policy:
General Recommendation: Vote withhold for individual director nominees (except nominees who served for only part of the fiscal year or newly publicly listed companies or companies that have recently graduated to the TSX, should be considered case-by-case) if: ▪ The company has not adopted a majority voting director resignation policy AND the individual director has attended less than 75 percent of the aggregate of their board and key[5] committee meetings[6] held within the past year without a valid reason for these absences; or ▪ The company has adopted a majority voting director resignation policy AND the individual director has attended less than 75 percent of the aggregate of their board and key[5] committee meetings[6] held within the past year without a valid reason for the absences AND a pattern of low attendance exists based on prior years' meeting attendance.	**General Recommendation:** Vote withhold for individual director nominees (except nominees who served for only part of the fiscal year or newly publicly listed companies or companies that have recently graduated to the TSX, should be considered case-by-case) if: ▪ The company has not adopted a majority voting director resignation policy AND the individual director has attended less than 75 percent of the aggregate of their board and key[5] committee meetings[6] held within the past year without a valid reason for these absences; or ▪ The company has adopted a majority voting director resignation policy AND the individual director has attended less than 75 percent of the aggregate of their board and key[5] committee meetings[6] held within the past year without a valid reason for the absences AND a pattern of low attendance exists based on prior years' meeting attendance.

[5] Key committees include audit, compensation and nominating committees.
[6] If a withhold recommendation under this policy is based solely on meeting attendance at board meetings due to a lack of disclosure concerning committee meeting attendance, this will be disclosed in ISS' report.

Rationale for Change:

According to National Instrument 58-101F1, Disclosure of Corporate Governance Practices, venture issuers are not required to disclose the attendance record of each director. The policy update indicates that in cases where a company has completed its initial public offering in the current fiscal year or has graduated to TSX in the current fiscal year, the TSX disclosure requirement may not be applicable and concurrently ISS attendance policy may not be applied to such companies. Further, the update provides for a cases-by-case policy application for nominees who served for only part of the fiscal year.

Former CEO/CFO on Audit/Compensation Committee (TSX)

Current ISS Policy, incorporating changes:	New ISS Policy:
General Recommendation: Vote withhold for any director who has served as the CEO of the company or its affiliates within the past five years, or as CEO of a company acquired within the past five years, and is a member of the audit or compensation committee. Evaluate on a case-by-case basis whether support is warranted for any former CEO on the audit or compensation committee following a five-year period[7] after leaving this executive position. Generally vote withhold for any director who has served as the CFO of the company or its affiliates within the past three years, or of a company acquired within the past three years, and is a member of the audit or compensation committee.	**General Recommendation:** Vote withhold for any director who has served as the CEO of the company or its affiliates within the past five years, or as CEO of a company acquired within the past five years, and is a member of the audit or compensation committee. Evaluate on a case-by-case basis whether support is warranted for any former CEO on the audit or compensation committee following a five-year period[7] after leaving this executive position. Generally vote withhold for any director who has served as the CFO of the company or its affiliates within the past three years, or of a company acquired within the past three years, and is a member of the audit or compensation committee.

Rationale for Change:

Consistent with the ISS Definition of Independence, the former CEO of the company (or its affiliates) within the past five years, or the former CEO of a company that was acquired within the past five years, is deemed not independent. In addition, a former executive of the company or its affiliates or a company acquired within the past three years is deemed not independent. Given that these are significant leadership roles and that the CEO and CFO, while in those roles, are responsible for certification of annual and quarterly filings, it is not deemed acceptable corporate governance practice for the former CEO or former CFO of the company or its affiliates or of an acquired company, to serve on the audit committee until the applicable cooling off period has elapsed. Also, due to the significant leadership roles held by

[7] The determination of a former CEO's classification following the five-year cooling-off period will be considered on a case-by-case basis. Factors taken into consideration may include but are not limited to: management/board turnover, current or recent involvement in the company, whether the former CEO is or has been Executive Chairman of the board or a company founder, length of service, any related party transactions, consulting arrangements, and any other factors that may reasonably be deemed to affect the independence of the former CEO.

these two executive officer positions, it is not deemed acceptable corporate governance practice for the former CEO or former CFO, as above, to serve on the compensation committee until the applicable cooling off period has elapsed, due to the likelihood that he or she may have influenced compensation decisions for senior management and/or may still hold securities or options granted under various executive compensation plans for a period post-employment that would require an appropriate cooling-off period in order to mitigate independence oversight concerns regarding service on the compensation committee.

Overboarded Directors (TSX)

Current ISS Policy, incorporating changes:	New ISS Policy:
General Recommendation: 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 boards of more than two public companies besides their own – withhold only at their outside boards*. **Transitioning directors:** It is preferable for a director to step down from a board at the annual meeting to ensure orderly transitions, which may result in a director being temporarily overboarded (e.g. joining a new board in March but stepping off another board in June). ISS will generally not count a board for policy application purposes when it is publicly-disclosed that the director will be stepping off that board at its next annual meeting. This disclosure must be included within the company's proxy circular to be taken into consideration. Conversely, ISS will include the new boards that the director is joining even if the shareholder meeting with his or her election has not yet taken place. **Rationale:** Directors must be able to devote sufficient time and energy to a board in order to be effective representatives of shareholders' interests. While the knowledge and experience that come from multiple directorships is highly valued, directors' increasingly complex responsibilities require an increasingly significant time commitment. Directors must balance the insight gained from roles on multiple boards with the ability to sufficiently prepare for, attend, and effectively participate in all of their board and committee meetings.	**General Recommendation:** 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 boards of more than two public companies besides their own – withhold only at their outside boards*. **Transitioning directors:** It is preferable for a director to step down from a board at the annual meeting to ensure orderly transitions, which may result in a director being temporarily overboarded (e.g. joining a new board in March but stepping off another board in June). ISS will generally not count a board for policy application purposes when it is publicly-disclosed that the director will be stepping off that board at its next annual meeting. This disclosure must be included within the company's proxy circular to be taken into consideration. Conversely, ISS will include the new boards that the director is joining even if the shareholder meeting with his or her election has not yet taken place. **Rationale:** Directors must be able to devote sufficient time and energy to a board in order to be effective representatives of shareholders' interests. While the knowledge and experience that come from multiple directorships is highly valued, directors' increasingly complex responsibilities require an increasingly significant time commitment. Directors must balance the insight gained from roles on multiple boards with the ability to sufficiently prepare for, attend, and effectively participate in all of their board and committee meetings.

*Although a CEO's publicly-traded subsidiary boards will be counted as separate boards, ISS 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.	*Although a CEO's publicly-traded subsidiary boards will be counted as separate boards, ISS 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.

Rationale for Change:

It is preferable for a director to step down from a board at the annual meeting to ensure orderly transitions. Therefore, flexibility is needed to address cases where directors have committed to step down from one or more outside boards and have disclosed this information leading up to the shareholder meeting.

Compensation

Equity-Based Compensation Plans (Venture)

Current ISS Policy, incorporating changes:	New ISS Policy:
General Recommendation: Vote on a case-by-case basis on share-based compensation plans. Generally vote against an equity compensation plan proposal if: ▪ The basic dilution (i.e. not including warrants or shares reserved for equity compensation) represented by all equity compensation plans is greater than 10 percent; ▪ The average annual burn rate is greater than 5 percent per year (generally averaged over most recent three-year period and rounded to nearest whole number for policy application purposes); ▪ The plan expressly permits the repricing of options without shareholder approval and the company has repriced options within the past three years; ▪ The plan is a rolling equity plan that enables auto-replenishment of share reserves without requiring periodic shareholder approval of at least every three years (i.e. evergreen plan).	**General Recommendation:** Vote on a case-by-case basis on share-based compensation plans. Generally vote against an equity compensation plan proposal if: ▪ The basic dilution (i.e. not including warrants or shares reserved for equity compensation) represented by all equity compensation plans is greater than 10 percent; ▪ The average annual burn rate is greater than 5 percent per year (generally averaged over most recent three-year period and rounded to nearest whole number for policy application purposes); ▪ The plan expressly permits the repricing of options without shareholder approval and the company has repriced options within the past three years; ▪ The plan is a rolling equity plan that enables auto-replenishment of share reserves without requiring periodic shareholder approval of at least every three years (i.e. evergreen plan).

For meetings on or after February 1, 2021, generally vote withhold for the continuing compensation committee members (or in cases where compensation committee members have not been identified and the entire board fulfills the role of compensation committee, vote withhold for the board chair), if the company maintains an evergreen plan and has not sought shareholder approval in the past two years and does not seek shareholder approval of the plan at the meeting.	**For meetings on or after February 1, 2021**, generally vote withhold for the continuing compensation committee members (or in cases where compensation committee members have not been identified and the entire board fulfills the role of compensation committee, vote withhold for the board chair), if the company maintains an evergreen plan and has not sought shareholder approval in the past two years and does not seek shareholder approval of the plan at the meeting.

Rationale for Change:

There has been an increase in CSE listings over the past two years, mainly due to the growth in the Cannabis sector. Approximately 220 CSE companies were in the ISS Canadian coverage universe with meeting dates between January 2019 to September 2019. This is an increase of 55 percent as compared to last year within the same timeframe. While the TSX and TSX-V require regular shareholder reconfirmation of rolling limit equity plans (i.e. equity plans that automatically replenish share reserves), the CSE does not require regular shareholder reconfirmation of rolling limit plans. Therefore, such plans may not appear on ballot for shareholder re-approval unless materially amended. These plans are referred to as "evergreen" plans.

To address concerns around evergreen plans effectively eliminating the opportunity for regular periodic shareholder approval, ISS is implementing a new policy that would have adverse vote recommendation implications for such plans, or, after a one-year transition period, for directors who maintain these plans.

Brazil

Board of Directors

Election of Minority Nominees (Separate Election)

Current ISS Policy, incorporating changes:	New ISS Policy:
General Recommendation: Vote for the election of minority board nominees (ordinary and preferred holders), as well as minority fiscal council nominees, presented under a separate election when timely disclosure is provided of their names and biographical information, in the absence of other concerns regarding the proposed nominees. If competing minority nominees are disclosed by different minority shareholders, the contested election policy will be applied. When a separate election is presented for minority board and/or fiscal council nominees, ISS will prioritize the support for the election of minority representatives, if timely disclosure is provided, and a "Do Not Vote" or "Abstain" recommendation may be issued for the management nominees, based on third-party requirements for the execution of the voting instructions. On the other hand, in the absence of timely disclosure regarding minority nominees, a "Do Not Vote" or an "Abstain" recommendation~~s~~ may be issued for the separate minority election proposal, and a vote recommendation would be presented for the management ~~slate~~ candidates in accordance with the aforementioned policy. …..	**General Recommendation:** Vote for the election of minority board nominees (ordinary and preferred holders), as well as minority fiscal council nominees, presented under a separate election when timely disclosure is provided of their names and biographical information, in the absence of other concerns regarding the proposed nominees. If competing minority nominees are disclosed by different minority shareholders, the contested election policy will be applied. When a separate election is presented for minority board and/or fiscal council nominees, ISS will prioritize the support for the election of minority representatives, if timely disclosure is provided, and a "Do Not Vote" or "Abstain" recommendation may be issued for the management nominees, based on third-party requirements for the execution of the voting instructions. On the other hand, in the absence of timely disclosure regarding minority nominees, a "Do Not Vote" or an "Abstain" recommendation may be issued for the separate minority election proposal, and a vote recommendation would be presented for the management candidates in accordance with the aforementioned policy. ……

Rationale for Change:

This policy update clarifies the use of "Do Not Vote" or "Abstain" vote recommendations in board or fiscal council elections of Brazilian companies, which are determined based on third-party voting execution requirements. The amendment does not represent a change of the underlying policy framework and its application; it only updates the language and provides greater transparency on the use of potentially different vote recommendations based on the different election scenarios that can arise in Brazilian general meetings and the requirements imposed by voting execution third-parties for the proper processing of voting instructions.

This update does not change the underlying policy guideline, which is based on the support of greater minority shareholder representation at the board and fiscal council levels of Brazilian companies, when timely disclosure is provided. ISS vote recommendation will generally focus on the election of minority representatives, when nominees are disclosed in a timely manner, with a "Do Not Vote" or "Abstain" recommendation issued for the majority election. On the other hand, in the absence of a timely-disclosed minority nominee, the ISS vote recommendation will be focused on the majority election proposal ("For" or "Against", based on the specific policies), and a "Do Not Vote" or "Abstain" recommendation will be issued for the election of minority representatives due to lack of timely disclosure.

Compensation

Compensation Overview

Current ISS Policy, incorporating changes:	New ISS Policy:
Shareholders are asked to approve the aggregate remuneration of directors and executive officers at Brazilian annual general meetings in a binding vote. The company's board of directors then decides how to allocate this aggregate remuneration figure among different individuals. The aggregate remuneration figure approved by shareholders should be inclusive of the variable remuneration that directors and executive officers may receive. ~~The Brazilian Securities Regulator (CVM) requires companies to disclose the average and maximum total compensation of their highest paid director and executive officer. However, a number of issuers have opted not to comply with the CVM's requirement based on a federal injunction filed in 2010 by the Brazilian Institute of Finance Executives (IBEF).~~	Shareholders are asked to approve the aggregate remuneration of directors and executive officers at Brazilian annual general meetings in a binding vote. The company's board of directors then decides how to allocate this aggregate remuneration figure among different individuals. The aggregate remuneration figure approved by shareholders should be inclusive of the variable remuneration that directors and executive officers may receive.

Rationale for Change:

This update incorporates adjustments to the overall write-up of the remuneration portion of the Brazil Proxy Voting Guidelines mostly due to recent developments in the Brazilian market. As such, the update does not impact the analysis and/or vote recommendations currently applied to remuneration-related proposals in Brazil.

The update excludes references to the legal injunction known as IBEF, which was suspended by the Brazilian courts first in May 2018, and most recently in July 2019, after it had been briefly reinstated. The injunction, granted to the Rio de Janeiro chapter of the Brazilian Institute of Finance Executives (IBEF) in 2010, was used as a justification by some Brazilian companies for the non-compliance with remuneration disclosure mandated by the Brazilian Securities Regulator (CVM), specially the disclosure of figures related to the remuneration of their highest-paid administrators.

Compensation Plans

Current ISS Policy, incorporating changes:	New ISS Policy:
General Recommendation: ISS will generally support reasonable equity pay plans that encourage long-term commitment and ownership by its recipients without posing significant risks to shareholder value. Practically all of the plans presented since the implementation of the 2009 CVM guidelines have included reasonable dilution limits and adequate vesting conditions. Performance criteria, meanwhile, are rarely disclosed. ISS' assessments of these plans have generally hinged on the presence of discounted exercise prices (which are common in Brazil), particularly in the absence of specific performance criteria. Moreover, ISS considers the potential for conflict of interests when administrators are also beneficiaries of the plan, and whether there are sufficient safeguards to mitigate such concerns. …….	**General Recommendation:** ISS will generally support reasonable equity pay plans that encourage long-term commitment and ownership by its recipients without posing significant risks to shareholder value. Practically all of the plans presented since the implementation of the 2009 CVM guidelines have included reasonable dilution limits and adequate vesting conditions. Performance criteria, meanwhile, are rarely disclosed. ISS' assessments of these plans have generally hinged on the presence of discounted exercise prices (which are common in Brazil), particularly in the absence of specific performance criteria. Moreover, ISS considers the potential for conflict of interests when administrators are also beneficiaries of the plan, and whether there are sufficient safeguards to mitigate such concerns. …….

Rationale for Change:

ISS is codifying the current approach taken regarding the potential for conflict of interests when administrators are also beneficiaries of equity compensation plans, and whether there are sufficient safeguards to mitigate such concerns.

Brazil and Americas Regional

Board of Directors

Dismiss Directors

Current ISS Policy, incorporating changes:	New ISS Policy:
[None] **General Recommendation:** Vote on a case-by-case basis when the company proposes to dismiss directors, paying particular attention, but not limited, to: ▪ Whether the company has presented a compelling rationale for the request, and ▪ Whether the overall independence level of the newly-proposed board is in line with ISS policy guidelines.	**General Recommendation:** Vote on a case-by-case basis when the company proposes to dismiss directors, paying particular attention, but not limited, to: ▪ Whether the company has presented a compelling rationale for the request, and ▪ Whether the overall independence level of the newly-proposed board is in line with ISS policy guidelines.

Rationale for Change:

The dismissal of directors is not a commonly-seen proposal of publicly-traded companies in the Latin America region. In the few occasions in which such proposals are presented for shareholder approval, they are largely considered non-contentious, frequently requesting shareholders to ratify a director's resignation. Nevertheless, there has been some recent cases in Brazil (mostly in, but not limited to, state-controlled companies) in which controlling shareholders have proposed to dismiss directors before the end of their terms without a rationale.

This policy update codifies ISS' current practice and provides greater transparency on the analysis of such proposals, which are made on a case-by-case basis, paying particular attention to the company's rationale and to the impact of the proposed change in board composition and overall independence level.

Director, Officer, and Auditor Indemnification and Liability Provisions

Current ISS Policy, incorporating changes:	New ISS Policy:
General Recommendation: Vote for proposals seeking indemnification and liability protection for company's directors, officers, and/or fiscal council members and employees ~~directors and officers~~ on a case-by-case basis. As part of the analysis, ISS will consider the company's disclosure regarding terms including, but not limited to, the following: ▪ Safeguards to prevent potential conflict of interests, including the independence of the decision-making process for approval of indemnification coverage; ▪ The disclosure of a publicly-available, board approved indemnification policy; ▪ Clear description of acts and events that can and cannot be covered by the indemnity policy or contract; ▪ Information regarding potential financial impact of the indemnity policy or contracts to the company; ▪ Eligible beneficiaries of the policy, including the length of the post-employment period that will be covered by the policy or contract; ▪ Treatment of indemnity payments already made in the event of a final irreversible court ruling has determined that associated actions were outside the scope of indemnification coverage. Vote against proposals ~~to~~ that would: ▪ Allow indemnity coverage for current and/or former director, officers, and/or fiscal council members who have entered into leniency agreements with the country's authorities in the context of corruption investigations; ▪ Allow indemnity coverage of acts committed outside the normal exercise of duties of the administrator, acts performed in bad faith, malice, or fraud, or acts committed in detriment of the company's best interest; and ▪ Indemnify external auditors.	**General Recommendation:** Vote proposals seeking indemnification and liability protection for company's directors, officers, and/or fiscal council members and employees on a case-by-case basis. As part of the analysis, ISS will consider the company's disclosure regarding terms including, but not limited to, the following: ▪ Safeguards to prevent potential conflict of interests, including the independence of the decision-making process for approval of indemnification coverage; ▪ The disclosure of a publicly-available, board approved indemnification policy; ▪ Clear description of acts and events that can and cannot be covered by the indemnity policy or contract; ▪ Information regarding potential financial impact of the indemnity policy or contracts to the company; ▪ Eligible beneficiaries of the policy, including the length of the post-employment period that will be covered by the policy or contract; ▪ Treatment of indemnity payments already made in the event of a final irreversible court ruling has determined that associated actions were outside the scope of indemnification coverage. Vote against proposals that would: ▪ Allow indemnity coverage for current and/or former director, officers, and/or fiscal council members who have entered into leniency agreements with the country's authorities in the context of corruption investigations; ▪ Allow indemnity coverage of acts committed outside the normal exercise of duties of the administrator, acts performed in bad faith, malice, or fraud, or acts committed in detriment of the company's best interest; and ▪ Indemnify external auditors.

~~Redlined~~ = deleted; green = added

Rationale for Change:

Over the last few years, an increasing number of companies in Brazil have sought shareholder approval to establish indemnity provisions as the cost of civil liability insurance for directors and officers (D&O insurance), previously the most commonly used mechanism in Brazil for the protection of "administrators", has increased in light of ongoing and widespread corruption investigations. In response to the evolving market practices, the Brazilian Securities Regulator (CVM) issued two guidance documents (in 2016 and 2018) on indemnification practices, in the absence of hard laws regulating such practice.

Egregious governance practices have been seen in the Brazilian market and companies that have admitted to corrupt practices and entered into leniency agreements with Brazilian authorities have sought shareholder approval to indemnify former administrators who allegedly had knowledge of, or were involved in, some of the corruption activities and have collaborated with investigators.

Indemnity proposals potentially create conflicts of interest, as a company's directors can also be the beneficiaries of such coverage.

According to ISS' 2019 Global Policy Survey, both investor and non-investor respondents said the existence of a publicly-available, board-approved indemnification policy is considered a critical factor for companies that hope to address and mitigate potential concerns when seeking shareholder approval of indemnification-related proposals. Other important factors cited by the survey respondents were the disclosure of information regarding the financial impact of such provisions and the disclosure of the decision-making process for approving such coverage.

The policy update provides greater clarity on the analytical framework for indemnity proposals, which have become more prevalent in the Brazilian market on the heels of multiple ongoing corruption investigations. The policy update codifies the existing framework and clarifies the recommended disclosure of key terms to allow shareholders to make well-informed voting decisions. While the policy update maintains the case-by-case analysis, it would provide additional information on the factors that would be considered in the analysis of such proposals.

Americas Regional

Board of Directors

Director Elections – Unbundled Elections

Current ISS Policy, incorporating changes:	New ISS Policy:
Bundled Elections **General Recommendation:** Vote for the bundled election of management nominees ~~in the election of directors~~, unless: ▪ Adequate disclosure has not been provided in a timely manner; ▪ There are clear concerns over questionable finances or restatements; ▪ There have been questionable transactions with conflicts of interest; ▪ There are any records of abuses against minority shareholder interests; ▪ The board fails to meet minimum corporate governance standards; ▪ There are specific concerns about the individual, such as criminal wrongdoing or breach of fiduciary responsibilities; or ▪ The company does not comply with market legal requirements for minimum board independence, or does not have at least one independent board member, whichever is higher. In a bundled election, v~~V~~ote against the election of directors at all companies if the name(s) of the nominee(s) is not disclosed in a timely manner prior to the meeting, and if the company does not comply with market legal requirements for minimum board independence or does not have at least one independent board member. **Unbundled Elections** **General Recommendation:** In an unbundled election, support for all director nominees is recommended, unless:	**Bundled Elections** **General Recommendation:** Vote for the bundled election of management nominees, unless: ▪ Adequate disclosure has not been provided in a timely manner; ▪ There are clear concerns over questionable finances or restatements; ▪ There have been questionable transactions with conflicts of interest; ▪ There are any records of abuses against minority shareholder interests; ▪ The board fails to meet minimum corporate governance standards; ▪ There are specific concerns about the individual, such as criminal wrongdoing or breach of fiduciary responsibilities; or ▪ The company does not comply with market legal requirements for minimum board independence, or does not have at least one independent board member, whichever is higher. In a bundled election, vote against the election of directors at all companies if the name(s) of the nominee(s) is not disclosed in a timely manner prior to the meeting, and if the company does not comply with market legal requirements for minimum board independence or does not have at least one independent board member. **Unbundled Elections** **General Recommendation:** In an unbundled election, support for all director nominees is recommended, unless:

▪ The company has not provided adequate disclosure of the proposed nominees; or ▪ The minimum independence level recommended under ISS policy is not met. However, if the proposed board falls below the minimum independence level recommended under ISS policy guidelines and/or market regulations, ▪ Vote for the independent nominees presented individually; and ▪ Vote against the non-independent candidates. In making the above vote recommendations, ISS generally will not recommend against the election of the board chair, due to the relevance of the board leadership position in the absence of other governance concerns. …..	▪ The company has not provided adequate disclosure of the proposed nominees; or ▪ The minimum independence level recommended under ISS policy is not met. However, if the proposed board falls below the minimum independence level recommended under ISS policy guidelines and/or market regulations, ▪ Vote for the independent nominees presented individually; and ▪ Vote against the non-independent candidates. In making the above vote recommendations, ISS generally will not recommend against the election of the board chair, due to the relevance of the board leadership position in the absence of other governance concerns. …..

Rationale for Change:

This policy update seeks to codify and provide greater transparency on a policy approach already adopted for the analysis of Latin American companies in the event of unbundled board elections, which remain the exception in these markets.

During the first four months of 2019, 215 companies covered by ISS under the Americas Regional Policy (Argentina, Chile, Colombia, Mexico, Peru, and Venezuela) held board elections; 19 of such elections were carried out as unbundled elections, representing approximately 8.8 percent of all elections. Comparatively, during the first four months of 2018, 13 out of 197 elections were unbundled, representing 6.6 percent.

In unbundled elections that would result in a board independence level below the minimum recommended by ISS policy guidelines, the research team recommends in favor of independent nominees, in the absence of other concerns, and against all non-independent candidates due to lack of sufficient overall board independence. The only exception is the chair of the board, when clearly identified by the company, who would receive a favorable vote recommendation regardless of his/her independence classification due to the relevance of the board leadership position, in the absence of other governance concerns.

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