INTERNATIONAL

SRI PROXY VOTING GUIDELINES UPDATES

2022 Policy Recommendations

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Operational Items

Appointment of Auditors and Auditor Fees

Current Social Advisory Services Policy, incorporating changes:	New Social Advisory Services Policy:
Social Advisory Services Recommendation: Generally vote for the reelection of auditors and proposals authorizing the board to fix auditor fees, unless: ▪ 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 a 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; ▪ 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~~.~~; or ▪ Audit fees are undisclosed. 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. For concerns relating to the audit procedures, independence of auditors, name of auditors, and/or audit fees disclosure, Social Advisory Services will focus on the auditor election and/or the audit committee members. For concerns relating to fees paid to the auditors, Social Advisory Services will focus on remuneration	**Social Advisory Services Recommendation:** Generally vote for the reelection of auditors and proposals authorizing the board to fix auditor fees, unless: ▪ 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 a 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; ▪ 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; or ▪ Audit fees are undisclosed. 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. For concerns relating to the audit procedures, independence of auditors, name of auditors, and/or audit fees disclosure, Social Advisory Services will focus on the auditor election and/or the audit committee members. For concerns relating to fees paid to the auditors, Social Advisory Services will focus on remuneration

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of auditors if this is a separate voting item, otherwise Social Advisory Services would focus on the auditor election.	of auditors if this is a separate voting item, otherwise Social Advisory Services would focus on the auditor election.

Rationale for Change:

Lack of disclosure regarding audit fees prevents shareholders' being able to assess whether the company paid its auditor a high level of fees for services not related to the audit function. Excessive fees generated from non-audit services could pose a potential conflict of interest for the audit firm and impair its independent judgment. Therefore, disclosure of fees paid to the auditors over the last fiscal year is important and the update in this section codifies the existing approach.

Amendments to Constitution Regarding Virtual-Only Meetings (Australia)

Current Social Advisory Services Policy, incorporating changes:	New Social Advisory Services Policy:
[no current policy] **Social Advisory Services Recommendation:** Generally, vote for proposals which allow the company to convene hybrid[1] shareholder meetings. Generally, vote against proposals that will permit the company to convene virtual-only[1] shareholder meetings, except under exceptional circumstances. Generally, vote against proposals where the proposed wording in a company's amended constitution is ambiguous, and nevertheless creates an ability for the company to convene virtual-only meetings outside exceptional circumstances.	**Social Advisory Services Recommendation:** Generally, vote for proposals which allow the company to convene hybrid[1] shareholder meetings. Generally, vote against proposals that will permit the company to convene virtual-only[1] shareholder meetings. Generally, vote against proposals that will permit the company to convene virtual-only[1] shareholder meetings, except under exceptional circumstances. Generally, vote against proposals where the proposed wording in a company's amended constitution is ambiguous, and nevertheless creates an ability for the company to convene virtual-only meetings outside exceptional circumstances.

[1] The phrase "virtual-only shareholder meeting" refers to a meeting of shareholders that is held exclusively through the use of online technology without a corresponding in-person meeting. The term "hybrid shareholder meeting" refers to an in-person, or physical, meeting in which shareholders are permitted to participate online.

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Rationale for Change:

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 in Australia 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 if 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 commentatry 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 policy clarifies that hybrid meetings would be supported under Social Advisory Services policy, 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.

Allow Company to Conduct Virtual Only Shareholder Meetings (Japan)

Current Social Advisory Services Policy, incorporating changes:	New Social Advisory Services Policy:
Social Advisory Services Recommendation: Generally vote against proposals allowing companies to conduct virtual only shareholder meetings. However, if the company specifies in the articles that it intends to hold virtual only meetings only in unusual situations such as the spread of an infectious disease or the occurrence of a natural disaster, vote for the article amendments.	**Social Advisory Services Recommendation:** Generally vote against proposals allowing companies to conduct virtual only shareholder meetings. However, if the company specifies in the articles that it intends to hold virtual only meetings only in unusual situations such as the spread of an infectious disease or the occurrence of a natural disaster, vote for the article amendments.

Rationale for Change:

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, Social Advisory Services supports 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.

Board of Directors

Director Elections

Diversity

Current Social Advisory Services Policy, incorporating changes:	New Social Advisory Services Policy:

Social Advisory Services will evaluate gender diversity on boards in international markets when reviewing director elections, to the extent that disclosures and market practices permit.
 	
Social Advisory Services Recommendation: Generally vote against or withhold from incumbent members of the nominating committee if the board lacks at least one ~~woman~~ director of an underrepresented gender identity[2].
 	
▪ For **Japan**, if the company has an audit-committee-board structure or a traditional two-tier board structure as opposed to three committees, vote against incumbent representative directors if the board lacks at least one ~~woman~~director of an underrepresented gender identity.
▪ For **Canada**, **UK**, and **Australia**, vote against or withhold from incumbent members of the nominating committee if:
    ▪ the board ~~lacks~~is not comprised of at least 40 percent~~one~~ underrepresented gender identities; ~~and~~or
    ▪ the board is not comprised of at least 20 percent~~one~~ racially or ethnically diverse directors~~; and~~
    ▪ ~~the board is not at least 30 percent diverse~~.
▪ ~~For **UK** constituents of the **FTSE 350** (excluding investment trusts), generally vote against incumbent members of the nominating committee if:~~
    ▪ ~~the board does not comprise at least 33 percent representation of women;, in line with the recommendation of the Hampton-Alexander Review, and~~
    ▪ ~~at least one racially diverse director.~~
	Social Advisory Services will evaluate gender diversity on boards in international markets when reviewing director elections, to the extent that disclosures and market practices permit.
	
	Social Advisory Services Recommendation: Generally vote against or withhold from incumbent members of the nominating committee if the board lacks at least one director of an underrepresented gender identity[2].
	
	▪ For **Japan**, if the company has an audit-committee-board structure or a traditional two-tier board structure as opposed to three committees, vote against incumbent representative directors if the board lacks at least one director of an underrepresented gender identity.
	▪ For **Canada**, **UK**, and **Australia**, vote against or withhold from incumbent members of the nominating committee if:
	    ▪ the board is not comprised of at least 40 percent underrepresented gender identities; or
	    ▪ the board is not comprised of at least 20 percent racially or ethnically diverse directors.
	▪ Beginning in **2023**, for **Continental European** markets, generally vote against or withhold from incumbent members of the nominating committee if the board is not comprised of at least 40 percent underrepresented gender identities.
	▪ Vote against or withhold from other directors on a case-by-case-basis.

[2] Underrepresented gender identities include directors who identify as women or as non-binary.

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▪ Beginning in **2023**, for **Continental European** markets, generally vote against or withhold from incumbent members of the nominating committee if the board is not comprised of at least 40 percent underrepresented gender identities. ▪ ~~If the company does not have a formal nominating committee, vote against or withhold from all incumbent members of the board.~~ ▪ Vote against or withhold from other directors on a case-by-case-basis.	

Rationale for Change:

Diversity on corporate boards remains a high-profile corporate governance issue. In international markets, corporate board diversity norms are increasingly shifting to target higher gender diversity quotas. This policy update will not only provide more consistency in Social Advisory Services' international diversity policy application, but also lay a strong groundwork to incorporate future developments in markets' approaches to diversity on boards. Through engagement during Social Advisory Services' Client Roundtable discussions in 2021, higher diversity thresholds and calculating gender and racial diversity thresholds separately was expressed as setting best practice.

The changes are consistent with the increasing focus on board diversity at the global level and bring Social Advisory Services' policy in line with progressing client expectations.

Climate Accountability

Current Social Advisory Services Policy, incorporating changes:	New Social Advisory Services Policy:

Social Advisory Services Recommendation: For companies that are significant greenhouse gas (GHG) emitters, through their operations or value chain[3], generally vote against the board chair or the responsible incumbent director(s), or any other appropriate item(s), in cases where Social 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.
 	
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:
 	
▪ Detailed disclosure of climate-related risks, such as according to the framework established by the Task Force on Climate-related Financial Disclosures (TCFD), including:
  ▪ Board governance measures;
  ▪ Corporate strategy;
  ▪ Risk management analyses; and
  ▪ Metrics and targets.
▪ Appropriate GHG emissions reduction targets.
 	
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.
	Social Advisory Services Recommendation: For companies that are significant greenhouse gas (GHG) emitters, through their operations or value chain[3], generally vote against the board chair or the responsible incumbent director(s), or any other appropriate item(s), in cases where Social 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.
	
	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:
	
	▪ Detailed disclosure of climate-related risks, such as according to the framework established by the Task Force on Climate-related Financial Disclosures (TCFD), including:
	  ▪ Board governance measures;
	  ▪ Corporate strategy;
	  ▪ Risk management analyses; and
	  ▪ Metrics and targets.
	▪ Appropriate GHG emissions reduction targets.
	
	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.

[3] 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 CO_2 emissions, aiming to reach net zero CO_2 emissions by mid-century, along with strong reductions in other greenhouse gas emissions in order to limit human-induced global warming. The Social 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, Social 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.

Canadian Guidelines

Overboarded Directors (Venture Guidelines)

Current Social Advisory Services Policy, incorporating changes:	New Social Advisory Services Policy:
Social Advisory Services Recommendation: For meetings on or after February 1, 2023, generally vote withhold for individual director nominees who: ▪ Are non-CEO directors and serve on more than five public company boards; or ▪ Are CEOs of public companies who serve on the boards of more than two public companies besides their own – withhold only at their outside boards[4]. **Transitioning directors:** It is preferable for a director to step down from a board at the annual meeting to ensure orderly transitions, which may result in a director being temporarily overboarded (e.g. joining a new board in March but stepping off another board in June). Social Advisory Services will generally not count a board for policy application purposes when it is publicly-disclosed that the director will be stepping off that board at its next annual meeting. This disclosure must be included within the company's proxy circular to be taken into consideration. Conversely, Social Advisory Services will include the new boards that the director is joining even if the shareholder meeting with his or her election has not yet taken place.	**Social Advisory Services Recommendation: For meetings on or after February 1, 2023**, generally vote withhold for individual director nominees who: ▪ Are non-CEO directors and serve on more than five public company boards; or ▪ Are CEOs of public companies who serve on the boards of more than two public companies besides their own – withhold only at their outside boards[4]. **Transitioning directors:** It is preferable for a director to step down from a board at the annual meeting to ensure orderly transitions, which may result in a director being temporarily overboarded (e.g. joining a new board in March but stepping off another board in June). Social Advisory Services will generally not count a board for policy application purposes when it is publicly-disclosed that the director will be stepping off that board at its next annual meeting. This disclosure must be included within the company's proxy circular to be taken into consideration. Conversely, Social Advisory Services will include the new boards that the director is joining even if the shareholder meeting with his or her election has not yet taken place.

Rationale for Change:

The new overboarded director policy for Venture issuers is aligned with the existing policy for TSX-listed issuers. This change is consistent with prevailing client expectations based on the feedback received at the 2021 ISS Canadian Policy Discussion Roundtable. Given the potential impact on companies and individual directors, the policy change will be effective February 1, 2023, providing a one-year transition period.

[4] Although a CEO's subsidiary boards will be counted as separate boards, Social Advisory Services will not recommend a withhold vote for the CEO of a parent company board or any of the controlled (>50 percent ownership) subsidiaries of that parent, but may do so at subsidiaries that are less than 50 percent controlled and boards outside the parent/subsidiary relationship.

European Guidelines

Board Independence

Current Social Advisory Services Policy, incorporating changes:	New Social Advisory Services Policy:
Board Independence ***Widely-held companies*** *A. Non-controlled companies* **Social Advisory Services Recommendation**: Generally vote against the election or reelection of any non-independent directors (excluding the CEO) if: ▪ Fewer than 50 percent of the board members elected by shareholders, excluding, where relevant, employee shareholder representatives, would be independent; or ▪ Fewer than one-third of all board members would be independent. ~~Greece and~~ Portugal ~~are~~is excluded from Provision (1.) in the above-mentioned voting policy. [...]	**Board Independence** ***Widely-held companies*** *A. Non-controlled companies* **Social Advisory Services Recommendation**: Generally vote against the election or reelection of any non-independent directors (excluding the CEO) if: ▪ Fewer than 50 percent of the board members elected by shareholders, excluding, where relevant, employee shareholder representatives, would be independent; or ▪ Fewer than one-third of all board members would be independent. Portugal is excluded from Provision (1.) in the above-mentioned voting policy. [...]

Rationale for Change:

This change aligns the Continental European policy with recently updated best practice recommendations in Greece. The Greek Corporate law, as amended in July 2020, requires that I-NEDs represent at least one third of board members, and should not be less than two.

In June 2021, the Hellenic Corporate Governance Council ("HCGC") released the new Hellenic Corporate Governance Code (the "Code") that entered into force on July 17, 2021. This Code is addressed to Greek companies with securities listed on a regulated market operating in Greece. Among others, the Code recommends that independent non-executive members shall not be less than half of the total number of board members. According to the Code, the 'comply-or-explain' principle does not apply to the Code recommendations.

Election of a Former CEO as Chair of the Board

Current Social Advisory Services Policy, incorporating changes:	New Social Advisory Services Policy:
Social Advisory Services Recommendation: Generally vote against the (re)election ~~or reelection~~ of a former CEO ~~as chairman~~ to the supervisory board or board of directors in Austria, 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~~ if the former CEO is to ~~will not proceed to become~~ be chair~~man~~ of the relevant board. To this end, companies are expected to confirm prior to the general meeting that the former CEO will not be (re)appointed as chair of the relevant board. Given the importance of board leadership, Social Advisory Services may consider that the chair of the board should be an independent non-executive director according to the Social Advisory Services Classification of Directors. ~~Considerations should be given to any of the following exceptional circumstances on a case-by-case basis if:~~ ▪ ~~There are compelling reasons that justify the election or reelection of a former CEO as chair;~~ ▪ ~~The former CEO is proposed to become the board's chair only on an interim or temporary basis;~~ ▪ ~~The former CEO is proposed to be elected as the board's chair for the first time after a reasonable cooling-off period; or~~ ▪ ~~The board chair will not receive a level of compensation comparable to the company's executives nor assume executive functions in markets where this is applicable.~~	**Social Advisory Services Recommendation:** Generally vote against the (re)election of a former CEO to the supervisory board or board of directors in Austria, Germany, and the Netherlands if the former CEO is to be chair of the relevant board. To this end, companies are expected to confirm prior to the general meeting that the former CEO will not be (re)appointed as chair of the relevant board. Given the importance of board leadership, Social Advisory Services may consider that the chair of the board should be an independent non-executive director according to the Social Advisory Services' Classification of Directors.

Rationale for Change:

The language of the current policy is being changed to reflect actual practice and application of the policy. Potentially confusing language as well as spelled out exceptional circumstances have been removed to clarify the policy.

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Overboarded Directors

<table>
<tr><th>Current Social Advisory Services Policy, incorporating changes:</th><th>New Social Advisory Services Policy:</th></tr>
<tr><td> Social Advisory Services Recommendation: In Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, the Netherlands, Norway, Poland, Spain, Sweden, and Switzerland, Social Advisory Services will generally recommend a vote against a candidate when ~~he/she~~ they hold~~s~~ an excessive number of board appointments, as defined by the following guidelines:
Any person who holds more than five mandates at listed companies will be classified as overboarded. For the purposes of calculating this limit, a non-executive directorship counts as one mandate, a non-executive chair position 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 serves as a non-executive chair at a different company will be classified as overboarded.
An adverse vote recommendation will not be applied to a director within a company where ~~he/she~~they serve~~s~~ as CEO; instead, any adverse vote recommendations will be applied to ~~his/her~~their additional seats on other company boards. For chairs, negative recommendations would first be applied towards non-executive, non-chair positions held, but the chair position itself would be targeted where they are being elected as chair for the first time or, when in aggregate their chair positions are three or more in number, or if the chair holds an outside executive position. </td>
<td> Social Advisory Services Recommendation: In Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, the Netherlands, Norway, Poland, Spain, Sweden, and Switzerland, Social Advisory Services will generally recommend a vote against a candidate when they hold an excessive number of board appointments, as defined by the following guidelines:
Any person who holds more than five mandates at listed companies will be classified as overboarded. For the purposes of calculating this limit, a non-executive directorship counts as one mandate, a non-executive chair position 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 serves as a non-executive chair at a different company will be classified as overboarded.
An adverse vote recommendation will not be applied to a director within a company where they serve as CEO; instead, any adverse vote recommendations will be applied to their additional seats on other company boards. For chairs, negative recommendations would first be applied towards non-executive, non-chair positions held, but the chair position itself would be targeted where they are being elected as chair for the first time or, when in aggregate their chair positions are three or more in number, or if the chair holds an outside executive position. </td></tr>
</table>

Rationale for Change:

The addition of Greece to the overboarding policy reflects the recent update to Greek corporate governance standards regarding the number of directorships that a director can hold.

Greek Law 4706/2020 that includes corporate governance-related provisions, which became effective in July 2021, requires listed companies to develop a directors' suitability policy. The Hellenic Capital Market Commission has subsequently issued guidelines about suitability policies, including the following *"All the members of the BoD shall be available for the performance of their duties as required based on the description of their office, the role and the duties thereof. In order to define the*

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adequacy of availability, the membership and the duties delegated to the member of the BoD, the number of memberships in other BoD and the resulting offices he holds at the same time as well as any other professional or personal commitment or condition shall be taken into consideratio n".

In 2021, Greek issuers submitted their suitability policies to shareholder vote. Some of these policies included limitations on the number of directorships that can be held by a board director.

In June 2021, the Hellenic Corporate Governance Council ("HCGC") released the new Hellenic Corporate Governance Code (the "Code") that entered into force on July 17, 2021. This Code is addressed to Greek companies with securities listed on a regulated market operating in Greece. Among o ther special practices that are subject to the 'comply-or-explain' principle, the Code sets out that the non-executive members of the board of directors do not participate in boards of directors of more than five listed companies, and in the case of the chair more than three.

The policy update also expands the definition of "group of companies" to encompass all cases of group of companies, not only groups where the majority shareholder is a company. The change reflects Social Advisory Services' current approach of considering companies belonging to the same group based on the stake of the majority shareholder, irrespective of its form (company, individual, financial vehicle, etc.), and updates language referring to board chairs, previously referred to in this policy as chairmen.

Voto di Lista (Italy)

Current Social Advisory Services Policy, incorporating changes:	New Social Advisory Services Policy:
In Italy, director elections generally take place through the *voto di lista* 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 *Mercato Telematico Azionario* must publish the various lists 21 days in advance of the meeting. Since shareholders only have the option to support one such list, where lists are published in sufficient time, Social Advisory Services will recommend a vote on a case-by-case basis, determining which list of nominees it considers is best suited to add value for shareholders. 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, Social 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, Social Advisory Services will issue an alert to its clients and, if appropriate, change its vote recommendation to support one particular list.	In Italy, director elections generally take place through the *voto di lista* 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 *Mercato Telematico Azionario* must publish the various lists 21 days in advance of the meeting. Since shareholders only have the option to support one such list, where lists are published in sufficient time, Social Advisory Services will recommend a vote on a case-by-case basis, determining which list of nominees it considers is best suited to add value for shareholders. 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, Social 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, Social Advisory Services will issue an alert to its clients and, if appropriate, change its vote recommendation to support one particular list.

Rationale for Change:

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

Capital Structure

Share Issuance Requests — General Issuances

Current Social Advisory Services Policy, incorporating changes:	New Social Advisory Services Policy:
Social Advisory Services Recommendation: Evaluate share issuance requests on a case-by-case basis taking into consideration market-specific guidelines as applicable. For *European markets*, vote for issuance authorities with pre-emptive rights to a maximum of 50 percent over currently issued capital and as long as the share issuance authorities' periods are clearly disclosed (or implied by the application of a legal maximum duration) and in line with market-specific practices and/or recommended guidelines (e.g., issuance periods limited to 18 months for the **Netherlands**). Vote for issuance authorities without pre-emptive rights to a maximum of 10 percent (or a lower limit if local market best practice recommendations provide) of currently issued capital as long as the share issuance authorities' periods are clearly disclosed (or implied by the application of a legal maximum duration) and in line with market-specific practices and/or recommended guidelines (e.g., issuance periods limited to 18 months for the **Netherlands**). These thresholds are mutually exclusive. When calculating the defined limits, all authorized and conditional capital authorizations are considered, including existing authorizations that will remain valid beyond the concerned shareholders' meeting.	**Social Advisory Services Recommendation:** Evaluate share issuance requests on a case-by-case basis taking into consideration market-specific guidelines as applicable. For *European markets*, vote for issuance authorities with pre-emptive rights to a maximum of 50 percent over currently issued capital and as long as the share issuance authorities' periods are clearly disclosed (or implied by the application of a legal maximum duration) and in line with market-specific practices and/or recommended guidelines (e.g., issuance periods limited to 18 months for the **Netherlands**). Vote for issuance authorities without pre-emptive rights to a maximum of 10 percent (or a lower limit if local market best practice recommendations provide) of currently issued capital as long as the share issuance authorities' periods are clearly disclosed (or implied by the application of a legal maximum duration) and in line with market-specific practices and/or recommended guidelines (e.g., issuance periods limited to 18 months for the **Netherlands**). These thresholds are mutually exclusive. When calculating the defined limits, all authorized and conditional capital authorizations are considered, including existing authorizations that will remain valid beyond the concerned shareholders' meeting.

Rationale for Change:

The added provision clarifies the scope and application of the policy on generic share issuance request authorizations.

In practice, share issuances that may lead to a capital increase of up to 60 percent are generally supported: 50 percent with preemptive rights plus 10 percent without preemptive rights.

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Also, all authorizations are considered: both the existing authorizations that remain effective after the concerned general meeting and the authorizations proposed at the general meeting under analysis.

Increases in Authorized Capital

Current Social Advisory Services Policy, incorporating changes:	New Social Advisory Services Policy:
Social Advisory Services Recommendation: ~~Vote for non-specific proposals to increase authorized capital up to 100 percent over the current authorization unless the increase would leave the company with less than 30 percent of its new authorization outstanding.~~ ~~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 ISS guidelines for the purpose being proposed; or~~ - ~~The increase would leave the company with less than 30 percent of its new authorization outstanding after adjusting for all proposed issuances.~~ ~~Vote against proposals to adopt unlimited capital authorizations.~~ Vote for proposals to increase authorized capital on a case-by-case basis if such proposals do not include the authorization to issue shares from the (pre-) approved limit. 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.	**Social Advisory Services Recommendation:** Vote for proposals to increase authorized capital on a case-by-case basis if such proposals do not include the authorization to issue shares from the (pre-)approved limit. 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.

Rationale for Change:

The change aligns Social Advisory Services' European 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).

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Social 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). The current policy limits proposals to increase the authorized capital (up to 100 percent over the current authorization unless the increase would leave the company with less than 30 percent of its new authorization outstanding), whereas limitations would not protect shareholders' interests. To remove any ambiguity and confusion, a distinction is made between dilutive and non-dilutive measures, the limitation is removed, and the case-by-case approach depends on the local legal framework of authorized capital taking into account shareholders' interest.

Share Repurchase Plans

Current Social Advisory Services Policy, incorporating changes:	New Social Advisory Services Policy:
Social Advisory Services Recommendation: Generally vote for market repurchase authorities (share repurchase programs) if the terms comply with the following criteria: ▪ 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. [...]	**Social Advisory Services Recommendation:** Generally vote for market repurchase authorities (share repurchase programs) if the terms comply with the following criteria: ▪ A repurchase limit of up to 10 percent of 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. [...]

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

European Guidelines

Executive Compensation-Related Proposals

<table>
<tr><th>Current Social Advisory Services Policy, incorporating changes:</th><th>New Social Advisory Services Policy:</th></tr>
<tr><td>Social Advisory Services Recommendation: Social Advisory Services 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:

▪ Provide shareholders with clear and comprehensive compensation disclosures:
  ▪ Information on compensation-related proposals shall be made available to shareholders in a timely manner;
  ▪ 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;
    ▪ Remuneration report disclosure is expected to include amongst others: amounts paid to executives, alignment 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.
    ▪ Companies are expected to provide meaningful information regarding the average remuneration of employees of the company, in a manner which permits comparison with directors' remuneration.
  ▪ Companies shall adequately disclose all elements of the compensation, including:</td>
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    ▪ Companies are expected to provide meaningful information regarding the average remuneration of employees of the company, in a manner which permits comparison with directors' remuneration.
  ▪ Companies shall adequately disclose all elements of the compensation, including:</td></tr>
</table>

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▪ Any short- or long-term compensation component must include a maximum award limit. ▪ 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. ▪ Discretionary payments, if applicable. ▪ The derogation policy, if applicable, which shall clearly define and limit any elements (e.g., base salary, STI, LTI, etc.) and extent (e.g., caps, weightings, etc.) to which derogations may apply. ▪ Maintain appropriate pay structure with emphasis on long-term shareholder value: ▪ The structure of the company's short-term incentive plan shall be appropriate. ▪ The compensation policy must notably avoid guaranteed or discretionary compensation. ▪ The structure of the company's long-term incentives shall be appropriate, including, but not limited to, dilution, vesting period, and, if applicable, performance conditions. ▪ Equity-based plans or awards that are linked to long-term company performance will be evaluated using Social Advisory Services' general policy for equity-based plans; and ▪ For awards granted to executives, Social Advisory Services will generally require a clear link between shareholder value and awards, and stringent performance-based elements. ▪ The balance between short- and long-term variable compensation shall be appropriate ▪ The company's executive compensation policy must notably avoid disproportionate focus on short-term variable element(s) ▪ Avoid arrangements that risk "pay for failure": ▪ The board shall demonstrate good stewardship of investor's interests regarding executive compensation practices (principle being supported by Pay for Performance Evaluation). ▪ There shall be a clear link between the company's performance and variable ~~awards~~ incentives. Financial and non-financial conditions, including ESG criteria, are relevant as long as they	▪ Any short- or long-term compensation component must include a maximum award limit. ▪ 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. ▪ Discretionary payments, if applicable. ▪ The derogation policy, if applicable, which shall clearly define and limit any elements (e.g., base salary, STI, LTI, etc.) and extent (e.g., caps, weightings, etc.) to which derogations may apply. ▪ Maintain appropriate pay structure with emphasis on long-term shareholder value: ▪ The structure of the company's short-term incentive plan shall be appropriate. ▪ The compensation policy must notably avoid guaranteed or discretionary compensation. ▪ The structure of the company's long-term incentives shall be appropriate, including, but not limited to, dilution, vesting period, and, if applicable, performance conditions. ▪ Equity-based plans or awards that are linked to long-term company performance will be evaluated using Social Advisory Services' general policy for equity-based plans; and ▪ For awards granted to executives, Social Advisory Services will generally require a clear link between shareholder value and awards, and stringent performance-based elements. ▪ The balance between short- and long-term variable compensation shall be appropriate ▪ The company's executive compensation policy must notably avoid disproportionate focus on short-term variable element(s) ▪ Avoid arrangements that risk "pay for failure": ▪ The board shall demonstrate good stewardship of investor's interests regarding executive compensation practices (principle being supported by Pay for Performance Evaluation). ▪ There shall be a clear link between the company's performance and variable incentives. Financial and non-financial conditions, including ESG criteria, are relevant as long as they reward an

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reward an effective performance in line with the purpose, strategy, and objectives adopted by the company. ▪ There shall not be significant discrepancies between the company's performance, financial and non-financial, and real executive payouts. ▪ The level of pay for the CEO and members of executive management should not be excessive relative to peers, company performance, and market practices. ▪ Significant pay increases shall be explained by a detailed and compelling disclosure. ▪ Termination payments[5] must not be in excess of (i) 24 months' pay or of (ii) any more restrictive provision pursuant to local legal requirements and/or market best practices. ▪ Arrangements with a company executive regarding pensions and post-mandate exercise of equity-based awards must not result in an adverse impact on shareholders' interests or be misaligned with good market practices. ▪ Maintain an independent and effective compensation committee: ▪ No executives may serve on the compensation committee. ▪ In certain markets the compensation committee shall be composed of a majority of independent members, as per Social Advisory Services policies on director election and board or committee composition. ▪ Compensation committees should use the discretion afforded them by shareholders to ensure that rewards properly reflect business performance.[6]	effective performance in line with the purpose, strategy, and objectives adopted by the company. ▪ There shall not be significant discrepancies between the company's performance, financial and non-financial, and real executive payouts. ▪ The level of pay for the CEO and members of executive management should not be excessive relative to peers, company performance, and market practices. ▪ Significant pay increases shall be explained by a detailed and compelling disclosure. ▪ Termination payments[5] must not be in excess of (i) 24 months' pay or of (ii) any more restrictive provision pursuant to local legal requirements and/or market best practices. ▪ Arrangements with a company executive regarding pensions and post-mandate exercise of equity-based awards must not result in an adverse impact on shareholders' interests or be misaligned with good market practices. ▪ Maintain an independent and effective compensation committee: ▪ No executives may serve on the compensation committee. ▪ In certain markets the compensation committee shall be composed of a majority of independent members, as per Social Advisory Services policies on director election and board or committee composition. ▪ Compensation committees should use the discretion afforded them by shareholders to ensure that rewards properly reflect business performance.[6]

[5] 'Termination payments' means any payment linked to early termination of contracts for executive or managing directors, including payments related to the duration of a notice period or a non-competition clause included in the contract.

[6] In cases where a remuneration committee uses its discretion to determine payments, it should provide a clear explanation of its reasons, which are expected to be clearly justified by the financial results and the underlying performance of the company.
The remuneration committee should disclose how it has taken into account any relevant environmental, social, and governance (ESG) matters when determining remuneration outcomes. Such factors may include (but are not limited to): workplace fatalities and injuries, significant environmental incidents, large or serial fines or sanctions from regulatory bodies and/or significant adverse legal judgments or settlements.
It is relatively rare that a remuneration committee chooses to amend the targets used for either the annual bonus or the LTIP following the start of the performance period, but where this has occurred, it is good practice for the company to demonstrate how the revised targets are in practice no less challenging than the targets which were originally set.

Rationale for Change:

Pay equity ratios: This a requirement provided by the EU SRD II:

"Where applicable, the remuneration report shall contain the following information regarding each individual director's remuneration:
.....
(b) the annual change of remuneration, of the performance of the company, and of average remuneration on a full-time equivalent basis of employees of the company other than directors over at least the five most recent financial years, presented together in a manner which permits comparison;"

The purpose is to make sure that:

- the disclosure is understandable for investors, and
- the methodology provides an accurate view of the evolution of the executives' remuneration compared to the employees' remuneration.

Derogation policy: As authorized by the Shareholder Rights Directive II (SRD II), most EU member states allow companies to temporarily derogate (that is, apply an exemption or relaxation) from their existing remuneration policy under exceptional circumstances, provided that the policy includes the procedural conditions under which a derogation can be applied and specifies the elements of the policy which may be derogated. According to SRD II, derogations should only be permissible in exceptional circumstances, that is in situations in which the derogation from the remuneration policy is necessary to serve the long-term interests and sustainability of the company as a whole or to ensure its viability. However, many EU companies have included very general derogation clauses in their remuneration policies that are broadly aligned with SRD II but are not clear on the elements or extent under which derogation may be applied, allowing those companies a broad power to derogate from most of the policy features.

This change also reflects the results of the 2021 ISS policy survey where investors' responses favored derogation policies that clearly define and limit the elements and extent to which derogations may apply and provide adequate information on the use of derogations. In the survey, over 60 percent of investor respondents replied that company remuneration policies should define and limit the elements and extent to which derogations may apply.

Non-Financial ESG Performance Conditions: Non-financial ESG metrics are more and more usual in remuneration schemes. Based on the results of the ISS policy survey and feedback from policy roundtables in Europe this year, it appears that investors' expectations are to assess their relevance and stringency in a similar way to financial criteria. In the 2021 ISS Benchmark Policy Survey, when asked whether non-financial ESG-related metrics should be incorporated into executive compensation, over 50 percent of investor respondents replied that they should but only if the metrics are specific, measurable, and transparently communicated.

Equity-based Compensation Guidelines

Current Social Advisory Services Policy, incorporating changes:	New Social Advisory Services Policy:
Social 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: ▪ The volume of awards (to be) transferred to participants under all outstanding plans must not be excessive: ~~the potential volume of~~ awards ~~fully diluted issued share capital from equity-based compensation plans~~ must not exceed ~~the following Social Advisory Services guidelines:~~ ▪ ~~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 we allow dilution of between 5 and 10 percent: in this case, we will need to have performance conditions attached to the plans which should be acceptable under ISS criteria~~ (e.g., with challenging performance criteria, extended vesting/performance period, etc.); ▪ The plan(s) must be sufficiently long-term in nature/structure: the ~~minimum~~ vesting ~~period~~ of awards (i) 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.~~ ~~*Market-specific provisions for France:*~~	**Social 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: ▪ 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.

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▪ ~~The potential volume from equity-based compensation plans must not exceed 10 percent of fully diluted issued share capital.~~ ▪ ~~In addition, for companies that refer to the AFEP-MEDEF Code, all awards (including stock options and warrants) to executives shall be conditional upon challenging performance criteria or premium pricing. For companies referring to the Middlenext Code (or not referring to any code) at least part of the awards to executives shall be conditional upon performance criteria or premium pricing. In both cases, free shares shall remain subject to performance criteria for all beneficiaries~~. ~~Finally, for large- and mid-cap companies, the company's average three-year unadjusted burn rate (or, if lower, on the maximum volume per year implied by the proposal made at the general meeting) must not exceed the mean plus one standard deviation of its sector but no more than one percentage point from the prior year sector cap.~~	

Rationale for Change:

The updated policy modifies several features of Social Advisory Services' voting guidelines on equity-based compensation plans for Continental Europe in order to reflect investor sentiment and development of local best practice. Social 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 Social Advisory Services' practice.

The changes also align Social 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."

Lastly, the French market specifics are removed, as the burn rate has nearly never been used to oppose an equity-based compensation plan but as a flag to alert shareholders. This provides consistency across Continental European markets.

Environmental and Social Issues – Climate Change

Say on Climate (SoC) Management Proposals

Current Social Advisory Services Policy, incorporating changes:	New Social Advisory Services Policy:
Social Advisory Services Recommendation: Vote case-by-case on management proposals that request shareholders to approve the company's climate transition action plan[7], taking into account the completeness and rigor of the plan. Information that will be considered where available includes the following: ▪ 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.	**Social Advisory Services Recommendation:** Vote case-by-case on management proposals that request shareholders to approve the company's climate transition action plan[7], taking into account the completeness and rigor of the plan. Information that will be considered where available includes the following: ▪ 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.

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

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Rationale for Change:

Social Advisory Services 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 Social Advisory Services Policy, incorporating changes:	New Social Advisory Services Policy:
Social 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: ▪ 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.	**Social 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: ▪ 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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