



EUROPE, MIDDLE EAST, AND AFRICA (EMEA)

PROXY VOTING GUIDELINES UPDATES FOR 2021

Benchmark Policy Changes for U.K. & Ireland, Continental Europe, Russia & Kazakhstan, EMEA Regional, Middle East, and Africa

Effective for Meetings on or after February 1, 2021

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All Markets

Board of Directors- Director Elections

Governance Failures: Material Environmental & Social Risk Oversight Failures

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Under extraordinary circumstances, ISS will consider recommending a vote against individual directors for:</p> <ul style="list-style-type: none"> ▪ Material failures of governance, stewardship, or risk oversight, including demonstrably poor risk oversight of environmental and social issues, including climate change; or ▪ Egregious actions related to the director's service on other boards that raise substantial doubt about that individual's ability to effectively oversee management and to serve the best interests of shareholders at any company. 	<p>General Recommendation: Under extraordinary circumstances, ISS will consider recommending a vote against individual directors for:</p> <ul style="list-style-type: none"> ▪ Material failures of governance, stewardship, or risk oversight, including demonstrably poor risk oversight of environmental and social issues, including climate change; or ▪ Egregious actions related to the director's service on other boards that raise substantial doubt about that individual's ability to effectively oversee management and to serve the best interests of shareholders at any company.

Rationale for Change:

While the specific language regarding the “Governance Failures” policy varies from market to market, every ISS policy guideline document in this region is being updated to include explicit references to poor risk oversight of environmental and social issues as examples of material failure that may result in adverse vote recommendations.

United Kingdom and Ireland

Board of Directors - Director Elections

Overboarding

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Where directors have multiple board appointments, ISS may recommend a vote against directors who appear to hold an excessive number of board roles at publicly-listed companies, defined as follows:</p> <ul style="list-style-type: none"> ▪ 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 chair 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 chair at a different company will be classified as overboarded. <p>When applying this policy, ISS will consider the nature and scope of the various appointments and the companies concerned, and if any exceptional circumstances exist. A stricter view may apply for directors who serve on the boards of complex companies, those in highly regulated sectors, or directors who chair a number of key committees. <i>Likewise, a more lenient view may apply for directors who serve on the boards of less complex companies (for example, externally managed investment companies).</i></p>	<p>General Recommendation: Where directors have multiple board appointments, ISS may recommend a vote against directors who appear to hold an excessive number of board roles at publicly-listed companies, defined as follows:</p> <ul style="list-style-type: none"> ▪ 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 chair 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 chair at a different company will be classified as overboarded. <p>When applying this policy, ISS will consider the nature and scope of the various appointments and the companies concerned, and if any exceptional circumstances exist. A stricter view may apply for directors who serve on the boards of complex companies, those in highly regulated sectors, or directors who chair a number of key committees. Likewise, a more lenient view may apply for directors who serve on the boards of less complex companies (for example, externally managed investment companies).</p>

Rationale for Change:

ISS' current policy for the UK and Ireland states that persons holding more than a certain number of mandates may be considered to be overboarded. The explanatory text emphasises that, "A stricter view may apply for directors who serve on the boards of complex companies, those in highly regulated sectors or directors who chair a number of key committees".

This suggests that ISS only deviates from its policy where a stricter interpretation is required. In practice, ISS has taken a more pragmatic view of overboarding in the UK market, recognising that mandates held at smaller, less regulated companies (such as those listed on the LSE's Alternative Investment Market) or at investment companies may require a lesser time commitment than those at an operating company with a Premium Listing on the Main Market.

Board Gender Diversity

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>Gender Diversity</p> <p>The 2018 UK Corporate Governance Code notes that both board appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.</p> <p>ISS will generally recommend against the chair of the nomination committee (or other directors on a case-by-case basis) when there are no female directors on the board of widely held companies. Mitigating factors include in the following cases:</p> <ul style="list-style-type: none"> ▪ The company is a constituent of the FTSE 350 (excluding investment trusts) and the board does not comprise at least 33 percent representation of women, in line with the recommendation of the Hampton-Alexander Review. ▪ The company (excluding investment trusts) is a constituent of any of the following, and there is not at least one woman on the board: <ul style="list-style-type: none"> ▪ FTSE SmallCap; ▪ ISEQ 20; ▪ Listed on the AIM with a market capitalisation of over GBP 500 million. <p>Mitigating factors include:</p> <ul style="list-style-type: none"> ▪ The presence of a female director on the board at the preceding annual meeting Compliance with the relevant board diversity standard at the preceding AGM and a firm commitment, publicly available, to appoint at least one female director to the board to comply with the relevant standard within a year. In 2021 only, for FTSE 350 constituents, a public commitment 	<p>Gender Diversity</p> <p>The 2018 UK Corporate Governance Code notes that both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.</p> <p>ISS will generally recommend against the chair of the nomination committee (or other directors on a case-by-case basis) in the following cases:</p> <ul style="list-style-type: none"> ▪ The company is a constituent of the FTSE 350 (excluding investment trusts) and the board does not comprise at least 33 percent representation of women, in line with the recommendation of the Hampton-Alexander Review. ▪ The company (excluding investment trusts) is a constituent of any of the following, and there is not at least one woman on the board: <ul style="list-style-type: none"> ▪ FTSE SmallCap; ▪ ISEQ 20; ▪ Listed on the AIM with a market capitalisation of over GBP 500 million. <p>Mitigating factors include:</p> <ul style="list-style-type: none"> ▪ Compliance with the relevant board diversity standard at the preceding AGM and a firm commitment, publicly available, to comply with the relevant standard within a year. In 2021 only, for FTSE 350 constituents, a public commitment to bring the composition of the board in line with the recommendations of the Hampton-Alexander Review by the following AGM

<p>to bring the composition of the board in line with the recommendations of the Hampton-Alexander Review by the following AGM will not result in a negative recommendation, regardless of the previous composition of the board. of</p> <ul style="list-style-type: none"> Other relevant factors as applicable. 	<p>will not result in a negative recommendation, regardless of the previous composition of the board.</p> <ul style="list-style-type: none"> Other relevant factors as applicable.
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Rationale for Change:

The changes are consistent with the increasing focus on board diversity at the global level and bring ISS U.K. and Ireland policy in line with the recommendations of the Hampton-Alexander Review, the relevant standard for constituents of the FTSE 350 index. The strengthening of the expected standards runs in parallel with similar changes to ISS policy across Continental Europe.

First published in 2016, the Hampton-Alexander Review called for 33 percent women representation on FTSE 350 boards by 2020. There has been significant progress towards the target but there are still many companies falling short, despite pressure from shareholders and investor bodies such as the Investment Association. Many institutional investors support the Hampton Alexander Review and have begun voting against chairs in recent years due to lack of progress. The policy change encourages FTSE 350 companies to take the final steps toward meeting this target and will recognise firm public commitments that the company makes in this regard.

For smaller companies and those in other indices, which include those in the FTSE SmallCap, ISEQ 20 and on AIM (AIM companies with a market capitalisation of over GBP 500 million) and in each case, excluding investment companies, a minimum requirement of one female director on the board will be uniformly introduced. This acknowledges developments in market practice and expands minimum board diversity expectations to a significant proportion of the companies covered by ISS within the UK and Ireland. This approach was broadly supported by ISS' institutional investor clients attending the London Benchmark Policy Roundtables in September 2020, most of whom already apply bespoke diversity voting standards to companies listed in the UK and Ireland.

Remuneration

Remuneration Policy

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Vote the resolution to approve the remuneration policy on a case-by-case approach, paying particular attention as to whether:</p> <ul style="list-style-type: none"> ▪ The overall remuneration policy or specific scheme structures are not over-complex, have an appropriate long-term focus and have been sufficiently justified in light of the company's specific circumstances and strategic objectives; ▪ The company's approach to fixed remuneration is appropriate, with a particular focus on the extent to which pension contributions are aligned with those available to the wider workforce, as recommended by the UK Code; ▪ The award levels for the different components of variable pay are capped, and the quantum is reasonable when compared to peers, and any increase in the level of certainty of reward is accompanied by a material reduction in the size of awards; ▪ Increases to the maximum award levels for the LTIP and bonus have been adequately explained; ▪ Performance conditions for all elements of variable pay are clearly aligned with the company's strategic objectives, with vesting levels and holding periods that are in line with UK good practice; ▪ Change of control, good leaver and malus/clawback provisions are in line with standard practice in the UK market; ▪ The shareholding requirement for executive directors is a minimum of 200 percent of base salary, with an appropriate post-employment shareholding requirement in place; ▪ Service contracts contain notice periods of no more than twelve months' duration and potential termination payments are linked to fixed pay with no contractual entitlements to unearned bonus on termination; ▪ Non-executive directors do not receive any performance-related remuneration beyond their standard fees; 	<p>General Recommendation: Vote the resolution to approve the remuneration policy on a case-by-case approach, paying particular attention as to whether:</p> <ul style="list-style-type: none"> ▪ The overall remuneration policy or specific scheme structures are not over-complex, have an appropriate long-term focus and have been sufficiently justified in light of the company's specific circumstances and strategic objectives; ▪ The company's approach to fixed remuneration is appropriate, with a particular focus on the extent to which pension contributions are aligned with those available to the wider workforce, as recommended by the UK Code; ▪ The award levels for the different components of variable pay are capped, and the quantum is reasonable when compared to peers, and any increase in the level of certainty of reward is accompanied by a material reduction in the size of awards; ▪ Increases to the maximum award levels for the LTIP and bonus have been adequately explained; ▪ Performance conditions for all elements of variable pay are clearly aligned with the company's strategic objectives, with vesting levels and holding periods that are in line with UK good practice; ▪ Change of control, good leaver and malus/clawback provisions are in line with standard practice in the UK market; ▪ The shareholding requirement for executive directors is a minimum of 200 percent of base salary, with an appropriate post-employment shareholding requirement in place; ▪ Service contracts contain notice periods of no more than twelve months' duration and potential termination payments are linked to fixed pay with no contractual entitlements to unearned bonus on termination; ▪ Non-executive directors do not receive any performance-related remuneration beyond their standard fees;

<ul style="list-style-type: none"> ▪ The treatment of new joiners is appropriate, with particular attention paid to the use of buy-out awards, and that the potential for any additional awards is capped; ▪ The remuneration committee seeks to reserve a degree of discretion in line with standard UK practice; and ▪ There are no issues in the policy which would be of concern to shareholders. <p>.....</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 20%;">Policy component</th> <th>Good market practice</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;">Benefits and pensions</td> <td> <p>Companies must describe the benefits provided to directors, which are expected to be in line with standard UK practice and which should not be excessive.</p> <p>The Code states that the pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce. The Investment Association Principles state that for incumbent directors, "a credible plan" for achieving alignment with the majority of the workforce by no later than the end of 2022 should be disclosed, and without any compensation being awarded for this change.</p> <p>ISS' position is that the pension arrangements for new joiners should be aligned with those of the wider workforce, and companies should actively disclose whether or not this is the case. For incumbent directors, companies should seek to align the contribution rates with the workforce over time, recognising that many investors in the UK will expect this to be accomplished in the near-term.</p> <p>Companies must give a clear explanation of pension-related benefits, including the approach taken to making payments in lieu of retirement benefits or defined benefit arrangements. No element of variable pay should be pensionable.</p> </td> </tr> </tbody> </table>	Policy component	Good market practice	Benefits and pensions	<p>Companies must describe the benefits provided to directors, which are expected to be in line with standard UK practice and which should not be excessive.</p> <p>The Code states that the pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce. The Investment Association Principles state that for incumbent directors, "a credible plan" for achieving alignment with the majority of the workforce by no later than the end of 2022 should be disclosed, and without any compensation being awarded for this change.</p> <p>ISS' position is that the pension arrangements for new joiners should be aligned with those of the wider workforce, and companies should actively disclose whether or not this is the case. 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<p>...</p> <p>Shareholding requirement (including post-cession)</p> <p>The Pensions and Lifetime Savings Association argues for minimum shareholding guidelines of 200 percent of basic salary. Unvested holdings in share incentive plans do not count towards fulfilment of the requirement.</p> <p>Since the publication of the 2018 UK Code, post-employment shareholding requirements are becoming increasingly common have been widely adopted by UK companies. The Code states that the remuneration committee should develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares. Guidance from the Investment Association suggests that the post-employment shareholding requirement should apply for at least two years at a level equal to the lower of a) the shareholding requirement immediately prior to departure and b) the actual shareholding on departure, and that the remuneration committee should state the structures or processes it has in place to ensure that the post-employment shareholding requirements are maintained.</p>	<p>...</p> <p>Shareholding requirement (including post-cession)</p> <p>The Pensions and Lifetime Savings Association argues for minimum shareholding guidelines of 200 percent of basic salary. Unvested holdings in share incentive plans do not count towards fulfilment of the requirement.</p> <p>Since the publication of the 2018 UK Code, post-employment shareholding requirements have been widely adopted by UK companies. The Code states that the remuneration committee should develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares. Guidance from the Investment Association suggests that the post-employment shareholding requirement should apply for at least two years at a level equal to the lower of a) the shareholding requirement immediately prior to departure and b) the actual shareholding on departure, and that the remuneration committee should state the structures or processes it has in place to ensure that the post-employment shareholding requirements are maintained.</p>
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Rationale for Change:

These amendments reflect ISS' position on pension contributions and post-cession shareholding requirements as potential drivers of the voting recommendation where the remuneration policy is submitted for shareholder approval. As shown in the "Good market practice" section of the extract, ISS has already established a position on these issues as part of previous policy update cycles in 2018 and 2019. This update recognises pensions and post-cession shareholding requirements as potential vote drivers, as these issues have come into prominence since the 2018 UK Corporate Governance Code came into force.

There is no intent to significantly alter ISS' existing approach in terms of the application of the policy.

Investment Companies

Authorise Issue of Equity without Pre-emptive Rights

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Generally vote for a resolution to authorise the issuance of equity unless if there is a firm commitment from the board that shares would only be issued at a price at or above net asset value¹. Otherwise, generally vote for a resolution to authorise the issuance of equity, unless:</p> <ul style="list-style-type: none"> ▪ The general issuance authority exceeds one-third (33 percent) of the issued share capital. Assuming it is no more than one-third, a further one-third of the issued share capital may also be applied to a fully pre-emptive rights issue taking the acceptable aggregate authority to two-thirds (66 percent); or ▪ The routine authority to disapply pre-emption rights exceeds 5 percent of the issued share capital in any one year, or 10 percent if there is a commitment that any issuance will be at or above net asset value. <p>Share issuance proposals which involve the issue of C shares will be considered using the above guidance.</p>	<p>General Recommendation: Generally vote for a resolution to authorise the issuance of equity if there is a firm commitment from the board that shares would only be issued at a price at or above net asset value¹. Otherwise, generally vote for a resolution to authorise the issuance of equity, unless:</p> <ul style="list-style-type: none"> ▪ The general issuance authority exceeds one-third (33 percent) of the issued share capital. Assuming it is no more than one-third, a further one-third of the issued share capital may also be applied to a fully pre-emptive rights issue taking the acceptable aggregate authority to two-thirds (66 percent); or ▪ The routine authority to disapply pre-emption rights exceeds 5 percent of the issued share capital in any one year. <p>Share issuance proposals which involve the issue of C shares will be considered using the above guidance.</p>

Rationale for Change:

ISS policy for the U.K. & Ireland features a section dedicated to investment companies, also known as investment trusts, which recognise the differences between these entities and publicly traded operating companies. The policy is based on legacy voting guidelines previously issued by the UK National Association of Pension Funds (now the Pensions and Lifetime Savings Association). These guidelines are however no longer maintained, having last been updated in 2012.

In line with the former NAPF guidelines, ISS' policy currently allows a maximum limit of 5 percent of the issued share capital for general issuance authorities without pre-emptive rights, or 10 percent when the shares are to be issued at a premium to net asset value (NAV). ISS notes, however, the guidance issued by the U.K.'s Pre-

¹ LR 15.4.11 prohibits investment trusts with a premium listing from issuing shares below NAV without shareholder approval. For the avoidance of doubt, ISS will require an explicit confirmation from the company that shares would only be issued at or above the prevailing NAV per share.

Emption Group, which states that "in the case of an investment trust or similar listed closed-ended fund company, if there would be no resulting value dilution, for example if an investment trust were to issue shares at a premium to the underlying net asset value per share, this would not normally raise any concerns".

Most investment trusts trade at a discount to their NAV, and the issuance of new shares above NAV may be used to manage this discount. Shares issued above NAV do not result in economic dilution to shareholders, and many investors hold the view that the benefits of increased liquidity, lowered costs per share and greater diversification outweigh any concern about the dilution of voting rights, so long as shares are issued at or above NAV.

This update aligns the ISS policy to the position set out by the UK Pre-Emption Group, the body that sets the market standards on share issuance authorities.

Continental Europe

Operational Items

Appointment of Auditors and Auditor Fees

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Generally vote for proposals to (re)appoint auditors and/or proposals authorizing the board to fix auditor fees, unless:</p> <ul style="list-style-type: none"> ▪ The name of the proposed auditors has not been published; ▪ There are serious concerns about the effectiveness of the auditors; ▪ The lead audit partner(s) has been linked with a significant auditing controversy; ▪ There is reason to believe that the auditor has rendered an opinion which is neither accurate nor indicative of the company's financial position; ▪ The lead audit partner(s) has previously served the company in an executive capacity or can otherwise be considered affiliated with the company; ▪ The auditors are being changed without explanation; or ▪ For widely held companies, f Fees for non-audit services exceed either 100 percent of standard audit-related fees or any stricter limit set in local best practice recommendations or law. <p>In circumstances where fees for non-audit services include fees related to significant one-time capital structure events: initial public offerings, bankruptcy emergence, 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 the ratio of non-audit to audit fees.</p> <p>For concerns relating to the audit procedures, independence of auditors, and/or name of auditors, ISS will focus on the auditor election. For concerns relating to fees paid to the auditors, ISS will focus on remuneration of auditors if this is a separate voting item, otherwise ISS would focus on the auditor election.</p>	<p>General Recommendation: Generally vote for proposals to (re)appoint auditors and/or proposals authorizing the board to fix auditor fees, unless:</p> <ul style="list-style-type: none"> ▪ The name of the proposed auditors has not been published; ▪ There are serious concerns about the effectiveness of the auditors; ▪ The lead audit partner(s) has been linked with a significant auditing controversy; ▪ There is reason to believe that the auditor has rendered an opinion which is neither accurate nor indicative of the company's financial position; ▪ The lead audit partner(s) has previously served the company in an executive capacity or can otherwise be considered affiliated with the company; ▪ The auditors are being changed without explanation; or ▪ Fees for non-audit services exceed either 100 percent of standard audit-related fees or any stricter limit set in local best practice recommendations or law. <p>In circumstances where fees for non-audit services include fees related to significant one-time capital structure events: initial public offerings, bankruptcy emergence, 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 the ratio of non-audit to audit fees.</p> <p>For concerns relating to the audit procedures, independence of auditors, and/or name of auditors, ISS will focus on the auditor election. For concerns relating to fees paid to the auditors, ISS will focus on remuneration of auditors if this is a separate voting item, otherwise ISS would focus on the auditor election.</p>

Rationale for Change:

The harmonization of non-core companies’ policies to core ones is beneficial in terms of equal treatment between listed companies under ISS coverage. By extending focus and attention to non-core companies, ISS promotes best-in-class non-core issuers, ultimately pushing investments on these entities, and more generally, acceptance and adoption of best governance practices among them.

Basic disclosure of fees paid to audit firms is a crucial matter at any kind of public company (widely-held or not), being an important indicator of the auditors' independence level and their ability to attest the reliability of financial (and non-financial) disclosure. Effective use of financial statements requires that the reader understand the roles of those responsible for preparing and auditing financial statements.

Board of Directors- Non-Contested Director Elections

Director Terms

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>For Belgium, France, Greece, Netherlands, Spain, and Switzerland, Generally vote against the election or re-election of any director when his/her term is not disclosed or when it exceeds four years and adequate explanation for non-compliance has not been provided. In these markets, the maximum board terms are either recommended best practice or required by legislation. Under best practice recommendations, companies should shorten the terms for directors when the terms exceed the limits suggested by best practices. The policy will be applied to all companies in these markets, for bundled as well as unbundled items.</p> <p>For general meetings held on or after Feb. 1, 2021, the above policy will be applied to all European companies, for bundled as well as unbundled items.</p>	<p>Generally vote against the election or re-election of any director when his/her term is not disclosed or when it exceeds four years and adequate explanation for non-compliance has not been provided. Under best practice recommendations, companies should shorten the terms for directors when the terms exceed the limits suggested by best practices. The policy will be applied to all companies in these markets, for bundled as well as unbundled items.</p>

Rationale for Change:

The one-year transition period for the policy update adopted last year to expand the expectation of a four-year maximum board term to all European companies has now passed.

Election of a Former CEO as Chairman of the Board

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>Generally vote against the election or reelection of a former CEO as chairman to the supervisory board or board of directors at widely held companies in Germany, Austria, and the Netherlands. In markets such as Germany, where the general meeting only elects the nominees and, subsequently, the new board's chairman, ISS will generally recommend a vote against the election or reelection of a former CEO, unless the company has publicly confirmed prior to the general meeting that he will not proceed to become chairman of the board.</p> <p>Considerations should be given to any of the following exceptional circumstances on a case-by-case basis if:</p> <ul style="list-style-type: none"> ▪ There are compelling reasons that justify the election or reelection of a former CEO as chairman; or ▪ The former CEO is proposed to become the board's chairman only on an interim or temporary basis; or ▪ The former CEO is proposed to be elected as the board's chairman for the first time after a reasonable cooling-off period; or ▪ The board chairman will not receive a level of compensation comparable to the company's executives nor assume executive functions in markets where this is applicable. 	<p>Generally vote against the election or reelection of a former CEO as chairman to the supervisory board or board of directors in Germany, Austria, and the Netherlands. In markets such as Germany, where the general meeting only elects the nominees and, subsequently, the new board's chairman, ISS will generally recommend a vote against the election or reelection of a former CEO, unless the company has publicly confirmed prior to the general meeting that he will not proceed to become chairman of the board.</p> <p>Considerations should be given to any of the following exceptional circumstances on a case-by-case basis if:</p> <ul style="list-style-type: none"> ▪ There are compelling reasons that justify the election or reelection of a former CEO as chairman; ▪ The former CEO is proposed to become the board's chairman only on an interim or temporary basis; ▪ The former CEO is proposed to be elected as the board's chairman for the first time after a reasonable cooling-off period; or ▪ The board chairman will not receive a level of compensation comparable to the company's executives nor assume executive functions in markets where this is applicable.

Rationale for Change:

The harmonization of non-core companies' policies to core ones is beneficial in terms of equal treatment between listed companies under ISS coverage. By extending focus and attention to non-core companies, ISS analysis would promote best-in-class non-widely-held issuers, ultimately pushing investments on these entities, and more generally, acceptance and adoption of best governance practices among them.

Overboarded Directors

Current ISS Policy, incorporating changes:	New ISS Policy:
<p><u>Overboarded Directors</u></p> <p>General Recommendation: In Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Poland, Spain, Sweden, and Switzerland, at widely held companies, ISS will generally recommend a vote against a candidate when s/he holds an excessive number of board appointments, as defined by the following guidelines:</p> <ul style="list-style-type: none"> ▪ 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. 	<p><u>Overboarded Directors</u></p> <p>General Recommendation: In Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Poland, Spain, Sweden, and Switzerland, ISS will generally recommend a vote against a candidate when s/he holds an excessive number of board appointments, as defined by the following guidelines:</p> <ul style="list-style-type: none"> ▪ 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.

Rationale for Change:

The harmonization of overboarding standards across Continental European markets to all companies will be beneficial in terms of equal treatment between listed companies under ISS coverage. According to ISS' voting policy guidelines for Continental Europe, any director who holds more than five mandates is considered 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.

Since the overboarding computation already takes into account board mandates at non-widely held companies, the change aligns ISS' treatment of director elections across all companies in Continental Europe.

Composition of Committees

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: For widely-held companies, generally vote against the (re)election of any non-independent members of the audit committee if:</p> <ul style="list-style-type: none"> ▪ Fewer than 50 percent of the audit committee members, who are elected by shareholders in such capacity or another – excluding, where relevant, employee shareholder representatives – would be independent; or ▪ Fewer than one-third of all audit committee members would be independent. <p>For companies whose boards are legally required to have 50 percent of directors not elected by shareholders, the second criterion is not applicable.</p> <p>Generally vote against the election or reelection of the non-independent member of the audit committee designated as chairman of that committee.</p> <p>For widely-held companies in Belgium, the Netherlands, and Switzerland, generally vote against the (re)election of any non-independent members of the remuneration committee if: their (re)election would lead to a non-independent majority on that committee.</p> <ul style="list-style-type: none"> ▪ Fewer than 50 percent of the remuneration committee members, who are elected by shareholders in such capacity or another - excluding, where relevant, employee shareholder representatives - would be independent; or ▪ Fewer than one-third of all remuneration committee members would be independent. <p>For companies whose boards are legally required to have 50 percent of directors not elected by shareholders, the second criterion is not applicable.</p> <p>For all companies:</p> <p>In Belgium, Denmark, Finland, France, Iceland, Luxembourg, the Netherlands, Norway, Spain, Sweden, and Switzerland, Generally vote against the (re)election</p>	<p>General Recommendation: For widely-held companies, generally vote against the (re)election of any non-independent members of the audit committee if:</p> <ul style="list-style-type: none"> ▪ Fewer than 50 percent of the audit committee members, who are elected by shareholders in such capacity or another – excluding, where relevant, employee shareholder representatives – would be independent; or ▪ Fewer than one-third of all audit committee members would be independent. <p>For companies whose boards are legally required to have 50 percent of directors not elected by shareholders, the second criterion is not applicable.</p> <p>Generally vote against the election or reelection of the non-independent member of the audit committee designated as chairman of that committee.</p> <p>For widely-held companies, generally vote against the (re)election of any non-independent members of the remuneration committee if:</p> <ul style="list-style-type: none"> ▪ Fewer than 50 percent of the remuneration committee members, who are elected by shareholders in such capacity or another - excluding, where relevant, employee shareholder representatives - would be independent; or ▪ Fewer than one-third of all remuneration committee members would be independent. <p>For companies whose boards are legally required to have 50 percent of directors not elected by shareholders, the second criterion is not applicable.</p> <p>For all companies:</p> <p>Generally vote against the (re)election of executives who serve on the company's audit or remuneration committee. ISS 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,</p>

<p>of executives who serve on the company's audit or remuneration committee. ISS 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, ISS may consider that the entire board fulfills the role of a committee. In such case, ISS may recommend against the executives, including the CEO, up for election to the board.</p>	<p>ISS may consider that the entire board fulfills the role of a committee. In such case, ISS may recommend against the executives, including the CEO, up for election to the board.</p>
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Rationale for Change:

Remuneration committee: This policy change extends the current policy applicable to Belgium, Netherlands, and Switzerland to all Continental Europe in line with best practices found in:

- European Commission recommendation (2005/162/EC);
- Most European local governance codes (France, Spain, Italy, Austria, Finland, Denmark, Norway, Sweden...);
- Principles contained in the voting guidelines of many institutional investors; and
- Client feedback from the European roundtables.

Audit and Remuneration committees: According to article 39.1 of [EU Directive 2014/56/EU](#), the audit committee "[...] shall be composed of non-executive members of the administrative body and/or members of the supervisory body of the audited entity and/or members appointed by the general meeting of shareholders of the audited entity or, for entities without shareholders, by an equivalent body." All EU member states have implemented this directive in their domestic legislation.

According to article 3.1.1 of appendix I of [EC recommendation 2015/162/EC](#) of Feb. 15, 2005, "the remuneration committee should be composed exclusively of non-executive or supervisory directors. [...]" Since this recommendation was issued, most European jurisdictions have introduced this standard as either a soft or hard law provision in their corporate governance rules.

This update therefore reflects currently widespread standards and practices on the audit and remuneration committees across Continental European countries.

Election of Censors (France)

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>For widely held companies, ISS will generally recommend a vote against proposals seeking shareholder approval to elect a censor, to amend bylaws to authorize the appointment of censors, or to extend the maximum number of censors to the board. However, ISS will recommend a vote on a case-by-case basis when the company provides assurance that the censor would serve on a</p>	<p>ISS will generally recommend a vote against proposals seeking shareholder approval to elect a censor, to amend bylaws to authorize the appointment of censors, or to extend the maximum number of censors to the board. However, ISS will recommend a vote on a case-by-case basis when the company provides assurance that the censor would serve on a short-term basis (maximum one</p>

<p>short-term basis (maximum one year) with the intent to retain the nominee before his/her election as director. In this case, consideration shall also be given to the nominee's situation (notably overboarding or other factors of concern).</p> <p>In consideration of the principle that censors should be appointed on a short-term basis, vote against any proposal to renew the term of a censor or to extend the statutory term of censors.</p>	<p>year) with the intent to retain the nominee before his/her election as director. In this case, consideration shall also be given to the nominee's situation (notably overboarding or other factors of concern).</p> <p>In consideration of the principle that censors should be appointed on a short-term basis, vote against any proposal to renew the term of a censor or to extend the statutory term of censors.</p>
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Rationale for Change:

The harmonization of non-core companies' policies to core ones is beneficial in terms of equal treatment between listed companies under ISS coverage. By extending focus and attention to non-widely-held companies, ISS analysis promotes best-in-class non-core issuers, ultimately pushing investments on these entities, and more generally, acceptance and adoption of best governance practices among them.

Board Gender Diversity

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: In terms of gender diversity, [supervisory] boards should adhere to domestic legal requirements or local best market practices or, in the absence thereof, be in line with European established practice.</p> <p>Generally vote against the chair of the nomination committee (or other directors on a case-by-case basis) if when there are no female directors on the board of a widely held company. Mitigating factors may be:</p> <ul style="list-style-type: none"> ▪ The underrepresented gender accounts for less than 30 percent (or any higher domestic threshold) of board directors of a widely held company*. ▪ Both genders are not represented on the board of a non widely-held company. <p>Mitigating factors may include:</p>	<p>General Recommendation: In terms of gender diversity, [supervisory] boards should adhere to domestic legal requirements or local best market practices or, in the absence thereof, be in line with European established practice.</p> <p>Generally vote against the chair of the nomination committee (or other directors on a case-by-case basis) if:</p> <ul style="list-style-type: none"> ▪ The underrepresented gender accounts for less than 30 percent (or any higher domestic threshold) of board directors of a widely held company*. ▪ Both genders are not represented on the board of a non-widely-held company. <p>Mitigating factors may include:</p>

<ul style="list-style-type: none"> ▪ The presence of a female director on the board Compliance with the relevant standard at the preceding annual meeting and a firm commitment, publicly available, to appoint at least one female director to comply with the relevant standard within a year; or ▪ Other relevant factors as applicable. <p>*A one-year transitional period will apply in 2021. During this transitional period, vote recommendations will not be impacted by the policy applicable to widely-held companies. The latter will come into effect on Feb. 1, 2022.</p>	<ul style="list-style-type: none"> ▪ Compliance with the relevant standard at the preceding annual meeting and a firm commitment, publicly available, to comply with the relevant standard within a year; or ▪ Other relevant factors as applicable. <p>*A one-year transitional period will apply in 2021. During this transitional period, vote recommendations will not be impacted by the policy applicable to widely-held companies. The latter will come into effect on Feb. 1, 2022.</p>
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Rationale for Change:

The following table shows the existing quota requirements for representation of women directors on boards, type of requirements (hard/mandate or soft/recommendation), and the year(s) since those quotas were implemented in various Continental European countries.

Country	Quota amount (% , #)	Type of Requirement (Law, Code, Guidance)	Notes
Austria	30%	Hard Law	From 2018
Belgium	33%	Hard Law	From 2017
Netherlands	30%	Hard Law	From 2013. Comply-or-Explain. Company Law forces companies to explain when not compliant with Quota amount. This guidance lapsed on Dec. 31, 2019 and since Jan. 1, 2020, no guidance is applicable.
Greece	25%	Hard Law	Law 4706/2020.
Italy	33%	Hard Law	20% by 2015, 33% by 2018.
France	40%	Hard Law	By the end of the 2014 GM for the threshold of 20%, and by the end of the 2017 GM for the threshold of 40%
Germany	30%	Law and Best Practice	From 2016
Norway	40%	Hard Law	The quota depends on the size of the board, but generally 40%.
Portugal	33%	Hard Law	20% effective Jan. 1, 2018, and 33% in 2020.

Spain	40%	Code of Best Practice	By 2022. Comply or explain, based on CoGo code released in June 2020.
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The policy change has two parts. First, it extends the requirement to have both genders represented on listed companies' boards across all Continental European markets, regardless of the company's size, as gender diversity quotas typically (although not always) apply to all companies. Second, the updated policy sets a higher minimum gender representation threshold (30 percent) for widely-held companies, recognizing the thresholds applicable in many EU jurisdictions.

Capital Structure

Florange Act- Double Voting Rights (France)

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Vote for resolutions that seek to maintain, or convert to, a one-share, one-vote capital structure.</p> <p>Vote against requests for the creation or continuation of dual-class capital structures or the creation of new or additional super voting shares.</p> <p>Florange Act- Double Voting Rights (France)</p> <p>For French companies that:</p> <ul style="list-style-type: none"> ▪ Did not have a bylaw allowing for double voting rights before the enactment of the Law of 29 March 2014 (Florange Act); and ▪ Do not currently have a bylaw prohibiting double voting rights; and either <ul style="list-style-type: none"> ▪ Do not have on their ballot for shareholder approval a bylaw amendment to prohibit double voting, submitted by either management or shareholders; or ▪ Have not made a public commitment to submit such a bylaw amendment to shareholder vote before April 3, 2016; <p>Then, on a case-by-case basis, ISS may recommend against the following types of proposals:</p>	<p>General Recommendation: Vote for resolutions that seek to maintain, or convert to, a one-share, one-vote capital structure.</p> <p>Vote against requests for the creation or continuation of dual-class capital structures or the creation of new or additional super voting shares.</p>

<ul style="list-style-type: none"> ▪ The reelection of directors or supervisory board members; or ▪ The approval of the discharge of directors; or ▪ If neither reelection of directors/supervisory board members nor approval of discharge is considered appropriate, then the approval of the annual report and accounts. 	
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Rationale for Change:

This section regarding the Florange Act is being removed, as it is no longer relevant.

Share Repurchase Plans

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: ISS will generally recommend for market repurchase authorities (share repurchase programs) if the terms comply with the following criteria:</p> <ul style="list-style-type: none"> ▪ A repurchase limit of up to 10 percent of outstanding issued share capital; ▪ A holding limit of up to 10 percent of a company’s issued share capital in treasury (“on the shelf”); and ▪ Duration of no more than 5 years, or such lower threshold as may be set by applicable law, regulation, or code of governance best practice. <p>Authorities to repurchase shares in excess of the 10 percent repurchase limit will be assessed on a case-by-case basis. ISS may support such share repurchase authorities under special circumstances, which are required to be publicly disclosed by the company, provided that, on balance, the proposal is in shareholders’ interests. In such cases, the authority must comply with the following criteria:</p>	<p>General Recommendation: ISS will generally recommend for market repurchase authorities (share repurchase programs) if the terms comply with the following criteria:</p> <ul style="list-style-type: none"> ▪ A repurchase limit of up to 10 percent of outstanding issued share capital; ▪ A holding limit of up to 10 percent of a company’s issued share capital in treasury (“on the shelf”); and ▪ Duration of no more than 5 years, or such lower threshold as may be set by applicable law, regulation, or code of governance best practice. <p>Authorities to repurchase shares in excess of the 10 percent repurchase limit will be assessed on a case-by-case basis. ISS may support such share repurchase authorities under special circumstances, which are required to be publicly disclosed by the company, provided that, on balance, the proposal is in shareholders’ interests. In such cases, the authority must comply with the following criteria:</p>

<ul style="list-style-type: none"> ▪ A holding limit of up to 10 percent of a company's issued share capital in treasury ("on the shelf"); and ▪ Duration of no more than 18 months. <p>In markets where it is normal practice not to provide a repurchase limit, ISS will evaluate the proposal based on the company's historical practice. However, ISS expects companies to disclose such limits and, in the future, may recommend a vote against companies that fail to do so. In such cases, the authority must comply with the following criteria:</p> <ul style="list-style-type: none"> ▪ A holding limit of up to 10 percent of a company's issued share capital in treasury ("on the shelf"); and ▪ Duration of no more than 18 months. <p>In addition, ISS will recommend against any proposal where:</p> <ul style="list-style-type: none"> ▪ The repurchase can be used for takeover defenses; ▪ There is clear evidence of abuse; ▪ There is no safeguard against selective buybacks; ▪ Pricing provisions and safeguards are deemed to be unreasonable in light of market practice. <p>Market-Specific Exceptions</p> <p>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:</p> <ul style="list-style-type: none"> ▪ 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 	<ul style="list-style-type: none"> ▪ A holding limit of up to 10 percent of a company's issued share capital in treasury ("on the shelf"); and ▪ Duration of no more than 18 months. <p>In markets where it is normal practice not to provide a repurchase limit, ISS will evaluate the proposal based on the company's historical practice. However, ISS expects companies to disclose such limits and, in the future, may recommend a vote against companies that fail to do so. In such cases, the authority must comply with the following criteria:</p> <ul style="list-style-type: none"> ▪ A holding limit of up to 10 percent of a company's issued share capital in treasury ("on the shelf"); and ▪ Duration of no more than 18 months. <p>In addition, ISS will recommend against any proposal where:</p> <ul style="list-style-type: none"> ▪ The repurchase can be used for takeover defenses; ▪ There is clear evidence of abuse; ▪ There is no safeguard against selective buybacks; ▪ Pricing provisions and safeguards are deemed to be unreasonable in light of market practice.
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<ul style="list-style-type: none"> ▪ The company has a clean track record regarding repurchases. 	
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Rationale for Change:

The amendment repeals the market specific exceptions on the use of derivatives in the context of share repurchase plans. These exceptions to the ISS general guidelines currently concern Germany and Italy only.

The change is mainly justified by the application of the Market Abuse Regulation at the EU level, which imposes strict rules on share repurchases, thus preventing potential risks of abuse linked to derivative-based buybacks, as domestic regulators monitor the use of derivatives in share buyback programmes.

The change also eliminates unequal treatment between markets covered by the ISS' Continental Europe Policy.

Compensation

Executive Compensation-Related Proposals

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: ISS will generally recommend a vote against a company's compensation-related proposal if such proposal fails to comply with one or a combination of several of the global principles and their corresponding rules:</p> <ol style="list-style-type: none"> 1. Provide shareholders with clear and comprehensive compensation disclosures: <ol style="list-style-type: none"> 1.1. Information on compensation-related proposals shall be made available to shareholders in a timely manner; 1.2. The level of disclosure of the proposed compensation policy and remuneration report shall be sufficient for shareholders to make an informed decision and shall be in line with what local market best practice standards dictate; <ol style="list-style-type: none"> 1.2.1. Remuneration report disclosure is expected to include amongst others: amounts paid to executives, alignment 	<p>General Recommendation: ISS will generally recommend a vote against a company's compensation-related proposal if such proposal fails to comply with one or a combination of several of the global principles and their corresponding rules:</p> <ol style="list-style-type: none"> 1. Provide shareholders with clear and comprehensive compensation disclosures: <ol style="list-style-type: none"> 1.1. Information on compensation-related proposals shall be made available to shareholders in a timely manner; 1.2. The level of disclosure of the proposed compensation policy and remuneration report shall be sufficient for shareholders to make an informed decision and shall be in line with what local market best practice standards dictate; <ol style="list-style-type: none"> 1.2.1. Remuneration report disclosure is expected to include amongst others: amounts paid to executives, alignment

<p style="color: green;">between company performance and payout to executives, disclosure of variable incentive targets and according levels of achievement and performance awards made, after the relevant performance period (ex-post), and disclosure and explanation of use of any discretionary authority or derogation clause by the board or remuneration committee to adjust pay outcomes.</p> <p>1.3. Companies shall adequately disclose all elements of the compensation, including:</p> <p>1.3.1. Any short- or long-term compensation component must include a maximum award limit.</p> <p>1.3.2. Long-term incentive plans must provide sufficient disclosure of (i) the exercise price/strike price (options); (ii) discount on grant; (iii) grant date/period; (iv) exercise/vesting period; and, if applicable, (v) performance criteria.</p> <p>1.3.3. Discretionary payments, if applicable.</p>	<p>between company performance and payout to executives, disclosure of variable incentive targets and according levels of achievement and performance awards made, after the relevant performance period (ex-post), and disclosure and explanation of use of any discretionary authority or derogation clause by the board or remuneration committee to adjust pay outcomes.</p> <p>1.3. Companies shall adequately disclose all elements of the compensation, including:</p> <p>1.3.1. Any short- or long-term compensation component must include a maximum award limit.</p> <p>1.3.2. Long-term incentive plans must provide sufficient disclosure of (i) the exercise price/strike price (options); (ii) discount on grant; (iii) grant date/period; (iv) exercise/vesting period; and, if applicable, (v) performance criteria.</p> <p>1.3.3. Discretionary payments, if applicable.</p>
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Rationale for Change:

Given SRD II is widely implemented across Europe, practically all companies will have an annual vote on the remuneration report. Currently Continental European Policy Guidelines do not refer specifically to minimum disclosure standards for the remuneration report.

The policy reflects minimum disclosure expectations, aligned with SRD II requirements, best practice recommendations under the European Commission's Guidelines for the Presentation of the Remuneration Report, and general expectations by the investment community.

Other Items

Antitakeover Mechanisms

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Generally vote against all antitakeover proposals, unless they are structured in such a way that they give shareholders the ultimate decision on any proposal or offer.</p> <p>For the Netherlands, vote recommendations regarding management proposals to approve protective preference shares will be determined on a case-by-case basis. In general, ISS will recommend voting for protective preference shares (PPS) only if:</p> <ul style="list-style-type: none"> ▪ The supervisory board needs to approve an issuance of shares and the supervisory board is independent within the meaning of ISS' categorization rules (<u>ISS' European Director Independence Guidelines</u>) and the Dutch Corporate Governance Code (i.e. a maximum of one member can be non-independent); ▪ No call / put option agreement exists between the company and a foundation for the issuance of PPS; ▪ The issuance authority is for a maximum of 18 months; ▪ The board of the company-friendly foundation is fully independent; ▪ There are no priority shares or other egregious protective or entrenchment tools; ▪ The company states specifically that the issue of PPS is not meant to block a takeover, but will only be used to investigate alternative bids or to negotiate a better deal; ▪ The foundation buying the PPS does not have as a statutory goal to block a takeover; and ▪ The PPS will be outstanding for a period of maximum 6 months (an EGM must be called to determine the continued use of such shares after this period). <p>As of Feb. 1, 2016 Following the Florange act of 2016, for French companies listed on a regulated market, generally vote against any general authorities</p>	<p>General Recommendation: Generally vote against all antitakeover proposals, unless they are structured in such a way that they give shareholders the ultimate decision on any proposal or offer.</p> <p>For the Netherlands, vote recommendations regarding management proposals to approve protective preference shares will be determined on a case-by-case basis. In general, ISS will recommend voting for protective preference shares (PPS) only if:</p> <ul style="list-style-type: none"> ▪ The supervisory board needs to approve an issuance of shares and the supervisory board is independent within the meaning of ISS' categorization rules (<u>ISS' European Director Independence Guidelines</u>) and the Dutch Corporate Governance Code (i.e. a maximum of one member can be non-independent); ▪ No call / put option agreement exists between the company and a foundation for the issuance of PPS; ▪ The issuance authority is for a maximum of 18 months; ▪ The board of the company-friendly foundation is fully independent; ▪ There are no priority shares or other egregious protective or entrenchment tools; ▪ The company states specifically that the issue of PPS is not meant to block a takeover, but will only be used to investigate alternative bids or to negotiate a better deal; ▪ The foundation buying the PPS does not have as a statutory goal to block a takeover; and ▪ The PPS will be outstanding for a period of maximum 6 months (an EGM must be called to determine the continued use of such shares after this period). <p>Following the Florange act of 2016, for French companies listed on a regulated market, generally vote against any general authorities impacting the share</p>

<p>impacting the share capital (i.e. authorities for share repurchase plans and any general share issuances with or without preemptive rights, including by capitalization of reserves) if they can be used for antitakeover purposes without shareholders' prior explicit approval.</p>	<p>capital (i.e. authorities for share repurchase plans and any general share issuances with or without preemptive rights) if they can be used for antitakeover purposes without shareholders' prior explicit approval.</p>
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Rationale for Change:

The capitalization of reserves cannot be considered and used as a full antitakeover mechanism. Its possible use as a tactic to complicate an offer (point that was leading to negative recommendation) is not considered as a risk (no examples of actual use and limited impact if used) that would result in requiring a negative recommendation.

Auditor Report Including Related Party Transactions (France)

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: ISS will review all auditor reports on related-party transactions and screen for and evaluate agreements with respect to the following issues:</p> <ul style="list-style-type: none"> ▪ Director Remuneration (including Severance Packages and Pension Benefits) ▪ Consulting Services ▪ Liability Coverage ▪ Certain Business Transactions <p>In general, ISS expects companies to provide the following regarding related-party transactions:</p> <ul style="list-style-type: none"> ▪ Adequate disclosure of terms under listed transactions (including individual details of any severance, consulting, or other remuneration agreements with directors and for any asset sales and/or acquisitions); ▪ Sufficient justification on transactions that appear to be unrelated to operations and/or not in shareholders' best interests; ▪ Fairness opinion (if applicable in special business transactions); and 	<p>General Recommendation: ISS will review all auditor reports on related-party transactions and screen for and evaluate agreements with respect to the following issues:</p> <ul style="list-style-type: none"> ▪ Director Remuneration ▪ Consulting Services ▪ Liability Coverage ▪ Certain Business Transactions <p>In general, ISS expects companies to provide the following regarding related-party transactions:</p> <ul style="list-style-type: none"> ▪ Adequate disclosure of terms under listed transactions (including individual details of any consulting, or other remuneration agreements with directors and for any asset sales and/or acquisitions); ▪ Sufficient justification on transactions that appear to be unrelated to operations and/or not in shareholders' best interests; ▪ Fairness opinion (if applicable in special business transactions); and

<ul style="list-style-type: none">Any other relevant information that may affect or impair shareholder value, rights, and/or judgment. <p>In the event that the company fails to provide an annual report in a timely manner, generally at least 21 days prior to the meeting, ISS will recommend votes against these proposals.</p>	<ul style="list-style-type: none">Any other relevant information that may affect or impair shareholder value, rights, and/or judgment. <p>In the event that the company fails to provide an annual report in a timely manner, generally at least 21 days prior to the meeting, ISS will recommend votes against these proposals.</p>
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Rationale for Change:

Severance packages and pension benefits were removed from the scope of the Auditor Report on Related Party Transactions, so the references to them are no longer relevant.

Russia and Kazakhstan

Operational Items

Appointment of Auditors and Auditor Fees

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Vote for the (re)election of auditors and/or proposals authorizing the board to fix auditor fees, unless:</p> <ul style="list-style-type: none"> ▪ There are serious concerns about the procedures used by the auditor; ▪ There is reason to believe that the auditor has rendered an opinion which is neither accurate nor indicative of the company's financial position; ▪ External auditors have previously served the company in an executive capacity or can otherwise be considered affiliated with the company; ▪ The name of the proposed auditors has not been published; or ▪ The auditors are being changed without explanation. <p>For widely-held companies, vote against the authorization of auditor fees, or against the election of auditors if the authorization of auditor fees is not presented as a separate item, if:</p> <ul style="list-style-type: none"> ▪ Non-audit fees exceed audit-related fees (or any stricter limit under local law or best practice); or ▪ For general meetings held on or after Feb. 1, 2021, if a Audit fees are not disclosed. <p>In circumstances where fees for non-audit services include fees related to significant one-time capital (re)structure events, such as, but not limited to: initial public offerings, bankruptcy emergence, and spinoffs; and the company provides public disclosure of the amount and nature of those fees which are an exception to the standard "non-audit fee" category, such fees may be excluded from the non-audit fees considered in determining the ratio of non-audit to audit fees.</p>	<p>General Recommendation: Vote for the (re)election of auditors and/or proposals authorizing the board to fix auditor fees, unless:</p> <ul style="list-style-type: none"> ▪ There are serious concerns about the procedures used by the auditor; ▪ There is reason to believe that the auditor has rendered an opinion which is neither accurate nor indicative of the company's financial position; ▪ External auditors have previously served the company in an executive capacity or can otherwise be considered affiliated with the company; ▪ The name of the proposed auditors has not been published; or ▪ The auditors are being changed without explanation. <p>For widely-held companies, vote against the authorization of auditor fees, or against the election of auditors if the authorization of auditor fees is not presented as a separate item, if:</p> <ul style="list-style-type: none"> ▪ Non-audit fees exceed audit-related fees (or any stricter limit under local law or best practice); or ▪ Audit fees are not disclosed. <p>In circumstances where fees for non-audit services include fees related to significant one-time capital (re)structure events, such as, but not limited to: initial public offerings, bankruptcy emergence, and spinoffs; and the company provides public disclosure of the amount and nature of those fees which are an exception to the standard "non-audit fee" category, such fees may be excluded from the non-audit fees considered in determining the ratio of non-audit to audit fees.</p>

Rationale for Change:

The one-year transition period regarding the absence of disclosure of itemized audit fees has now passed.

Board of Directors

Director Elections- ISS Classification of Directors

Current ISS Classification, incorporating changes:	New ISS Classification:
<p>Executive Director</p> <ul style="list-style-type: none"> ▪ Employee or executive 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. <p>Non-Independent Non-Executive Director (NED)</p> <ul style="list-style-type: none"> ▪ Any director who is attested by both the board and nominating shareholders to be a non-independent NED. In case the shareholders' classification is not disclosed, any director, who is attested by the board to be a non-independent NED; ▪ Any director specifically designated as a representative of or who is considered related to a significant shareholder of the company; ▪ Any director who is also an employee or executive of a significant shareholder^[1] of the company; ▪ Any director who is nominated by a significant shareholder, unless there is a clear lack of material^[6] connection with the shareholder, 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 collectively own more than 10 percent), unless market best 	<p>Executive Director</p> <ul style="list-style-type: none"> ▪ Employee or executive 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. <p>Non-Independent Non-Executive Director (NED)</p> <ul style="list-style-type: none"> ▪ Any director who is attested by both the board and nominating shareholders to be a non-independent NED. In case the shareholders' classification is not disclosed, any director, who is attested by the board to be a non-independent NED; ▪ Any director specifically designated as a representative of or who is considered related to a significant shareholder of the company; ▪ Any director who is also an employee or executive of a significant shareholder^[1] of the company; ▪ Any director who is nominated by a significant shareholder, unless there is a clear lack of material^[6] connection with the shareholder, 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 collectively own more than 10 percent), unless market best

<p>practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances);</p> <ul style="list-style-type: none"> ▪ Government representative; ▪ Currently provides (or a relative^[2] provides) professional services^[3] to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in excess of \$10,000 per year; ▪ Represents customer, supplier, creditor, banker, or other entity with which company maintains transactional/commercial relationship (unless company discloses information to apply a materiality test^[4]); ▪ Any director who has conflicting or cross-directorships with executive directors or the chairman of the company; ▪ Relative^[1] 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; ▪ Former executive (five-year cooling off period); ▪ Excessive years of service from date of first appointment, as determined by local corporate governance codes^[5], or local best practice, is generally a determining factor in evaluating director independence. ▪ Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance. <p>Independent NED</p> <ul style="list-style-type: none"> ▪ No material^[6] connection, either directly or indirectly, to the company (other than the board seat) or to a significant shareholder; ▪ In case of discrepancies between the classifications of a director provided by the board of directors of the company and by the nominating shareholders, a case-by-case analysis of independence is made based on publicly available evidence. <p>Footnotes</p> <p>^[1] In Russia, a significant shareholder is defined as a shareholder controlling directly or indirectly 5 percent or more of the voting rights.</p>	<p>practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances);</p> <ul style="list-style-type: none"> ▪ Government representative; ▪ Currently provides (or a relative^[2] provides) professional services^[3] to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in excess of \$10,000 per year; ▪ Represents customer, supplier, creditor, banker, or other entity with which company maintains transactional/commercial relationship (unless company discloses information to apply a materiality test^[4]); ▪ Any director who has conflicting or cross-directorships with executive directors or the chairman of the company; ▪ Relative^[1] 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; ▪ Former executive (five-year cooling off period); ▪ Excessive years of service from date of first appointment, as determined by local corporate governance codes^[5], or local best practice, is generally a determining factor in evaluating director independence. ▪ Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance. <p>Independent NED</p> <ul style="list-style-type: none"> ▪ No material^[6] connection, either directly or indirectly, to the company (other than the board seat) or to a significant shareholder. ▪ In case of discrepancies between the classifications of a director provided by the board of directors of the company and by the nominating shareholders, a case-by-case analysis of independence is made based on publicly available evidence. <p>Footnotes</p> <p>^[1] In Russia, a significant shareholder is defined as a shareholder controlling directly or indirectly 5 percent or more of the voting rights.</p>
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<p>[2] “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.</p> <p>[3] 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.</p> <p>[4] 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. OR, A business relationship may be material if it is considered that it may be of significance the director.</p> <p>[5] For example, the definition of independence in the Russian Corporate Governance Code (2014) provides that in order to remain independent, a non-executive director shall have served on the board of directors [supervisory board] for no more than seven years.</p> <p>[6] For purposes of ISS' 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.</p>	<p>[2] “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.</p> <p>[3] 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.</p> <p>[4] 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. OR, A business relationship may be material if it is considered that it may be of significance the director.</p> <p>[5] For example, the definition of independence in the Russian Corporate Governance Code (2014) provides that in order to remain independent, a non-executive director shall have served on the board of directors [supervisory board] for no more than seven years.</p> <p>[6] For purposes of ISS' 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.</p>
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Rationale for Change:

In Russia, directors are elected through cumulative voting. In this system, each share confers a number of votes equal to the number of board seats up for election, which can be allocated in any combination to one or more of the nominees. In some cases, the number of candidates exceeds the number of available seats making these elections contested. ISS has noted an increase in Russian companies classifying candidates as non-independent when they have been nominated by minority shareholders as independent nominees. These determinations of independence are often made by companies without further explanation or any compelling rationale.

Current ISS policy for Russia takes the company designation of a candidate as non-independent as the de-facto classification. The increase in the number of Russian companies classifying minority-nominated candidates as non-independent, however, indicates that a reappraisal of the policy is now warranted.

According to the recent ISS survey, a total of 89 percent of investors and 82 percent of non-investors responding to the study support the view that classifications alternative to the company's should be used in the evaluation of the candidates to the board of directors. A large majority of respondents supported a more balanced approach, considering both the classification provided by the company and by the shareholders on a case-by-case basis.

The policy update broadens the scope of the information that is being considered in making independence classifications of directors to include publicly available information provided by the nominating shareholders and other publicly available information (e.g. API (Russian based Association for Professional Investors) providing in-depth factual information on independence classification).

EMEA Regional, Middle East & North Africa, and Sub-Saharan Africa Operational Items

Amendments to Articles of Association (Bylaws)

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Vote for proposals seeking the approval of amendments to the articles of association (bylaws) unless: on a case-by-case basis.</p> <ul style="list-style-type: none"> ▪ The current version of bylaws and proposed amendments are not publicly available in a timely manner; or ▪ On balance, the proposed amendments are not in shareholders' interest. <p>This policy applies to both bundled and unbundled proposals for bylaws amendments.</p>	<p>General Recommendation: Vote for proposals seeking the approval of amendments to the articles of association (bylaws) unless:</p> <ul style="list-style-type: none"> ▪ The current version of bylaws and proposed amendments are not publicly available in a timely manner; or ▪ On balance, the proposed amendments are not in shareholders' interest. <p>This policy applies to both bundled and unbundled proposals for bylaws amendments.</p>

Rationale for Change:

The approval of bylaws amendments is often seen on the agendas of most EMEA listed companies. Usually, companies amend, repeal, or adopt new bylaws in order to adapt them to the company's needs by reflecting certain company-related changes (capital, purpose, etc.) and/or to comply with local market regulations as well as their recent amendments. Listed companies are expected to submit sufficient information about the proposed bylaws amendments ahead of the general meeting for shareholders' review in line with best practice. Typically, disclosure on full text of the proposed articles changes before and after the amendment is necessary to assess the impact of the change on shareholders' value and rights. Similar to European markets' practice, support will not be warranted to the approval of bylaws amendments in case the current version of the bylaws is not available by the time of analysis in a way that would allow to identify the exact changes proposed by the company.

Currently, EMEA policy only provides a generic framework for the analysis and vote recommendation on such proposals. This policy change makes the current regional policy approach more transparent and will provide a defined framework on voting for bylaws amendments.

Donations

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Vote for proposals seeking the approval of donations for the fiscal year under review unless:</p> <ul style="list-style-type: none"> ▪ The amount of donations for the fiscal year in review is not publicly available at the time of analysis; or ▪ There are controversies surrounding the company's use of donations. <p>Vote for proposals seeking the approval of donations for the upcoming fiscal year unless:</p> <ul style="list-style-type: none"> ▪ The company does not provide a cap on the amount of future donations, and there is no disclosure regarding donations being made under the fiscal year in review; or ▪ There are controversies surrounding the company's use of donations. 	<p>General Recommendation: Vote for proposals seeking the approval of donations for the fiscal year under review unless:</p> <ul style="list-style-type: none"> ▪ The amount of donations for the fiscal year in review is not publicly available at the time of analysis; or ▪ There are controversies surrounding the company's use of donations. <p>Vote for proposals seeking the approval of donations for the upcoming fiscal year unless:</p> <ul style="list-style-type: none"> ▪ The company does not provide a cap on the amount of future donations, and there is no disclosure regarding donations being made under the fiscal year in review; or ▪ There are controversies surrounding the company's use of donations.

Rationale for Change:

Currently, ISS' EMEA policy does not provide a framework for the analysis and vote recommendation on the approval of donations.

The approval of corporate donations is seen annually on the AGM agendas of several Middle Eastern and African companies, most commonly listed on Turkish, Egyptian, and Omani markets. According to the Egyptian Companies law, listed companies are required to seek the approval of the General Assembly on donations exceeding the amount of EGP 1,000 (equivalent to USD 64.4 as of Sep. 24, 2020). For Omani companies, the managers of a company shall not grant donations unless they are expressly authorized by the Constitutive Documents (the constitutive contract or the Articles of association) or by a unanimous resolution adopted by the shareholders' meeting, the later prevailing for the majority of the covered companies.

According to article 19 of the Turkish Capital Market Law, Turkish companies that wish to make donations and aids shall incorporate a provision into their articles of association. The upper limit of the donations to be made during the upcoming fiscal year shall be determined by the general assembly every year under a voting item. Communique on Corporate Governance also provides that information regarding the amounts and beneficiaries of all donations and contributions made within the term shall be provided to the shareholders through a separate item at the general meetings. Such item appears as a non-voting item in the general meetings agendas.

Some annual meetings typically include a voting item on donations made by the company during the fiscal year under review and/or donations to be made for the upcoming fiscal year. Therefore, several factors are currently taken into consideration when analyzing these proposals such as the disclosure of the amount of

donations for the fiscal year in review, the fixation of a cap or maximum amount for future donations and the existence of controversies over the company's use of donations.

The inclusion of this policy codifies the current approach taken in these markets.

EMEA Regional Board of Directors

Director Elections - Audit Committee Independence; Cumulative Voting

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Vote against proposals seeking the election of non-independent members of the audit committee if:</p> <ul style="list-style-type: none"> ▪ Fewer than one-third of all audit committee members, excluding, where relevant, employee shareholder representatives, would be independent; or ▪ A non-independent member is being presented for election or reelection as the audit committee chair. <p>This policy applies to bundled and unbundled items.</p> <p>For companies incorporated in Turkey, vote against the (re)election of any non-independent members of the audit committee.</p> <p>Vote against the (re)election of executives who serve on the company's audit committee. ISS may also recommend against if the disclosure is insufficient to determine whether an executive serves or will serve on the audit committee. If a company does not have an audit committee, ISS may consider that the entire board fulfills the role of the committee, and recommend against any executives, including the CEO, on the ballot.</p> <p>Cumulative Voting</p> <p>Under a cumulative voting system, each share represents a number of votes equal to the size of the board that will be elected. These votes may be apportioned equally among the candidates or, if a shareholder wishes to exclude some nominees, among the desired candidates.</p>	<p>General Recommendation: Vote against proposals seeking the election of non-independent members of the audit committee if:</p> <ul style="list-style-type: none"> ▪ Fewer than one-third of all audit committee members, excluding, where relevant, employee shareholder representatives, would be independent; or ▪ A non-independent member is being presented for election or reelection as the audit committee chair. <p>This policy applies to bundled and unbundled items.</p> <p>For companies incorporated in Turkey, vote against the (re)election of any non-independent members of the audit committee.</p> <p>Vote against the (re)election of executives who serve on the company's audit committee. ISS may also recommend against if the disclosure is insufficient to determine whether an executive serves or will serve on the audit committee. If a company does not have an audit committee, ISS may consider that the entire board fulfills the role of the committee, and recommend against any executives, including the CEO, on the ballot.</p>

<p>For MEA markets, when directors are elected through a cumulative voting system, or when the number of nominees exceeds the number of board vacancies, vote case-by-case on directors, taking into consideration additional factors to identify the nominees best suited to add value for shareholders.</p> <p>Generally vote to abstain from all candidates if the disclosure provided by the company is not sufficient to allow the assessment of independence and the support of all proposed candidates on equal terms.</p> <p>If the disclosure is sufficient to allow an assessment of the independence of proposed candidates, generally vote in favor of the following types of candidates:</p> <ul style="list-style-type: none">▪ Candidates who can be identified as representatives of minority shareholders of the company, or independent candidates.▪ Candidates whose professional background may have the following benefits:<ul style="list-style-type: none">▪ Increasing the diversity of incumbent directors' professional profiles and skills (thanks to their financial expertise, international experience, executive positions/directorships at other listed companies, or other relevant factors).▪ Bringing to the current board of director's relevant experience in areas linked to the company's business, evidenced by current or past board memberships or management functions at other companies.▪ Incumbent board members and candidates explicitly supported by the company's management.	
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Rationale for Change:

For Turkish companies, II-17. 1 Communique on Corporate Governance provides that the chairman of each committee shall be elected from among the independent members of the board of directors and all members of the audit committee shall comprise of the independent members of board of directors. The market has largely been in compliance with this provision.

With the new separate market guidelines created for the Middle Eastern & North Africa, and the Sub-Saharan regions, the cumulative voting policy that had been included in the EMEA Regional Policy is no longer needed, as it applied to the MEA markets.

Middle East & North Africa

Operational Items

Financial Results/Director and Auditor Reports

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation:</p> <p>Vote for approval of financial statements and director and auditor reports, unless:</p> <ul style="list-style-type: none"> ▪ There are concerns about the accounts presented or audit procedures used; or ▪ The company is not responsive to shareholder questions about specific items that should be publicly disclosed. <p>Generally, vote for approval of the corporate governance and/or the board report, unless information about corporate governance practices to be included in those reports has not been publicly disclosed by the company in a timely manner.</p>	<p>General Recommendation:</p> <p>Vote for approval of financial statements and director and auditor reports, unless:</p> <ul style="list-style-type: none"> ▪ There are concerns about the accounts presented or audit procedures used; or ▪ The company is not responsive to shareholder questions about specific items that should be publicly disclosed. <p>Generally, vote for approval of the corporate governance and/or the board report, unless information about corporate governance practices to be included in those reports has not been publicly disclosed by the company in a timely manner.</p>

Rationale for Change:

In the Middle East and Northern Africa, publicly-listed companies are required to prepare an annual report on the company's activity and a corporate governance report/section reflecting the company's governance practices during the reported fiscal year such as board and committees' composition, attendance, significant shareholders, external auditors, and information about compliance with the local governance regulations. However, some companies, especially those listed on Boursa Kuwait and Qatar stock exchange, continuously fail to publicly disclose such reports sufficiently ahead of the AGM, which makes the assessment of their governance practices during the year impossible.

Middle East & North Africa, Sub-Saharan Africa

Compensation

Director Compensation- Board Fees

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Vote for proposals to award cash fees to non-executive directors unless: the amounts are excessive relative to other companies in the country or industry.</p> <ul style="list-style-type: none"> ▪ The board fees paid for the fiscal year under review are not disclosed in a timely manner; ▪ The proposed amounts are excessive relative to similarly sized companies in the same market/sector, with no justification provided by the company; ▪ There is significant concern on the company's past practices regarding directors' remuneration. <p>In case there is a significant increase in fees with limited or no justification, vote on the proposal on a case-by-case basis.</p> <p>Vote non-executive director compensation proposals that include both cash and share-based components on a case-by-case basis.</p> <p>Vote proposals that bundle compensation for both non-executive and executive directors into a single resolution on a case-by-case basis.</p> <p>Vote against proposals to introduce retirement benefits for non-executive directors.</p>	<p>General Recommendation: Vote for proposals to award cash fees to non-executive directors unless:</p> <ul style="list-style-type: none"> ▪ The board fees paid for the fiscal year under review are not disclosed in a timely manner; ▪ The proposed amounts are excessive relative to similarly sized companies in the same market/sector, with no justification provided by the company; ▪ There is significant concern on the company's past practices regarding directors' remuneration. <p>In case there is a significant increase in fees with limited or no justification, vote on the proposal on a case-by-case basis.</p> <p>Vote non-executive director compensation proposals that include both cash and share-based components on a case-by-case basis.</p> <p>Vote proposals that bundle compensation for both non-executive and executive directors into a single resolution on a case-by-case basis.</p> <p>Vote against proposals to introduce retirement benefits for non-executive directors.</p>

Rationale for Change:

The approval of board fees is seen annually on the AGM agendas of MENA and Sub-Saharan African companies. Annual meetings typically include a voting item(s) on board fees paid for the fiscal year under review and/or board fees to be paid for the ensuing fiscal year. The level of disclosure of directors' remuneration vary among companies and markets however we could identify markets where individual information on directors' remuneration is rarely available, and even the breakdown

between fixed and attendance-based fees is not always disclosed as in Egypt and Kuwait and other markets with a very high level of disclosure regarding board fees such as Saudi Arabia and Oman. Almost all Sub-Saharan African markets provide a high level of disclosure with regards to remuneration practices. Information about board fees is always included in companies' annual reports (available sufficiently ahead of the general meeting).

In some markets, companies may propose to approve board remuneration for the current and ensuing fiscal year under one item of the AGM agenda. Remuneration to be paid for the upcoming fiscal year, in several cases, is not routinely disclosed before the meeting. Therefore, in such cases, the analysis depends only on the company's historical remuneration practice and amounts paid during the fiscal year in review.

Thus, several factors are currently being taken into consideration when analyzing board fees-related proposals such as the disclosure of the amount of board fees for the fiscal year in review, whether an excessive increase in the proposed amounts, if any, is justified and the lack of concerns on the company's past practices regarding directors' remuneration. Our focus, if possible, is on fees paid to non-executive directors or on fees paid to all directors, separate from the salaries of the executive directors. Excessive fees, that may result in a negative recommendation, are determined by comparing the company's board fees and those paid by other peer companies in the same country and/or industry. The level of complexity of each sector is also taken into consideration when creating a vote recommendation.

Currently, EMEA policy does not provide a framework for the analysis and vote recommendation on proposals seeking approval of directors' remuneration. The inclusion of the proposed language would make the current regional policy approach more transparent and will provide a defined framework of the current guidelines followed in proposals seeking approval of board fees.

Sub-Saharan Africa

Operational Items

Appointment of Auditors and Auditor Fees

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Vote for the (re)election of auditors and/or proposals authorizing the board to fix auditor fees, unless:</p> <ul style="list-style-type: none"> ▪ There are serious concerns about the procedures used by the auditor; ▪ There is reason to believe that the auditor has rendered an opinion which is neither accurate nor indicative of the company's financial position; ▪ External auditors have previously served the company in an executive capacity or can otherwise be considered affiliated with the company; ▪ The name(s) of the proposed auditors has not been published; ▪ The auditors are being changed without explanation; ▪ The auditor(s)' fees for the fiscal year in review are not publicly disclosed by the company in a timely manner; ▪ For widely-held companies, fees for non-audit services exceed either 100 percent of standard audit-related fees or any stricter limit set in local best practice recommendations or law. <p>In circumstances where fees for non-audit services include fees related to significant one-time capital structure events (initial public offerings, bankruptcy emergencies, 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 the ratio of non-audit to audit fees.</p> <p>For concerns related to the audit procedures, independence of auditors, and/or name of auditors, audit fees disclosure, ISS may recommend against the auditor (re)election. For concerns related to fees paid to the auditors, ISS may recommend against remuneration of auditors if this is a separate voting item; otherwise, ISS may recommend against the auditor election.</p>	<p>General Recommendation: Vote for the (re)election of auditors and/or proposals authorizing the board to fix auditor fees, unless:</p> <ul style="list-style-type: none"> ▪ There are serious concerns about the procedures used by the auditor; ▪ There is reason to believe that the auditor has rendered an opinion which is neither accurate nor indicative of the company's financial position; ▪ External auditors have previously served the company in an executive capacity or can otherwise be considered affiliated with the company; ▪ The name(s) of the proposed auditors has not been published; ▪ The auditors are being changed without explanation; ▪ The auditor(s)' fees for the fiscal year in review are not publicly disclosed by the company in a timely manner; ▪ For widely-held companies, fees for non-audit services exceed either 100 percent of standard audit-related fees or any stricter limit set in local best practice recommendations or law. <p>In circumstances where fees for non-audit services include fees related to significant one-time capital structure events (initial public offerings, bankruptcy emergencies, 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 the ratio of non-audit to audit fees.</p> <p>For concerns related to the audit procedures, independence of auditors, and/or name of auditors, audit fees disclosure, ISS may recommend against the auditor (re)election. For concerns related to fees paid to the auditors, ISS may recommend against remuneration of auditors if this is a separate voting item; otherwise, ISS may recommend against the auditor election.</p>

Rationale for Change:

Regulatory bodies in several developed markets worldwide require company disclosure of audit and non-audit fees of auditors. Auditor-related disclosure requirements differ widely by market, nonetheless, local laws in Sub-Saharan African markets establish that boards should ensure that information related to audit fees is disclosed. Currently, ISS policy in a more developed market such as South Africa is to vote against proposals regarding auditor remuneration or against the re-election of auditors if non-audit related fees are substantial or are routinely in excess of standard audit-related fees, or if audit fees are not disclosed.

This new policy enables ISS to assess auditor fees more coherently and reflects what is already recommended under the countries' laws/codes. The application of this new policy also allows alignment with the current voting policy of South Africa in this regard.

As local laws in Sub-Saharan African countries require information about audit fees to be publicly disclosed, it is reflected in companies' practices in those markets where information about audit related fees is always disclosed with rare cases of non-disclosure.

Compensation

Remuneration Policy/Report

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Vote proposals that bundle on compensation-related proposals including both non-executive and executive directors into a single resolution (or executive directors only) on a case-by-case basis taking into account the following factors:</p> <ul style="list-style-type: none"> ▪ Information on compensation-related proposals shall be made publicly available in a timely manner; ▪ The level of disclosure of the proposed compensation policy shall be sufficient for shareholders to make an informed decision and shall be in line with what local best market practice standards dictate; ▪ Companies shall adequately disclose all elements of the compensation, including any short- or long-term compensation component. <p>When assessing a company's remuneration policy and/or report, ISS generally recommends a vote against if the level of disclosure around the policy and/or the</p>	<p>General Recommendation: Vote on compensation-related-proposals including both non-executive and executive directors (or executive directors only) on a case-by-case basis taking into account the following factors:</p> <ul style="list-style-type: none"> ▪ Information on compensation-related proposals shall be made publicly available in a timely manner; ▪ The level of disclosure of the proposed compensation policy shall be sufficient for shareholders to make an informed decision and shall be in line with what local best market practice standards dictate; ▪ Companies shall adequately disclose all elements of the compensation, including any short- or long-term compensation component. <p>When assessing a company's remuneration policy and/or report, ISS generally recommends a vote against if the level of disclosure around the policy and/or the application of the policy is below what is required for shareholders to make an</p>

<p>application of the policy is below what is required for shareholders to make an informed judgment. In the event of satisfactory disclosure, ISS recommends a vote for the approval of the executive remuneration policy and/or the remuneration report on a case-by-case approach.</p>	<p>informed judgment. In the event of satisfactory disclosure, ISS recommends a vote for the approval of the executive remuneration policy and/or the remuneration report on a case-by-case approach.</p>
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Rationale for Change:

Remuneration of executive and non-executive directors has been a matter of intense debate around the world. The international trend, which also applies in Sub-Saharan African markets, is for the board, on obtaining advice and input from the remuneration committee, to set a policy for remuneration. In the case of Sub-Saharan African markets and most commonly in Kenya and Botswana, many companies present the annual remuneration report/policy to the shareholders' vote at their annual general meetings, a non-binding (advisory) vote of approval. A positive vote recommendation is warranted to approve the remuneration report and/or policy in case the company has disclosed the said policy or report ahead of the meeting. The positive vote may be flagged in case of executives sitting on the remuneration committee. Currently, EMEA policy does not provide a framework for the analysis and vote recommendation on proposals regarding remuneration policy and/or report. The inclusion of the language provides the current regional policy approach with more clarity as well as a defined framework of the current guidelines followed in proposals seeking approval of the remuneration policy and/or report.

Other Items

Related-Party Transactions

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: In evaluating resolutions that seek shareholder approval on related-party transactions (RPTs), vote on a case-by-case basis, considering factors including, but not limited to, the following:</p> <ul style="list-style-type: none"> ▪ The parties on either side of the transaction; ▪ The nature of the asset to be transferred/service to be provided; ▪ The pricing of the transaction (and any associated professional valuation); ▪ The views of independent directors (where provided); ▪ The views of an independent financial adviser (where appointed); ▪ Whether any entities party to the transaction (including advisers) is conflicted; and 	<p>General Recommendation: In evaluating resolutions that seek shareholder approval on related-party transactions (RPTs), vote on a case-by-case basis, considering factors including, but not limited to, the following:</p> <ul style="list-style-type: none"> ▪ The parties on either side of the transaction; ▪ The nature of the asset to be transferred/service to be provided; ▪ The pricing of the transaction (and any associated professional valuation); ▪ The views of independent directors (where provided); ▪ The views of an independent financial adviser (where appointed); ▪ Whether any entities party to the transaction (including advisers) is conflicted; and

<ul style="list-style-type: none">▪ The stated rationale for the transaction, including discussions of timing.▪ If there is a transaction that ISS deemed problematic and that was not put to a shareholder vote, ISS may recommend against the election of the director involved in the related-party transaction or the full board. <p>In the case of Nigerian companies, vote for proposals relating to renewal of the general mandate for the company to enter into recurrent transactions with related parties necessary for its day-to-day operations in the absence of any concerns with the related party transactions concluded pursuant to this general mandate.</p>	<ul style="list-style-type: none">▪ The stated rationale for the transaction, including discussions of timing.▪ If there is a transaction that ISS deemed problematic and that was not put to a shareholder vote, ISS may recommend against the election of the director involved in the related-party transaction or the full board. <p>In the case of Nigerian companies, vote for proposals relating to renewal of the general mandate for the company to enter into recurrent transactions with related parties necessary for its day-to-day operations in the absence of any concerns with the related party transactions concluded pursuant to this general mandate.</p>
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Rationale for Change:

This change codifies ISS' current policy application for this specific case of the Nigerian markets. In line with the rules of the Nigerian Stock Exchange governing transactions with related or interested persons, Nigerian companies may submit a proposal for shareholders' approval on the AGM to request/renew the general mandate to enter into recurrent transactions conducted usually with subsidiaries/sister companies but may also involve certain related parties for the coming year. The mandate would only relate to transactions of revenue, trading nature and/or others deemed necessary for the company's day-to day operations and should be renewed annually. This proposal is usually routine, and most companies respect the disclosure requirements provided by the NSE Rulebook which warrants support in most of the cases.

South Africa (changes were effective Oct. 1, 2020)

Operational Items

Auditors' Reappointment and Remuneration

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Vote for the re-election of auditors and/or proposals regarding auditor remuneration, unless:</p> <ul style="list-style-type: none"> ▪ There are serious concerns about the accounts presented or the audit procedures used effectiveness of the auditors; ▪ The auditors are being changed without explanation; or ▪ Non-audit related fees are substantial or are routinely in excess of standard audit-related fees. <p>Discussion</p> <p>A public company must appoint an auditor at each AGM (CA s90). The retiring auditor can be automatically reappointed without any resolution being passed, but most companies include an appropriate agenda item. Some companies also seek separate shareholder approval for the remuneration paid to the auditors.</p>	<p>General Recommendation: Vote for the re-election of auditors and/or proposals regarding auditor remuneration, unless:</p> <ul style="list-style-type: none"> ▪ There are serious concerns about the effectiveness of the auditors; ▪ The auditors are being changed without explanation; or ▪ Non-audit related fees are substantial or are routinely in excess of standard audit-related fees. <p>Discussion</p> <p>A public company must appoint an auditor at each AGM (CA s90). The retiring auditor can be automatically reappointed without any resolution being passed, but most companies include an appropriate agenda item. Some companies also seek separate shareholder approval for the remuneration paid to the auditors.</p>

Rationale for Change:

It is the auditor's responsibility to ensure that a company's financial statements are accurate and prepared in accordance with International Financial Reporting Standards. However, there may be circumstances where the effectiveness of the auditor is brought into question (such as material fraud or misstatement), notwithstanding the fact that the relevant accounting standards may have been fully complied with.

The broadening of this language allows ISS to reflect these concerns where appropriate.

Board of Directors

Voting on Director Nominees in Uncontested Elections

ISS Classification of Non-Independent Non-Executive Directors - Tenure

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>Non-Independent Non-Executive Director (NED)</p> <ul style="list-style-type: none"> ▪ 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 shareholder of the company; ▪ Beneficial owner (direct or indirect) of at least 5 percent of the company's shares, either in economic terms or in voting rights; ▪ Government representative; ▪ Currently provides (or a related person provides) professional services to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in excess of ZAR 100,000 per year. In line with King IV, there should be a three-year cooling-off period for individuals appointed as the designated auditor/partner in the external audit firm or as a senior legal adviser to the company; ▪ Represents customer, supplier, creditor, banker, or other entity with which company maintains transactional/commercial relationship (unless company discloses information to apply a materiality test, which indicates materiality if the company makes or receives annual payments exceeding the greater of ZAR 2 million or 5 percent of the recipient's gross revenues); ▪ Any director who has cross-directorships with executive directors of the company; ▪ Relative (immediate family member) of current or former executive of the company or its affiliates. King IV^V specifies a three-year cooling-off period; ▪ 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; 	<p>Non-Independent Non-Executive Director (NED)</p> <ul style="list-style-type: none"> ▪ 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 shareholder of the company; ▪ Beneficial owner (direct or indirect) of at least 5 percent of the company's shares, either in economic terms or in voting rights; ▪ Government representative; ▪ Currently provides (or a related person provides) professional services to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in excess of ZAR 100,000 per year. In line with King IV, there should be a three-year cooling-off period for individuals appointed as the designated auditor/partner in the external audit firm or as a senior legal adviser to the company; ▪ Represents customer, supplier, creditor, banker, or other entity with which company maintains transactional/commercial relationship (unless company discloses information to apply a materiality test, which indicates materiality if the company makes or receives annual payments exceeding the greater of ZAR 2 million or 5 percent of the recipient's gross revenues); ▪ Any director who has cross-directorships with executive directors of the company; ▪ Relative (immediate family member) of current or former executive of the company or its affiliates. King IV specifies a three-year cooling-off period; ▪ 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;

<ul style="list-style-type: none"> ▪ Former executive (five-year cooling-off period);or ▪ Any director who receives any form of performance-related remuneration; or ▪ Tenure (see next section). 	<ul style="list-style-type: none"> ▪ Former executive (five-year cooling-off period); ▪ Any director who receives any form of performance-related remuneration; or ▪ Tenure (see next section).
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<p>Tenure²</p> <p>A non-executive director's length of tenure on the board may have impact upon their independence. For this purpose, King IV references nine years as a relevant benchmark, but allows for directors to be designated as independent following an assessment by the board. The South Africa Reserve Bank (SARB) Governance Directive 4 of 2018, which applies to listed banks, states that directors who have served for longer than nine years will be regarded as non-independent.</p> <p>For the purposes of assessing independence, ISS considers two aspects of a non-executive's tenure on the board, as follows:</p> <ul style="list-style-type: none"> ▪ If a non-executive director has served on the board concurrently with an executive director for over twelve years, ISS considers their independence to be impaired. ▪ If a non-executive director has served for more than fifteen years on the board, ISS considers their independence to be impaired, regardless of any overlap with any of the executive directors. 	<p>Tenure²</p> <p>A non-executive director's length of tenure on the board may have impact upon their independence. For this purpose, King IV references nine years as a relevant benchmark, but allows for directors to be designated as independent following an assessment by the board. The South Africa Reserve Bank (SARB) Governance Directive 4 of 2018, which applies to listed banks, states that directors who have served for longer than nine years will be regarded as non-independent.</p> <p>For the purposes of assessing independence, ISS considers two aspects of a non-executive's tenure on the board, as follows:</p> <ul style="list-style-type: none"> ▪ If a non-executive director has served on the board concurrently with an executive director for over twelve years, ISS considers their independence to be impaired. ▪ If a non-executive director has served for more than fifteen years on the board, ISS considers their independence to be impaired, regardless of any overlap with any of the executive directors.
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Rationale for Change:

Many investors consider tenure to be an important factor when assessing director attendance, and it is widely accepted that regular board refreshment and succession planning are key features of effective boards.

² This position will be reflected in ISS vote recommendations with effect from 1 October 2021.

A number of ISS' regional proxy voting guidelines consider tenure as part of their independence assessments. A nine-year threshold is used in the U.K. and Ireland, Hong Kong, and Singapore. A 12-year benchmark is used in Europe, Brazil and Latin America, Australia, and New Zealand.

King IV, the relevant corporate governance code for listed companies in South Africa, states that "a non-executive member of the governing body may continue to serve, in an independent capacity, for longer than nine years if, upon an assessment by the governing body conducted every year after nine years, it is concluded that the member exercises objective judgment and there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making."

A more stringent standard applies to banks, however. The South Africa Reserve Bank (SARB) Governance Directive 4 of 2018 states that directors who have served for longer than nine years within banks will be regarded as non-independent. The full implementation of this directive is effective April 2020.

According to data from ISS Analytics, the average tenure for a non-executive director across the JSE Top 40 and the JSE Mid Cap is approximately seven years. However, there is momentum for change following the SARB Directive, and many other JSE-listed companies (to which the Directive does not apply) are voluntarily taking steps to acknowledge the potential concern, such as requiring directors with more than nine years' tenure to stand for re-election annually, or to step down after being re-elected to a final three-year term.

The updated policy recognises this trend in the market. A shorter, 12-year threshold will apply where the non-executive director's period of service overlaps with that of an executive director. This principle of concurrent tenure is one that also applies to the UK market, and recognises that turnover in the executive positions may bring its own element of refreshment to board dynamics.

ISS will observe a grace period, ending on October 1st 2021, before reflecting this policy change in its voting recommendations. Until then, cautionary language will be included in ISS research to ensure that companies are aware of, and given sufficient time to respond to, this important policy change. Even after this date, when the policy comes into full effect, a non-independent, non-executive director would not automatically attract a negative voting recommendation. A negative recommendation would not be applied if, based on the independence assessment conducted by ISS, the overall composition of the board and its key committees remained compliant with the recommendations of King IV. ISS would also take into account any public explanation provided by the company at the relevant time, including any commentary around its Broad-Based Black Economic Empowerment rating as applies under South Africa's legal regime.

Audit Committee Elections

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Vote for the re-election of the audit committee and/or audit committee members, unless:</p> <ul style="list-style-type: none"> ▪ Committee member elections are bundled into a single voting item, and the committee includes one or more non-independent NEDs; ▪ Committee members are elected individually, and the audit committee member is a non-independent NED; ▪ The board chair is a member of the audit committee, in line with the position stated in King IV. ISS will only apply this provision to large, widely held companies; ▪ Repeated absences (less than 75 percent attendance) at committee meetings have not been explained; or ▪ There are serious concerns about the accounts presented, the audit procedures used, or some other feature for which the audit committee has responsibility. <p>Discussion</p> <p>Companies (other than those covered by the Banks Act) must establish an audit committee of at least three members, which must be elected by shareholders at the AGM (CA s94).</p>	<p>General Recommendation: Vote for the re-election of the audit committee and/or audit committee members, unless:</p> <ul style="list-style-type: none"> ▪ Committee member elections are bundled into a single voting item, and the committee includes one or more non-independent NEDs; ▪ Committee members are elected individually, and the audit committee member is a non-independent NED; ▪ The board chair is a member of the audit committee, in line with the position stated in King IV. ISS will only apply this provision to large, widely held companies; ▪ Repeated absences (less than 75 percent attendance) at committee meetings have not been explained; or ▪ There are serious concerns about the accounts presented, the audit procedures used, or some other feature for which the audit committee has responsibility. <p>Discussion</p> <p>Companies (other than those covered by the Banks Act) must establish an audit committee of at least three members, which must be elected by shareholders at the AGM (CA s94).</p>

Rationale for Change:

This provision more closely aligns ISS' South Africa policy guidelines with the King IV Report. King IV states that the board chair should not be a member of the audit committee.

Because of the special relationship between the chair of the board and the executive directors, it is preferable that this committee be comprised only of independent non-executive directors.

Remuneration

Fees for Non-Executive Directors

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Vote for the fees payable to non-executive directors unless the proposed fees are excessive, relative to similarly-sized companies in the same sector. Fees should specifically relate to an individual's responsibilities as a non-executive director on the board; open-ended authorities covering ad hoc or consultancy work are generally not supported due to the potential impact on director independence.</p> <p>Discussion</p> <p>The remuneration paid to directors for their services as directors can only be paid in accordance with a special resolution approved by shareholders within the previous two years (CA s66). (This relates to the fees payable to directors, not the remuneration which an executive director will receive as an employee of the company, and therefore in practice concerns the fees paid to non-executives.) Companies either seek approval for these fees under one resolution or provide separate resolutions for each different type of fee.</p>	<p>General Recommendation: Vote for the fees payable to non-executive directors unless the proposed fees are excessive, relative to similarly-sized companies in the same sector. Fees should specifically relate to an individual's responsibilities as a non-executive director on the board; open-ended authorities covering ad hoc or consultancy work are generally not supported due to the potential impact on director independence.</p> <p>Discussion</p> <p>The remuneration paid to directors for their services as directors can only be paid in accordance with a special resolution approved by shareholders within the previous two years (CA s66). (This relates to the fees payable to directors, not the remuneration which an executive director will receive as an employee of the company, and therefore in practice concerns the fees paid to non-executives.) Companies either seek approval for these fees under one resolution or provide separate resolutions for each different type of fee.</p>

Rationale for Change:

This update codifies a position that ISS has applied in South Africa for many years. ISS does not support open-ended fee structures which allow for non-executive directors to provide consultancy or other ad hoc work due to the potential implication this may have on director independence. These fee structures typically offer the flexibility for directors to provide such work on an hourly basis, meaning that there is no theoretical limit to the amount that may ultimately become payable in a given period.

New Equity Incentive Scheme or Amendment to Existing Scheme

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: ISS evaluates management proposals seeking approval for a share incentive scheme on a case-by-case basis. When judging such items, ISS will generally recommend a vote against if the level of disclosure on the proposal is below what is required for shareholders to make an informed judgment on the scheme. In the event of satisfactory disclosure, ISS will recommend a vote for the proposal unless one or more of the following apply:</p> <ul style="list-style-type: none"> ▪ Performance conditions do not apply, have not been disclosed or are not considered sufficiently challenging or relevant. ▪ Performance conditions can be retested. ▪ Performance is measured over a period shorter than three years. ▪ The plan allows for option repricing or issue of options at a discount or backdating of options. ▪ The potential maximum dilution under all share incentive schemes exceeds 5 percent of the issued share capital of a large, widely held company, or 10 percent in the case of an emerging high-growth company, and there are no mitigating circumstances (e.g. stringent performance measures). ▪ The scheme provides for potentially excessive individual reward or has no caps on individual participation. ▪ The scheme rules allow for accelerated vesting upon termination (including change of control) without reference to relevant performance criteria. In addition, best practice suggests that "good leaver" treatment should include appropriate pro-rating to outstanding long-term incentive awards to reflect any reduced time in service. ▪ NEDs can participate in the scheme. ▪ The scheme is in any way not considered aligned with shareholder interests. <p>Proposals to amend a scheme will involve an assessment of the nature of the amendment.</p> <p>Discussion</p> <p>Share incentive schemes which involve the issue of new shares must be approved by shareholders via a resolution requiring 75 percent support (LR</p>	<p>General Recommendation: ISS evaluates management proposals seeking approval for a share incentive scheme on a case-by-case basis. When judging such items, ISS will generally recommend a vote against if the level of disclosure on the proposal is below what is required for shareholders to make an informed judgment on the scheme. In the event of satisfactory disclosure, ISS will recommend a vote for the proposal unless one or more of the following apply:</p> <ul style="list-style-type: none"> ▪ Performance conditions do not apply, have not been disclosed or are not considered sufficiently challenging or relevant. ▪ Performance conditions can be retested. ▪ Performance is measured over a period shorter than three years. ▪ The plan allows for option repricing or issue of options at a discount or backdating of options. ▪ The potential maximum dilution under all share incentive schemes exceeds 5 percent of the issued share capital of a large, widely held company, or 10 percent in the case of an emerging high-growth company, and there are no mitigating circumstances (e.g. stringent performance measures). ▪ The scheme provides for potentially excessive individual reward or has no caps on individual participation. ▪ The scheme rules allow for accelerated vesting upon termination (including change of control) without reference to relevant performance criteria. In addition, best practice suggests that "good leaver" treatment should include appropriate pro-rating to outstanding long-term incentive awards to reflect any reduced time in service. ▪ NEDs can participate in the scheme. ▪ The scheme is in any way not considered aligned with shareholder interests. <p>Proposals to amend a scheme will involve an assessment of the nature of the amendment.</p> <p>Discussion</p> <p>Share incentive schemes which involve the issue of new shares must be approved by shareholders via a resolution requiring 75 percent support (LR</p>

<p>schedule 14). Certain provisions in existing schemes cannot be altered without shareholder approval.</p>	<p>schedule 14). Certain provisions in existing schemes cannot be altered without shareholder approval.</p>
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Rationale for Change:

In normal circumstances, long-term incentive awards should be reduced pro-rata for time in service and any applicable performance conditions should remain in force and be measured at the original vesting date. Any early vesting because of a change of control should consider performance and the time elapsed up to the relevant date, with a consequent reduction in the size of the awards which vest.

ISS already evaluates the change of control and early termination provisions when assessing any new incentive schemes that are put to shareholder vote. This policy change clarifies ISS' expectations when evaluating the rules of such schemes.

Other Items

Shareholder Proposals (ESG)

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>[No current Policy]</p> <p>ISS applies a common approach globally to evaluating social and environmental proposals, which cover a wide range of topics including consumer and product safety, environment and energy, labour standards and human rights, workplace and board diversity, and corporate political issues. While a variety of factors goes into each analysis, the overall principle guiding all vote recommendations focuses on how the proposal may enhance or protect shareholder value in either the short or long term.</p> <p>General Recommendation: Generally vote case-by-case, examining primarily whether implementation of the proposal is likely to enhance or protect shareholder value. The following factors will be considered:</p> <ul style="list-style-type: none"> ▪ If the issues presented in the proposal are more appropriately or effectively dealt with through legislation or government regulation; 	<p>ISS applies a common approach globally to evaluating social and environmental proposals, which cover a wide range of topics including consumer and product safety, environment and energy, labour standards and human rights, workplace and board diversity, and corporate political issues. While a variety of factors goes into each analysis, the overall principle guiding all vote recommendations focuses on how the proposal may enhance or protect shareholder value in either the short or long term.</p> <p>General Recommendation: Generally vote case-by-case, examining primarily whether implementation of the proposal is likely to enhance or protect shareholder value. The following factors will be considered:</p> <ul style="list-style-type: none"> ▪ If the issues presented in the proposal are more appropriately or effectively dealt with through legislation or government regulation;

<ul style="list-style-type: none"> ▪ If the company has already responded in an appropriate and sufficient manner to the issue(s) raised in the proposal; ▪ Whether the proposal's request is unduly burdensome (scope or timeframe) or overly prescriptive; ▪ The company's approach compared with any industry standard practices for addressing the issue(s) raised by the proposal; ▪ Whether there are significant controversies, fines, penalties, or litigation associated with the company's environmental or social practices; ▪ If the proposal requests increased disclosure or greater transparency, whether reasonable and sufficient information is currently available to shareholders from the company or from other publicly available sources; and ▪ If the proposal requests increased disclosure or greater transparency, whether implementation would reveal proprietary or confidential information that could place the company at a competitive disadvantage. 	<ul style="list-style-type: none"> ▪ If the company has already responded in an appropriate and sufficient manner to the issue(s) raised in the proposal; ▪ Whether the proposal's request is unduly burdensome (scope or timeframe) or overly prescriptive; ▪ The company's approach compared with any industry standard practices for addressing the issue(s) raised by the proposal; ▪ Whether there are significant controversies, fines, penalties, or litigation associated with the company's environmental or social practices; ▪ If the proposal requests increased disclosure or greater transparency, whether reasonable and sufficient information is currently available to shareholders from the company or from other publicly available sources; and ▪ If the proposal requests increased disclosure or greater transparency, whether implementation would reveal proprietary or confidential information that could place the company at a competitive disadvantage.
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Rationale for Change:

In 2019, climate-related shareholder proposals appeared on the agendas of two South African banks, therefore ISS' global approach to such proposals is being added to the the South Africa Proxy Voting Guidelines.

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