



INTERNATIONAL PUBLIC FUND PROXY VOTING GUIDELINES UPDATES



2022 Policy Recommendations

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Operational Items

Virtual Only Meetings

Current Public Fund Advisory Services Policy, incorporating changes:	New Public Fund Advisory Services Policy:
<p><u>Amendments to Articles to allow Virtual Meetings (Japan, Australia, UK, Ireland, and Europe)</u></p> <p>Public Fund Advisory Services Recommendation: Generally vote for proposals allowing for the convening of hybrid¹ shareholder meetings if it is clear that it is not the intention to hold virtual-only² AGMs.</p> <p>Generally vote against proposals allowing for the convening of virtual-only shareholder meetings, except under exceptional circumstances.</p>	<p><u>Amendments to Articles to allow Virtual Meetings (Japan, Australia, UK, Ireland, and Europe)</u></p> <p>Public Fund Advisory Services Recommendation: Generally vote for proposals allowing for the convening of hybrid¹ shareholder meetings if it is clear that it is not the intention to hold virtual-only² AGMs.</p> <p>Generally vote against proposals that will permit the company to convene virtual-only shareholder meetings, except under exceptional circumstances.</p>

Rationale for Change:

Japan

In Japan, some companies have amended their articles of incorporation allowing them to hold virtual only shareholder meetings. However, global investors often raise concerns about moves to completely eliminate physical shareholder attendance at meetings, when companies are already allowed to hold virtual meetings in addition to physical meetings (i.e., a hybrid meeting format). Concerns are that virtual only meetings may impact shareholders' ability to hold directors accountable, and may hinder meaningful exchanges between directors, management, and shareholders. For instance, shareholders may find it difficult to submit questions, or get companies to answer them. Worse, questions or moves by shareholders, whom management do not welcome, could be conveniently handled in a way advantageous to management. Once approved, the company can hold virtual only meetings permanently, without further need to consult shareholders.

Meanwhile, it is recognized that there is a case for greater flexibility in shareholder meeting formats given the COVID-19 pandemic. Therefore, Public Fund Advisory Services may support article amendments allowing companies to hold virtual only meetings only in unusual situations such as the spread of an infectious disease or the occurrence of a natural disaster.

¹ The term "hybrid shareholder meeting" refers to an in-person, or physical, meeting in which shareholders are permitted to participate online.

² The phrase "virtual-only shareholder meeting" refers to a meeting of shareholders that is held exclusively through the use of online technology without a corresponding in-person meeting

Australia

While there is recognition of the potential benefits of enabling increased participation at shareholder meetings using electronic means, investors have raised concerns about moves to completely eliminate physical shareholder meetings, and that virtual-only meetings may hinder meaningful exchanges between management and shareholders and enable management to avoid questions and responding to shareholders.

There is presently no policy for Australia in the Public Fund Advisory Services International policy for resolutions to amend a company's constitution regarding the use of virtual or electronic technology for shareholder meetings.

Given Australian Government restrictions and state government lockdowns, the Treasury Laws Amendment (2021 Measures No.1) Act 2021, which came into effect on 13 August 2021, renews the temporary relief that allows companies to hold virtual meetings until 31 March 2022.

The Australian Government is now seeking to introduce permanent reforms to the Corporations Act later this year to give companies the flexibility to use technology and to hold meetings, such as hybrid meetings, and sign and send documents. Presently the Corporations Act make no mention of the use of online and electronic technology for the conduct of shareholder meetings. The Exposure Draft Legislation, which was open to stakeholders for consultation, includes provisions that allow for virtual-only meetings if this is permitted under a company's constitution.

Virtual-only meetings may impact on shareholder rights in holding directors publicly accountable and may hinder meaningful exchanges between directors and shareholders. There has been considerable public feedback from many institutional and retail investors in Australia that any move to a virtual-only shareholder meeting structure is not supported by them. There has also been commentary regarding concerns that some companies have limited shareholder engagement through virtual-only meetings but requiring shareholder questions to be submitted to the company several days before the meeting, and anecdotal information that certain meetings were ended prematurely, denying some shareholders a right to participate and ask their questions.

The updated Public Fund Advisory Services International Policy clarifies that hybrid meetings would be supported, given that such meetings would not impact negatively on shareholder rights and represent the preferences of shareholders. Proposed amendments to a company's constitution that allow for virtual-only meetings, outside of exceptional circumstances, or incorporate vague and ambiguous wording that could reasonably be construed to allow for virtual-only meetings will not be supported.

Board of Directors

Director and Supervisory Board Member Elections

Voto di Lista (Italy)

Current Public Fund Advisory Services Policy, incorporating changes:	New Public Fund Advisory Services Policy:
<ul style="list-style-type: none"> In Italy, the election of directors generally takes place through the <i>voto di lista</i> mechanism (similar to slate elections). Since the Italian implementation of the European Shareholder Rights Directive (effective since Nov. 1, 2010), Italian issuers whose shares are listed on the Italian regulated market <i>Mercato Telematico Azionario</i> must publish the various lists 21 days in advance of the meeting. [...] Those companies that are excluded from the provisions of the European Shareholder Rights Directive generally publish lists of nominees 10 seven days before the meeting. In the case where nominees are not published in sufficient time, Public Fund Advisory Services will recommend a vote against the director elections before the lists of director nominees are disclosed. Once the various lists of nominees are disclosed, an alert will be issued to clients and, if appropriate, the vote recommendation will be updated to reflect support for one particular list. 	<ul style="list-style-type: none"> In Italy, the election of directors generally takes place through the <i>voto di lista</i> mechanism (similar to slate elections). Since the Italian implementation of the European Shareholder Rights Directive (effective since Nov. 1, 2010), Italian issuers whose shares are listed on the Italian regulated market <i>Mercato Telematico Azionario</i> must publish the various lists 21 days in advance of the meeting. [...] Those companies that are excluded from the provisions of the European Shareholder Rights Directive generally publish lists of nominees seven days before the meeting. In the case where nominees are not published in sufficient time, Public Fund Advisory Services will recommend a vote against the director elections before the lists of director nominees are disclosed. Once the various lists of nominees are disclosed, an alert will be issued to clients and, if appropriate, the vote recommendation will be updated to reflect support for one particular list.

Rationale for Change:

These changes correct inaccuracies and clarify some legal aspects related to the Italian voto di lista.

Board Diversity

Canada

Current Public Fund Advisory Services Policy, incorporating changes:	New Public Fund Advisory Services Policy:
<p>Public Fund Advisory Services Recommendation: For S&P/TSX Composite Index Canadian companies, effective February 2022, generally vote withhold for the Chair of the Nominating Committee or Chair of the committee designated with the responsibility of a nominating committee, or Chair of the board of directors if no nominating committee has been identified or no chair of such committee has been identified, where women comprise less than 30% of the board of directors; and,</p> <ul style="list-style-type: none"> ▪ The company has not disclosed a formal written gender diversity policy³; and ▪ There are no female directors on the board of directors ▪ Women comprise less than 30% of the board of directors; and ▪ The company has not provided a formal, publicly-disclosed written commitment to achieve at least 30% women on the board at or prior to the next AGM. <p>The gender diversity policy from the specified companies should include an explicit percentage or numerical target for women's representation that is at least 30% of the board. Where such target has not been attained, a reasonable timeframe should be provided under which the company commits to achieving a representation of at least 30%.</p> <p>For widely held TSX Canadian companies⁴ which are not also S&P/TSX Composite Index constituents, generally vote withhold for the chair of the nominating committee or chair of the committee designated with the responsibility of a nominating committee, or chair of the board of directors if no nominating</p>	<p>Public Fund Advisory Services Recommendation: For S&P/TSX Composite Index companies, generally vote withhold for the Chair of the Nominating Committee or Chair of the committee designated with the responsibility of a nominating committee, or Chair of the board of directors if no nominating committee has been identified or no chair of such committee has been identified, and:</p> <ul style="list-style-type: none"> ▪ Women comprise less than 30% of the board of directors; and ▪ The company has not provided a formal, publicly-disclosed written commitment to achieve at least 30% women on the board at or prior to the next AGM. <p>For TSX companies which are not also S&P/TSX Composite Index constituents, generally vote withhold for the chair of the nominating committee or chair of the committee designated with the responsibility of a nominating committee, or chair of the board of directors if no nominating committee has been identified or no chair of such committee has been identified, where:</p> <ul style="list-style-type: none"> ▪ The company has not disclosed a formal written gender diversity policy³ and ▪ There are no female directors on the board of directors. <p>Evaluate on a case-by-case basis whether withhold recommendations are warranted for additional directors at companies that fail to meet the above</p>

³ Per NI 58-101 and Form 58-101F1, the issuer should disclose whether it has adopted a written policy relating to the identification and nomination of women directors. The policy, if adopted, should provide a short summary of its objectives and key provisions; describe the measures taken to ensure that the policy has been effectively implemented; disclose annual and cumulative progress by the issuer in achieving the objectives of the policy, and whether and, if so, how the board or its nominating committee measures the effectiveness of the policy.

⁴ ~~"Widely held" refers to S&P/TSX Composite Index companies as well as other companies that Public Fund Advisory Services designates as such based on the number of clients holding securities of the company.~~

<p>committee has been identified or no chair of such committee has been identified, where:</p> <ul style="list-style-type: none"> ▪ The company has not disclosed a formal written gender diversity policy³ and ▪ There are no female directors on the board of directors. <p>Evaluate on a case-by-case basis whether withhold recommendations are warranted for additional directors at companies that fail to meet the above policy that would apply to their respective constituent group over two years or more.</p> <p>The gender diversity policy should include a clear commitment to increase board gender diversity. Boilerplate or contradictory language may result in withhold recommendations for directors.</p> <p>The gender diversity policy should include measurable goals and/or targets denoting a firm commitment to increasing board gender diversity at or prior to the next AGM.</p> <p>Non-S&P/TSX Composite Exemptions:</p> <p>This policy will not apply to:</p> <ul style="list-style-type: none"> ▪ Newly-publicly-listed companies within the current or prior fiscal year; ▪ Companies that have transitioned from the TSXV within the current or prior fiscal year; or ▪ Companies with four or fewer directors. 	<p>policy that would apply to their respective constituent group over two years or more.</p> <p>The gender diversity policy should include a clear commitment to increase board gender diversity. Boilerplate or contradictory language may result in withhold recommendations for directors.</p> <p>The gender diversity policy should include measurable goals and/or targets denoting a firm commitment to increasing board gender diversity at or prior to the next AGM.</p> <p>Non-S&P/TSX Composite Exemptions:</p> <p>This policy will not apply to:</p> <ul style="list-style-type: none"> ▪ Newly-publicly-listed companies within the current or prior fiscal year; ▪ Companies that have transitioned from the TSXV within the current or prior fiscal year; or ▪ Companies with four or fewer directors.
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Rationale for Change:

Gender diversity has remained a high profile corporate governance issue in the Canadian market. Effective Dec. 31, 2014, as per National Instrument 58-101 Disclosure of Corporate Governance Practices, TSX-listed issuers are required to provide proxy disclosures regarding whether, and if so how, the board or nominating committee considers the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board. Also required is disclosure of policies or targets, if any, regarding the representation of women on the board. The disclosure requirement has been a catalyst for the addition of women to the boards of many TSX-listed reporting issuers. "Widely-held" refers to S&P/TSX Composite Index companies as well as other companies that Public Fund Advisory Services designates as such based on the number of Public Fund Advisory Services clients holding securities of the company. Based on most recent Public Fund Advisory

Services data, TSX-listed company boards having no female directors now appear to be outliers. As such, the gender diversity policy for widely-held non-S&P/TSX Composite Index companies is being expanded to include the entire TSX-listed universe.

In addition, the policy requiring S&P/TSX Composite Index companies to have at least 30 percent women directors on the board will come into effect in 2022 after a one year grace period. Companies that have made a clear commitment to achieve the 30 percent target at or prior to the company's next AGM will be seen as meeting the expectations of the new policy.

Brazil and Americas Regional

Current Public Fund Advisory Services Policy, incorporating changes:	New Public Fund Advisory Services Policy:
<p>Public Fund Advisory Services Recommendation: For Latin American meetings on or after Feb. 1, 2022, gGenerally vote against director elections at companies where the post-election board contains no female directors.</p> <ul style="list-style-type: none"> ▪ For bundled elections, vote against the entire slate. ▪ For unbundled elections, vote against the chair of the Nominating Committee or chair of the committee designated with the responsibility of a nominating committee, or all such committee members if no committee chair has been identified. In case no nominating committee has been disclosed, vote against the chair of the board, or the entire board if no board chair has been identified. <p>A one-year transitional period will apply in 2021 to allow companies to incorporate gender diversity into their board compositions. During this transitional period, vote recommendations will not be impacted by the gender diversity policy. The gender diversity policy will come into effect on Feb. 1, 2022.</p>	<p>Public Fund Advisory Services Recommendation: Generally, vote against director elections at companies where the post-election board contains no female directors.</p> <ul style="list-style-type: none"> ▪ For bundled elections, vote against the entire slate. ▪ For unbundled elections, vote against the chair of the Nominating Committee or chair of the committee designated with the responsibility of a nominating committee, or all such committee members if no committee chair has been identified. In case no nominating committee has been disclosed, vote against the chair of the board, or the entire board if no board chair has been identified.

Rationale for Change:

The existing 2021 transitional period language is being removed from the policy as it is no longer applicable. The gender diversity policy will come into effect on Feb. 1, 2022.

United Kingdom and Ireland

Current Public Fund Advisory Services Policy, incorporating changes:	New Public Fund Advisory Services Policy:
<p>Public Fund Advisory Services Recommendation:</p> <p><i>Gender Diversity</i></p> <p>In UK & Ireland, 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 will not result in a negative recommendation, regardless of the previous composition of the board. ▪ Other relevant factors as applicable. <p><i>Ethnic Diversity</i></p> <p>Public Fund Advisory Services will generally recommend against the chair of the nomination committee (or other directors on a case-by-case basis) if the company is a constituent of the FTSE 100 index (excluding investment</p>	<p>Public Fund Advisory Services Recommendation:</p> <p><i>Gender Diversity</i></p> <p>In UK & Ireland, 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 companies) 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. ▪ Other relevant factors as applicable. <p><i>Ethnic Diversity</i></p> <p>Public Fund Advisory Services will generally recommend against the chair of the nomination committee (or other directors on a case-by-case basis) if the company is a constituent of the FTSE 100 index (excluding investment companies) and has not appointed at least one individual from an ethnic minority background to the board.</p>

<p>companies) and has not appointed at least one individual from an ethnic minority background to the board.</p> <p>Furthermore, there is an expectation for constituents of the following indices (excluding investment companies) to appoint at least one individual from an ethnic minority background to the board by 2024:</p> <ul style="list-style-type: none"> ▪ FTSE 250 index; ▪ FTSE SmallCap; ▪ ISEQ 20; ▪ Listed on the AIM with a market capitalisation of over GBP 500 million. <p>The abovementioned companies are expected to publicly disclose a roadmap to compliance with best market practice standards of having at least one director from an ethnic minority background by 2024.</p>	<p>Furthermore, there is an expectation for constituents of the following indices (excluding investment companies) to appoint at least one individual from an ethnic minority background to the board by 2024:</p> <ul style="list-style-type: none"> ▪ FTSE 250 index; ▪ FTSE SmallCap; ▪ ISEQ 20; ▪ Listed on the AIM with a market capitalisation of over GBP 500 million. <p>The abovementioned companies are expected to publicly disclose a roadmap to compliance with best market practice standards of having at least one director from an ethnic minority background by 2024.</p>
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Rationale for Change:

New Public Fund Advisory Services voting guidelines for this market were introduced at the start of 2021 requiring that both board appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender and ethnic backgrounds. This policy reflected the expectations of the 2018 UK Corporate Governance Code⁵.

Gender Diversity

Ahead of the 2021 AGM season, Public Fund Advisory Services updated its voting guidelines for this market to incorporate a provision that would expect companies listed on the London Stock Exchange to be in line with leading market practice standards⁶ to have at least 33% female representation on the board (in the case of FTSE 350 constituents), and to have at least one female director on the board for smaller companies. At this time, we propose to continue to exclude investment companies from the policy.

⁵ <https://www.frc.org.uk/getattachment/88bd8c45-50ea-4841-95b0-d2f4f48069a2/2018-UK-Corporate-Governance-Code-FINAL.pdf>

⁶ <https://diversityq.com/aic-brings-diversity-to-investment-company-boards-1510455/>

Ethnic Diversity

There is also clear shareholder demand for UK companies to incorporate and improve ethnic diversity on boards, as well as within the wider workforce. A number of regulatory bodies, such as the Financial Conduct Authority, as well as certain studies mandated by the UK Government, such as the Parker Review⁷, are driving the initiative of promoting greater ethnic diversity on boards. The conclusion of the Parker Review, which published its final recommendations in 2017, recommended companies that are constituents of the FTSE 100 to have at least one director of an ethnically diverse background by 2021, and constituents of the FTSE 250 to have an ethnically diverse director by 2024.

Having introduced the gender diversity policy into the policy in 2020, the logical development is the introduction of an ethnic diversity policy. The Public Fund Advisory Services update for this market is based on the recommendations of the Parker Review, such that Public Fund Advisory Services will expect FTSE 100 companies to already have at least one ethnically diverse director on the board (expected by the Parker Review by the end of 2021). If this is not the case, then Public Fund Advisory Services may recommend a vote against any director who is considered accountable for board composition. Given the fact that the Parker Review recommendations are already in place for FTSE 100 companies and that the impact would be limited, we do not propose to implement a grace period. For FTSE 250 companies, Public Fund Advisory Services policy will look for at least one ethnically diverse director on the board by 2024.

The policy changes will also apply an approach based on the Parker Review recommendations when considering UK companies that are not constituents of the FTSE 100 or FTSE 250 (including the following indices: FTSE SmallCap, ISEQ 20, and large FTSE AIM companies, categorized as those with a market capitalisation of over GBP 500 million). While the Parker Review was silent on any expectations of these companies, Public Fund Advisory Services will expect companies in these indices, in addition to FTSE 250 constituents, to have at least one director of an ethnically diverse background on the board by 2024.

Under the requirements of the UK Corporate Governance Code (and for the FTSE SmallCap, the FCA's Disclosure Guidance and Transparency Rule 7.2.8A⁸), companies have to describe their "diversity policy" or explain why they don't have one. Given these disclosure requirements, between now and 2024, Public Fund Advisory Services will closely observe diversity policies that companies outside the FTSE 100 will adopt, with focus maintained on the potential of incorporating ethnic diversity on the board. In certain situations, Public Fund Advisory Services may recommend only qualified support for the nomination committee chair, if there is no disclosure on any plans to incorporate ethnically diverse directors into the board by 2024.

Public Fund Advisory Services recognizes that the UK has a generally more diverse demographic profile than Ireland. According to the most recent published national statistics, in England and Wales⁹, 86% of the population identified as white British, Asian (India, Pakistan, Bangladesh, other) comprised 7.5% of the population, Black groups comprised 3.3% of the population, mixed/multiple ethnic groups comprised 2.2%, and other ethnic groups comprised 1% of the population. In the Republic of Ireland¹⁰, on the other hand, 82.2% of the population is represented as white Irish, other White comprised 9.5% (total White: 91.7%), non-Chinese Asian comprised 1.7%, and others including mixed background made up only 1.5% of the total population. It is also further acknowledged that there is no clear requirement which

⁷ https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/news/2020/02/ey-parker-review-2017-report-final.pdf

⁸ <https://www.handbook.fca.org.uk/handbook/DTR/7/2.html>

⁹ <https://www.ethnicity-facts-figures.service.gov.uk/uk-population-by-ethnicity/national-and-regional-populations/population-of-england-and-wales/latest>

¹⁰ <https://www.cso.ie/en/releasesandpublications/ep/p-cp8iter/p8iter/p8e/>

mandates that Irish companies maintain diverse boards, unlike the case for the UK. It is however recognized that of the 20 largest Irish companies (ISEQ 20), a majority are already constituents of the London Stock Exchange, with three listed within the FTSE 100 index. This shows that Irish companies, particularly larger ones, do have exposure to standards that are expected of FTSE index constituents, and would be cognizant of the need of incorporating ethnic diversity on their boards. This is bolstered by the fact that three of the top six ISEQ 20 companies in terms of market capitalisation have already identified a director of an ethnically diverse background. Based on the above, there is considered to be a sufficient case for Irish companies to also be expected to incorporate ethnic diversity on their boards by 2024, in line with smaller FTSE AllShare Constituents.

Continental Europe

Current Public Fund Advisory Services Policy, incorporating changes:	New Public Fund Advisory Services Policy:
<p>Public Fund Advisory Services Recommendation: In Continental Europe, 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 shareholder-elected directors of a widely held company¹¹ – excluding, where relevant, employee shareholder representatives¹². ▪ 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"> ▪ 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>Public Fund Advisory Services Recommendation: In Continental Europe, 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 shareholder-elected directors of a widely held company – excluding, where relevant, employee shareholder representatives¹². ▪ 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"> ▪ 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.

~~¹¹ 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.~~

¹² In France, when employees exceed a given shareholding threshold in the company, they must be represented by employee shareholder representative(s) on the [supervisory] board.

Rationale for Change:

The policy update (i) removes the transition provision and (ii) specifies that gender representation primarily applies to directors that are elected by shareholders.

In markets like Austria, Denmark, Finland, France, Germany, Norway, or Sweden, the [supervisory] board may include employee representatives or other directors that are not elected by shareholders. The [supervisory] board does not have any influence on the selection process of these directors or nominees. Consequently, the gender diversity policy primarily applies to shareholder-elected directors that are proposed by the [supervisory] board.

In France, although employee shareholder representatives are elected by shareholders, the [supervisory] board is not involved in the selection process of the employee shareholder representative nominees. Consequently, and consistently with Public Fund Advisory Services' International policy on board independence, these directors will be excluded from the scope of this policy.

Australia

Current Public Fund Advisory Services Policy, incorporating changes:	New Public Fund Advisory Services Policy:
<p>Public Fund Advisory Services Recommendation: In Australian companies, generally vote against the chair of the nomination committee or chairman of the board (or other relevant directors on a case-by-case basis) if there are no women on the board. Mitigating factors include:</p> <ul style="list-style-type: none"> ▪ The company is a large Australian listed entity and included in the S&P/ASX300 Index, and the board does not comprise at least 30 percent female representation. ▪ For any company, there are no women on the board. <p>Exceptional circumstances from this vote recommendation which may be considered on a case-by-case basis may include:</p> <ul style="list-style-type: none"> ▪ The company complying with the standard in the preceding year, and publicly available disclosure by the company of a search being undertaken and firm commitment to meet the gender diversity standard in the next year; ▪ Non-operating exploration or research & development entities which typically have small boards of three directors; or ▪ A commitment to appoint at least one female director as disclosed in the company's meeting documents or in an announcement to the ASX; ▪ The presence of a female director on the board during the preceding year; or ▪ Other relevant factors. 	<p>Public Fund Advisory Services Recommendation: In Australian companies, generally vote against the chair of the nomination committee or chairman of the board (or other relevant directors on a case-by-case basis) if:</p> <ul style="list-style-type: none"> ▪ The company is a large Australian listed entity and included in the S&P/ASX300 Index, and the board does not comprise at least 30 percent female representation. ▪ For any company, there are no women on the board. <p>Exceptional circumstances from this vote recommendation which may be considered on a case-by-case basis may include:</p> <ul style="list-style-type: none"> ▪ The company complying with the standard in the preceding year, and publicly available disclosure by the company of a search being undertaken and firm commitment to meet the gender diversity standard in the next year; ▪ Non-operating exploration or research & development entities which typically have small boards of three directors; or ▪ Other relevant factors.

Rationale for Change:

Recommendation 1.5 of the ASX Corporate Governance Council Principles and Recommendations (4th Edition 2019) states that a listed entity should have and disclose a diversity policy, set measurable objectives for achieving gender diversity, and disclose these measurable objectives and progress towards achieving those objectives. If the entity is included in the S&P/ASX300 Index at the commencement of the reporting period, the measurable objective for achieving the gender objective in the composition of the board should be not less than 30% of its directors of each gender within a specific period.

The changes to the policy on 'gender diversity' are consistent with the increasing focus on board gender diversity at the global level and consistent with the guidelines of the ASX Corporate Governance Council Principles and Recommendations for larger companies in the ASX 300 Index. The strengthening of the standard brings the Australian policy in line with the ASX Corporate Governance Council, and UK and European markets where there is a higher minimum gender representation in larger companies. The changes also clarify where exceptional circumstances may be relevant. The ASX Corporate Governance Council recognises that smaller ASX listed entities may not be able to comply with the higher corporate governance standards of larger entities.

Climate Accountability

Current Public Fund Advisory Services Policy, incorporating changes:	New Public Fund Advisory Services Policy:
<p>Public Fund Advisory Services Recommendation: For companies that are significant greenhouse gas (GHG) emitters, through their operations or value chain¹³, generally vote against the board chair, the responsible incumbent director(s), or any other appropriate item(s), in cases where Public Fund Advisory Services determines that the company is not taking the minimum steps needed to understand, assess, and mitigate risks related to climate change to the company and the larger economy.</p> <p>For 2022, minimum steps to understand and mitigate those risks are considered to be the following. Both minimum criteria will be required to be in compliance:</p> <ul style="list-style-type: none"> ▪ Detailed disclosure of climate-related risks, such as according to the framework established by the Task Force on Climate-related Financial Disclosures (TCFD), including: <ul style="list-style-type: none"> ▪ Board governance measures; ▪ Corporate strategy; ▪ Risk management analyses; and ▪ Metrics and targets. ▪ Appropriate GHG emissions reduction targets. <p>For 2022, “appropriate GHG emissions reductions targets” will be any well-defined GHG reduction targets. Expectations about what constitutes “minimum steps to mitigate risks related to climate change” will increase over time.</p>	<p>Public Fund Advisory Services Recommendation: For companies that are significant greenhouse gas (GHG) emitters, through their operations or value chain¹³, generally vote against the board chair, the responsible incumbent director(s), or any other appropriate item(s), in cases where Public Fund Advisory Services determines that the company is not taking the minimum steps needed to understand, assess, and mitigate risks related to climate change to the company and the larger economy.</p> <p>For 2022, minimum steps to understand and mitigate those risks are considered to be the following. Both minimum criteria will be required to be in compliance:</p> <ul style="list-style-type: none"> ▪ Detailed disclosure of climate-related risks, such as according to the framework established by the Task Force on Climate-related Financial Disclosures (TCFD), including: <ul style="list-style-type: none"> ▪ Board governance measures; ▪ Corporate strategy; ▪ Risk management analyses; and ▪ Metrics and targets. ▪ Appropriate GHG emissions reduction targets. <p>For 2022, “appropriate GHG emissions reductions targets” will be any well-defined GHG reduction targets. Expectations about what constitutes “minimum steps to mitigate risks related to climate change” will increase over time.</p>

¹³ For 2022, companies defined as “significant GHG emitters” will be those on the current Climate Action 100+ Focus Group list.

Rationale for Change:

Climate change and climate-related risks are now among the most critical topics for many investors, and this area has developed significantly in the last year. Many investors around the world are seeking to better integrate climate risk considerations in their investment, engagement, and voting processes. Scientific experts have stated that there is an imperative to limit cumulative CO₂ emissions, aiming to reach net zero CO₂ emissions by mid-century, along with strong reductions in other greenhouse gas emissions in order to limit human-induced global warming. The Public Fund Advisory Services policy updates for 2022 introduce a board accountability policy for the assessment of and focus on the world's highest greenhouse gas (GHG) emitting companies.

In response to our 2021 Climate Policy survey, high percentages of investor respondents supported establishing minimum criteria for companies considered to be strongly contributing to climate change. Therefore, Public Fund Advisory Services is for 2022 focusing on the 167 companies currently identified as the Climate Action 100+ Focus Group list, and it will recommend against incumbent director – in the UK market, usually the board chair – in cases where the company is not disclosing such as according to the Task Force on Climate-related Financial Disclosures (TCFD) and does not have quantitative GHG emission reduction targets covering at least a significant portion of the company's direct emissions.

For 2022, additional data points will be provided in the company information section for all Climate Action 100+ Focus Group companies in order to support this policy.

Capital Structure

Increases in Authorized Capital

Current Public Fund Advisory Services Policy, incorporating changes:	New Public Fund Advisory Services Policy:
<p>Public Fund Advisory Services Recommendation:</p> <ul style="list-style-type: none"> ▪ Vote for non-specific proposals to increase authorized capital up to 50 percent over the current authorization. ▪ In case the proposals to increase authorized capital include the authorization to issue shares according to the (pre-)approved limit without obtaining separate shareholder approval, the general issuance policy applies. ▪ Vote for specific proposals to increase authorized capital to any amount unless the specific purpose of the increase (such as a share-based acquisition or merger) does not meet Public Fund Advisory Services' guidelines for the purpose proposed. ▪ Vote against proposals to adopt unlimited capital authorizations. 	<p>Public Fund Advisory Services Recommendation:</p> <ul style="list-style-type: none"> ▪ Vote for non-specific proposals to increase authorized capital up to 50 percent over the current authorization. ▪ In case the proposals to increase authorized capital include the authorization to issue shares according to the (pre-)approved limit without obtaining separate shareholder approval, the general issuance policy applies. ▪ Vote for specific proposals to increase authorized capital to any amount unless the specific purpose of the increase (such as a share-based acquisition or merger) does not meet Public Fund Advisory Services' guidelines for the purpose proposed. ▪ Vote against proposals to adopt unlimited capital authorizations.

Rationale for Change:

The change aligns Public Fund Advisory Services' International guidelines with current practice. In the different European markets, two different authorized-capital related proposals can be identified: (i) the proposals to increase authorized capital that would result in the possibility to issue shares, and (ii) the proposals that would not result in a possibility to issue shares (in markets where the board cannot issue new shares from the authorized share capital without first obtaining a separate authorization to do so from shareholders). The first authorizations may dilute existing shareholders' investment (dilutive measures) while the second authorizations would have no impact on the value of shareholders' investment (non-dilutive measures).

Public Fund Advisory Services treats proposal to increase authorized capital that would result in the possibility to issue shares (and thus potentially dilute shareholders) as an authorization to issue shares, with the according thresholds as foreseen in the current policy (i.e., up to 50 percent with preemptive rights and up to 10 percent without preemptive rights). In context of the concerning policy, an increase in the authorized capital does not result in an authorization to issue shares and thus has no dilutive effect on shareholders but would only change a theoretical pool of capital (proposals seen in Netherlands, Norway, and Luxembourg). To remove any ambiguity and confusion, a distinction is made between dilutive and non-dilutive measures, and the case-by-case approach depends on the local legal framework of authorized capital taking into account shareholders' interest.

Share Repurchase Plans

Current Public Fund Advisory Services Policy, incorporating changes:	New Public Fund Advisory Services Policy:
<p>Public Fund Advisory Services Recommendation: Vote for share repurchase programs/market repurchase authorities, unless the terms do not meet the criteria below:</p> <ul style="list-style-type: none"> ▪ A repurchase limit of up to 10 percent of outstanding issued share capital (15 percent in UK/Ireland); ▪ 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>Public Fund Advisory Services Recommendation: Vote for share repurchase programs/market repurchase authorities, unless the terms do not meet the criteria below:</p> <ul style="list-style-type: none"> ▪ A repurchase limit of up to 10 percent of issued share capital (15 percent in UK/Ireland); ▪ 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.

Rationale for Change:

This change corrects phrasing that could cause confusion. The repurchase limit is based on the issued share capital, including treasury shares.

Compensation

Equity-based Compensation Plans

Current Public Fund Advisory Services Policy, incorporating changes:	New Public Fund Advisory Services Policy:
<p>Public Fund Advisory Services Recommendation: Generally vote for equity based compensation proposals or the like for employees if the plan(s) is(are) in line with long-term shareholder interests and align the award with shareholder value. This assessment includes, but is not limited to, the following factors:</p> <ul style="list-style-type: none"> ▪ The volume of awards (to be) transferred to participants under all outstanding plans must not be excessive: the potential volume of fully awards diluted issued share capital from equity based compensation plans must not exceed the following guidelines: <ul style="list-style-type: none"> ▪ The shares reserved for all share plans may not exceed 5 percent of a company's issued share capital., except This number can be up to 10 percent in the case of for high-growth companies or particularly well-designed plans, in which case dilution of between 5 and 10 percent is allowed: in this case, we evaluate the performance conditions attached to the plans and assess whether the (e.g., with challenging performance criteria, extended vesting/performance period, etc. is sufficiently challenging); ▪ The plan(s) must be sufficiently long-term in nature/structure: the minimum vesting of awards (i) period must be occur no less than three years from date of the grant date; and (ii) if applicable, should be conditioned on meeting performance targets that are measured over a period of at least three consecutive years; ▪ If applicable, performance criteria must be fully disclosed, measurable, quantifiable, and long-term oriented. ▪ The awards must be granted at market price. Discounts, if any, must be mitigated by performance criteria or other features that justify such discount. ▪ If applicable, performance standards must be fully disclosed, quantified, and long-term, with relative performance measures preferred. 	<p>Public Fund Advisory Services Recommendation: Generally vote for equity-based compensation proposals or the like if the plan(s) is(are) in line with long-term shareholder interests and align the award with shareholder value. This assessment includes, but is not limited to, the following factors:</p> <ul style="list-style-type: none"> ▪ The volume of awards (to be) transferred to participants under all outstanding plans must not be excessive: awards must not exceed 5 percent of a company's issued share capital. This number may be up to 10 percent for high-growth companies or particularly well-designed plans (e.g., with challenging performance criteria, extended vesting/performance period, etc.); ▪ The plan(s) must be sufficiently long-term in nature/structure: the vesting of awards (i) must occur no less than three years from the grant date, and (ii) if applicable, should be conditioned on meeting performance targets that are measured over a period of at least three consecutive years; ▪ If applicable, performance conditions must be fully disclosed, measurable, quantifiable, and long-term oriented; ▪ The awards must be granted at market price. Discounts, if any, must be mitigated by performance criteria or other features that justify such discount.

Rationale for Change:

The updated policy modifies several features of the guidelines on equity-based compensation plans in order to reflect investor sentiment and development of local best practice. Public Fund Advisory Services has traditionally used this policy to analyze all types of long-incentive plans, including those under which awards are settled in cash. The reference to "equity-based compensation plans or the like" therefore clarifies Public Fund Advisory Services' practice.

The changes also align Public Fund Advisory Services policy with local best practice standards on performance criteria and their measurement, including a cliff three-year performance period, and removes the preference for relative performance measures. These include:

Austria: "The variable remuneration components shall be linked, above all, to sustainable, long-term and multi-year performance criteria [...]."

France: "[long-term compensation] plans [...] must provide for demanding performance conditions to be fulfilled over a period of several consecutive years."

Italy: "The remuneration policy for executive directors and the top management defines: [...] performance objectives, to which is linked the payment of the variable components, that are predetermined, measurable and predominantly linked to the long-term horizon."

The Netherlands: "the variable remuneration component is linked to measurable performance criteria determined in advance, which are predominantly long-term in character."

Spain: "variable remuneration items should [...] be subject to predetermined and measurable performance criteria" and "promote the long-term sustainability of the company."

Sweden: "Variable remuneration is to be linked to predetermined and measurable performance criteria aimed at promoting the company's long-term value creation."

Social and Environmental Issues – Climate Change

Say on Climate (SoC) Management Proposals

Current Public Fund Advisory Services Policy, incorporating changes:	New Public Fund Advisory Services Policy:
<p>Public Fund Advisory Services Recommendation: Vote case-by-case on management proposals that request shareholders to approve the company’s climate transition action plan¹⁴, taking into account the completeness and rigor of the plan. Information that will be considered where available includes the following:</p> <ul style="list-style-type: none"> ▪ The extent to which the company’s climate related disclosures are in line with TCFD recommendations and meet other market standards; ▪ Disclosure of its operational and supply chain GHG emissions (Scopes 1, 2, and 3); ▪ The completeness and rigor of company’s short-, medium-, and long-term targets for reducing operational and supply chain GHG emissions in line with Paris Agreement goals (Scopes 1, 2, and 3 if relevant); ▪ Whether the company has sought and received third-party approval that its targets are science-based; ▪ Whether the company has made a commitment to be “net zero” for operational and supply chain emissions (Scopes 1, 2, and 3) by 2050; ▪ Whether the company discloses a commitment to report on the implementation of its plan in subsequent years; ▪ Whether the company’s climate data has received third-party assurance; ▪ Disclosure of how the company’s lobbying activities and its capital expenditures align with company strategy; ▪ Whether there are specific industry decarbonization challenges; and ▪ The company’s related commitment, disclosure, and performance compared to its industry peers. 	<p>Public Fund Advisory Services Recommendation: Vote case-by-case on management proposals that request shareholders to approve the company’s climate transition action plan¹⁴, taking into account the completeness and rigor of the plan. Information that will be considered where available includes the following:</p> <ul style="list-style-type: none"> ▪ The extent to which the company’s climate related disclosures are in line with TCFD recommendations and meet other market standards; ▪ Disclosure of its operational and supply chain GHG emissions (Scopes 1, 2, and 3); ▪ The completeness and rigor of company’s short-, medium-, and long-term targets for reducing operational and supply chain GHG emissions (Scopes 1, 2, and 3 if relevant); ▪ Whether the company has sought and approved third-party approval that its targets are science-based; ▪ Whether the company has made a commitment to be “net zero” for operational and supply chain emissions (Scopes 1, 2, and 3) by 2050; ▪ Whether the company discloses a commitment to report on the implementation of its plan in subsequent years; ▪ Whether the company’s climate data has received third-party assurance; ▪ Disclosure of how the company’s lobbying activities and its capital expenditures align with company strategy;, ▪ Whether there are specific industry decarbonization challenges; and ▪ The company’s related commitment, disclosure, and performance compared to its industry peers.

¹⁴ Variations of this request also include climate transition related ambitions, or commitment to reporting on the implementation of a climate plan.

Rationale for Change:

Public Fund Advisory Services policy is codifying the framework developed over the last year for analyzing management-offered climate transition plans, incorporating feedback received during this year’s policy development process including that from the Climate Survey. The policy lists the main criteria that will be considered when analyzing these plans (it is a non-exhaustive list).

In 2021, there were over two dozen management Say on Climate proposals on ballot across the globe. The proposals were seen in Canada, France, South Africa, Spain, Switzerland, the UK, the U.S., and Australia.

The proposals varied as they sometimes requested an approval of a company’s climate transition plan or sometimes its climate reporting. While all were advisory votes, some were one-off votes, and others were announced to be the first of a regularly-occurring vote.

Say on Climate (SoC) Shareholder Proposals

Current Public Fund Advisory Services Policy, incorporating changes:	New Public Fund Advisory Services Policy:
<p>Public Fund Advisory Services Recommendation: Vote case-by-case on shareholder proposals that request the company to disclose a report providing its GHG emissions levels and reduction targets and/or its upcoming/approved climate transition action plan and provide shareholders the opportunity to express approval or disapproval of its GHG emissions reduction plan, taking into account information such as the following:</p> <ul style="list-style-type: none"> ▪ The completeness and rigor of the company’s climate-related disclosure; ▪ The company’s actual GHG emissions performance; ▪ Whether the company has been the subject of recent, significant violations, fines, litigation, or controversy related to its GHG emissions; and ▪ Whether the proposal’s request is unduly burdensome (scope or timeframe) or overly prescriptive. 	<p>Public Fund Advisory Services Recommendation: Vote case-by-case on shareholder proposals that request the company to disclose a report providing its GHG emissions levels and reduction targets and/or its upcoming/approved climate transition action plan and provide shareholders the opportunity to express approval or disapproval of its GHG emissions reduction plan, taking into account information such as the following:</p> <ul style="list-style-type: none"> ▪ The completeness and rigor of the company’s climate-related disclosure; ▪ The company’s actual GHG emissions performance; ▪ Whether the company has been the subject of recent, significant violations, fines, litigation, or controversy related to its GHG emissions; and ▪ Whether the proposal’s request is unduly burdensome (scope or timeframe) or overly prescriptive.

Rationale for Change:

“Say on Climate” shareholder proposals, which emerged late in 2020 and increased in 2021, generally ask companies to publish a climate action plan and to put it to a regular shareholder vote. The update in the policy adding the new provisions establishes a case-by-case approach toward these proposals and provides a transparent framework of analysis that will allow for consistency of assessment across markets.

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