



INTERNATIONAL

PUBLIC FUND PROXY VOTING GUIDELINES UPDATES

2023 Policy Recommendations

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TABLE OF CONTENTS

- Operational Items 3**
 - Amendments to Articles to allow Virtual Meetings (Japan, Australia, UK, Ireland, and Europe) 3
- Board of Directors 5**
 - Director and Supervisory Board Member Elections 5**
 - Board Diversity – Canada 6**
 - Board Diversity – South Africa 10**
 - Board Diversity – New Zealand 12**
 - Board Diversity – UK & Ireland 13**
 - Board Diversity – Malaysia 17**
 - Board Diversity - Japan 18**
 - Climate Accountability 19**

Operational Items

Amendments to Articles to allow Virtual Meetings (Japan, Australia, UK, Ireland, and Europe)

Current Public Fund Policy:	New Public Fund Advisory Services Policy:
<p>Public Fund Advisory Services Advisory Services Recommendation:</p> <ul style="list-style-type: none"> Generally vote for proposals allowing for the convening of hybrid² shareholder meetings if it is clear that it is not the intention to hold virtual-only AGMs. Generally vote against proposals allowing for the convening of virtual-only³ shareholder meetings, except under exceptional circumstances. 	<p>Public Fund Advisory Services Recommendation: Generally vote for proposals allowing for the convening of hybrid² shareholder meetings.</p> <p>Vote case-by-case on proposals concerning virtual-only meetings³, considering:</p> <ul style="list-style-type: none"> Whether the company has committed to ensuring shareholders will have the same rights participating electronically as they would have for an in-person meeting; Rationale of the circumstances under which virtual-only meetings would be held; In-person or hybrid meetings are not precluded; Whether an authorization is restricted in time or allows for the possibility of virtual-only meetings indefinitely; and Local laws and regulations concerning the convening of virtual meetings.
<p>Footnotes:</p> <p>²The term “hybrid shareholder meeting” refers to an in-person, or physical, meeting in which shareholders are permitted to participate online.</p> <p>³The 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.</p>	<p>²The phrase “hybrid shareholder meeting” refers to an in-person meeting in which shareholders are also permitted to participate online.</p> <p>³The 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.</p>

Rationale for Change:

Against the background of several markets within Continental Europe approving legislation that allows for virtual-only general meetings, the ISS policy survey asked whether companies holding virtual-only meetings going forward would be considered a problematic diminution of shareholder rights. Based on the results of the survey, as well as feedback from investors at ISS policy roundtables in Europe, investors' responses indicated that there remain concerns about the use of virtual-only meetings, and that there is far from universal agreement that virtual-only meetings will be unproblematic for shareholder rights. In the survey, 37% of investor respondents answered Yes, they would consider it a problematic diminution of shareholder rights for a company to hold virtual-only meetings going forward. 46% answered No, as long as the company put in place shareholder rights safeguards. Therefore, the policy for proposals that would allow companies to hold virtual-only shareholder meetings will be to recommend on a case-by-case basis, taking into consideration the company rationale provided, as well as any disclosed safeguards, such as a commitment that virtual meetings will not preclude in-person or hybrid meetings, ensuring that shareholders would have the same participation rights as they have at an in-person meeting, and any possible time restriction for

the authorization. For example, it will be viewed positively if companies allow shareholders to have a regular vote on such authorizations compared with an indefinite authorization, as this would enable shareholders to reevaluate a company's use of virtual meetings and to raise any concerns with the company's prior meeting practices. Nevertheless, hybrid meetings remain the preferred model at this time, as they combine the protection of shareholder rights with the benefits of the option of virtual participation.

Board of Directors

Director and Supervisory Board Member Elections

Current Public Fund Advisory Services Policy:	New Public Fund Advisory Services Policy:
<p>In Italy, director elections generally take 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. Since shareholders only have the option to support one such list, where lists are published in sufficient time, Public Fund 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, 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.</p>	<p>In Italy, director elections generally take 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 Euronext Milan 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, Public Fund 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, 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.</p>

Rationale for Change:

The change updates the name of the relevant stock exchange following the acquisition of Borsa Italiana SpA by Euronext NV.

Board Diversity – Canada

Current Public Fund Advisory Services Policy:	New Public Fund Advisory Services Policy:
<p>For S&P/TSX Composite Index companies, generally vote withhold for the Chair of the Nominating Committee or Chair of the committee designated with the responsibility of a nominating committee, or Chair of the board of directors if no nominating committee has been identified or no chair of such committee has been identified, where:</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 policy⁵ and ▪ There are zero women on the board. <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><u>Non-S&P/TSX Composite Exemptions:</u></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; 	<p><i>Gender Diversity</i></p> <p>For S&P/TSX Composite Index companies, generally vote withhold for the Chair of the Nominating Committee or Chair of the committee designated with the responsibility of a nominating committee, or Chair of the board of directors if no nominating committee has been identified or no chair of such committee has been identified, where women comprise less than 30% of the board of directors.</p> <p><u>S&P/TSX Composite Exemptions:</u></p> <p>Assuming a publicly disclosed written commitment to achieve 30% representation of women on the board at or prior to the subsequent AGM, an exception will be made for companies which:</p> <ul style="list-style-type: none"> ▪ Joined the S&P/TSX Composite Index and have not previously been subject to a 30% representation of women on the board requirement as an S&P/TSX Composite Index constituent in the past; or ▪ Have fallen below 30% representation of women on the board due to an extraordinary circumstance after achieving such level of representation at the preceding 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 there are zero women on the board of directors.</p> <p><u>Non-S&P/TSX Composite Exemptions:</u></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

<ul style="list-style-type: none"> ▪ Companies that have transitioned from the TSXV within the current or prior fiscal year; or <p>Companies with four or fewer directors.</p>	<ul style="list-style-type: none"> ▪ Companies with four or fewer directors. <p>Assuming a publicly disclosed written commitment to add at least one woman to the board at or prior to the subsequent AGM, an exception will be made for companies which temporarily have no women on the board due to an extraordinary circumstance after having at least one woman on the board at the preceding AGM.</p> <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><i>Ethnic Diversity</i></p> <p>For meetings on or after Feb. 1, 2024, for companies in the S&P/TSX Composite Index, generally vote against or withhold from the Chair of the Nominating Committee or Chair of the committee designated with the responsibility of a nominating committee, or the Chair of the board of directors if no nominating committee has been identified or no chair of such committee has been identified, where the board has no apparent racially or ethnically diverse members⁶. An exception will be made if there was racial and/or ethnic diversity on the board at the preceding annual meeting and the board makes a firm public commitment to appoint at least one racial and/or ethnic diverse member at or prior to the next AGM.</p> <p>Evaluate on a case-by-case basis whether against/withhold recommendations are warranted for additional directors at companies that fail to meet the policy over two years or more.</p>
<p>Footnotes:</p> <p>⁵ 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.</p>	<p>⁶ Aggregate diversity statistics provided by the board will only be considered if specific to racial and/or ethnic diversity.</p> <p>Racial and/or Ethnic Diversity is defined as: Aboriginal peoples (means persons who are Indigenous, Inuit or Métis) and members of visible minorities (means persons, other than Aboriginal peoples, who are non-Caucasian in race or non-white in colour).</p> <p>Employment Equity Act (S.C. 1995, c. 44) https://laws-lois.justice.gc.ca/eng/acts/E-5.401/section-3.html</p>

Rationale for Change:

Gender Diversity

Board 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 on the boards of many widely-held TSX-listed reporting issuers. Widely-held TSX-listed company boards lacking a policy commitment and having zero female directors have been deemed to be outliers lagging market expectations in this regard.

Further to this objective, in September 2017, the Canadian 30% Club Investor Group committed to exercising ownership rights to encourage increased representation of women on S&P/TSX Composite Index company boards to a minimum 30% threshold. As the sentiment supporting representation of women on boards has steadily grown in Canada, it has become clear that a higher standard of representation by women is expected, with S&P/TSX Composite Index constituents playing a vital role in this process as market leaders.

Ethnic Diversity

In recent years many institutional investors have been vocal about their calls for public company boards to become more diverse. In 2020, Canada broadened disclosure requirements on board diversity for publicly traded corporations beyond gender, mandating businesses to report on each of the four employment equity groups (i.e., women, visible minorities, Indigenous peoples, and persons with disabilities) through new requirements introduced to the Canada Business Corporations Act in Bill C-25. These measures aim to foster diversity at the highest levels of corporate leadership in Canada, improve shareholder democracy, and drive shareholder value through better transparency.

Distributing corporations established under the CBCA are required to disclose to their shareholders (through their proxy circulars) and to Corporations Canada information regarding the diversity of their boards and senior management. The disclosure must include the representation of various designated groups on the board and among senior management. These designated groups include women, Indigenous peoples (First Nations, Inuit, and Métis), persons with disabilities and members of visible minorities. In addition, the CBCA requires distributing corporations to disclose whether they have a diversity and inclusion policy, and if not, to provide an explanation why not. This "comply or explain" approach is not prescriptive but is intended to foster a dialogue between distributing corporations and their shareholders, increase corporate transparency and support the push for increased diversity on boards and in senior management.

Based on the proxy circulars filed in 2020, the Government of Canada identified 669 distributing corporations which were required to disclose diversity information. Of these distributing corporations, the proxy circulars of 469 companies were reviewed and 85.9 percent contained information on diversity, and also concluded that there continues to be ongoing challenges in getting a complete picture of diversity because the CBCA and related regulations do not specify how distributing corporations should disclose this information. To better support corporations, in early 2021, Canadian guidelines were published to help and encourage distributing corporations to disclose their diversity information annually in a more consistent manner, and the consistency in disclosure will ensure that diversity information can be collected and analyzed in a consistent way and enable a sound year-over-year analysis that will foster steady progress toward more diverse corporate leadership. As a result of the diversity disclosure requirements and industry awareness-raising activities, distributing corporations were more aware of their filing requirements in 2021 than they were in 2020. In 2021, an average of 13 percent of the required diversity information disclosed by distributing corporations was incomplete, missing or not provided in a standardized way.

During Canadian policy roundtable discussions, the majority of investor clients participating shared the view that boards should aim to reflect the company's customer base and the broader societies in which they operate by including directors drawn from racial and ethnic minority groups, and also widely supported the expectation for disclosure from companies on racial/ethnic diversity at the board level, and held the belief that all companies should disclose this information to the fullest extent possible. In addition to the information referenced above, the implementation of this policy will allow the Canadian S&P/TSX Composite Index policy to align more closely to the U.S. Russell 3000 and/or S&P 1500 indices racial/ethnic diversity policies and achieve parity towards the consistent application of our investor clients' views on racial/ethnic diversity for boards of directors across U.S. and Canada.

<https://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/cs08317.html>

<https://www.bennettjones.com/Blogs-Section/Government-of-Canada-Publishes-First-Report-on-Diversity-Disclosure>

<https://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/cs09445.html>

Board Diversity – South Africa

Current Public Fund Advisory Services Policy:	New Public Fund Advisory Services Policy:
[None]	<p>Effective for meetings on or after Oct. 1, 2023, generally vote against the nomination committee chair (or, if not on ballot, the board chair or other appropriate director) if there is not at least one woman on the board. Mitigating factors may include:</p> <ul style="list-style-type: none"> ▪ Compliance with the relevant board diversity standard at the preceding AGM. ▪ Clear commitment to address the lack of gender diversity on the board and progress against the agreed voluntary diversity targets during the year. ▪ Other relevant factors as applicable.

Rationale for Change:

The JSE Listings Requirements (JSE LR) required a formalised policy on gender diversity in January 2017. This was then updated in October 2019 such that the board of directors or the nomination committee, as the case may be, must implement a policy on the promotion of a "broader diversity at board level, specifically focusing on the promotion of the diversity attributes of gender, race, culture, age, field of knowledge, skills and experience" (JSE LR, section 3.84(i), see [LINK](#) for the amendments). Companies are further required to disclose in the annual report how the board has considered and applied this policy in the nomination and appointment of directors, to explain why any of the diversity indicators have not been applied and to report on the progress they have made in respect of the agreed voluntary targets.

In addition, King IV Report of Corporate Governance (published in 2016), which adopts a comply or explain approach, states that an organization's governing body should have "an appropriate balance of knowledge, skills, expertise, diversity, and independence for it to discharge its roles and responsibilities objectively and effectively" (King IV, principle 7, see [LINK](#)). It is also noted that the Institute of Directors South Africa (IoDSA) supports the initiatives of the 30% Club South Africa (see [LINK](#)), which aims to achieve a minimum of 30 percent female representation on the boards of listed companies.

There is currently no legislation in South Africa that prescribes minimum requirements for representation of women in boardrooms. However, there is an increasing focus on board diversity at the global level and rising diversity expectations at board level in the local market in recent years. Further, IoDSA noted in April 2021 that, despite the requirement for board diversity policies, there has been "slow" progress in achieving them: "For example, a Business Engage report published in October 2020 shows that while the number of companies that have set gender targets has grown to 104 from 81, twice as many companies did not set targets at all. And of the 104 that did set targets, only 62 actually achieved them." (IoDSA, April 2021, see [LINK](#))

As such, where there was previously none, the latest Public Fund Advisory Services International Policy includes a voting guideline for gender diversity, whereby one woman director on the board is the minimum requirement. The implementation of the new board gender diversity policy brings the South Africa market in line with other international markets, which have already established guidelines on the subject. As a start, the policy encourages South African companies to address the lack of gender

diversity on their board and to achieve real progress against their agreed voluntary targets. This diversity policy will take effect for meetings on or after Oct. 1, 2023, providing companies with a one-year grace period to consider this guideline.

In general, South African boards can be relatively diverse when compared with other markets, given the number of directors who are representatives of BEE investors. According to ISS data, only 13 out of 211 South African companies do not have female Directors on the Board.

Board Diversity – New Zealand

Current Public Fund Advisory Services Policy:	New Public Fund Advisory Services Policy:
[None]	<p>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.</p> <p>Mitigating factors include:</p> <ul style="list-style-type: none"> ▪ A commitment to appoint at least one female director as disclosed in the company's meeting documents or in an announcement to the NZX; ▪ The presence of a female director on the board during the preceding year; or ▪ Other relevant factors.

Rationale for Change:

The policy is updated for the following director concern:

- 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 NZX Code for larger companies in the NZX Index. The strengthening of the standard brings the Public Fund Advisory Services Voting Guidelines in line with the NZX Code, 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.

Board Diversity – UK & Ireland

Current Public Fund Advisory Services Policy:	New Public Fund Advisory Services Policy:
<p>Gender Diversity</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) in the following cases:</p> <ul style="list-style-type: none"> ▪ The company is a constituent of the FTSE 350 (excluding investment companies) 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>Ethnic Diversity</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>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; 	<p>Gender Diversity</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) in the following cases:</p> <ul style="list-style-type: none"> ▪ The company is a constituent of the FTSE 350 (excluding investment companies) 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>For companies with financial years beginning on or after 1 April 2022, the following guidelines will apply:</p> <p>For standard and premium listed companies, Public Fund Advisory Services may consider recommending against the chair of the nomination committee (or other directors on a case-by-case basis) if the company has not met the reporting requirements of the FCA Listing Rules, which require boards to meet the following targets:</p> <ul style="list-style-type: none"> ▪ At least 40% of the board are women; and ▪ At least one of the senior board positions (Chair, CEO, Senior Independent Director or CFO) is a woman. <p>In respect of ISEQ 20 constituents and AIM-listed companies with a market capitalisation of over GBP 500 million, Public Fund Advisory Services will generally recommend against the chair of the nomination committee (or other</p>

- ISEQ 20;
- Listed on the AIM with a market capitalisation of over GBP 500 million.

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**.

directors on a case-by-case basis) if there is not at least one woman on the board.

Mitigating factors include:

- 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.

Ethnic Diversity

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.

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**:

- FTSE 250 index;
- FTSE SmallCap;
- ISEQ 20;
- Listed on the AIM with a market capitalisation of over GBP 500 million.

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**.

For companies with financial years beginning on or after 1 April 2022, the following guideline will apply:

For standard and premium listed companies, Public Fund Advisory Services may consider recommending against the chair of the nomination committee (or other directors on a case-by-case basis) if the company has not met the relevant reporting requirement of the FCA Listing Rules, which require boards to confirm that at least one member of the board is from a minority ethnic background⁷.

	<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>In respect of ISEQ 20 constituents and AIM-listed companies with a market capitalisation of over GBP 500 million, Public Fund Advisory Services will generally recommend against the chair of the nomination committee (or other directors on a case-by-case basis) if such companies have not appointed at least one individual from an ethnic minority background to the board by 2024.</p>
<p>Footnotes:</p>	<p>⁷ Defined by reference to categories recommended by the Office for National Statistics (ONS) excluding those listed, by the ONS, as coming from a White ethnic background.</p>

Rationale for Change:

The updated policy incorporates the April 2022 update to the FCA Listing Rules in respect of board diversity requirements. The rule changes apply to UK and overseas companies, admitted to either the premium or standard listing segments of the FCA’s Official List and includes closed-ended investment funds and sovereign controlled companies but excludes open-ended investment companies and shell companies. These companies must disclose annually, in their financial report, whether they meet specific board diversity targets on a ‘comply or explain’ basis at a specific reference date (chosen by the company).

The new rules will apply to accounting periods starting on or after April 1, 2022, meaning that these new disclosures will start to appear in annual financial reports published from around Q2 2023 onwards.

It is intended that the existing Public Fund Advisory Services guidelines will continue to apply but the new requirements will apply for companies with accounting periods beginning on or after April 1, 2022. The existing guidelines can be removed from the policy document next year.

ISEQ 20 companies and those AIM companies with market capitalisations above GBP 500 million are not captured by the Listing Rules and will therefore not be expected to comply with the new diversity requirements. The requirements in the existing Public Fund Advisory Services guidelines will continue to apply to these companies.

The primary challenge facing shareholders will be to determine when a company's deviation from the Listing Rules will impact vote recommendations. It remains the case that the (re)election of the Nomination Committee Chair will be the initial resolution targeted, should a company not comply with the new rules on board diversity. However, non-compliance in this market will not automatically lead to negative Public Fund Advisory Services voting recommendations. During engagement with investors, it was evident that there was a general understanding that companies need not comply with the rigidity of the new Listing Rules, on the condition that there is sufficient rationale to explain non-compliance. Such reasons may include, but not be limited to, the following:

- Historical board diversity levels and previous compliance with the Listing Rules
- A publicly-stated commitment to compliance, with an appropriate timetable (attempting to avoid destabilizing boards)

- Positive movement towards compliance
- Gender and ethnic diversity below board level
- The gender/ethnicity of the Nomination Committee Chair (it may be counterintuitive to recommend against the re-election of a Nomination Committee Chair, if by doing so would further negatively impact board diversity, although this should not preclude potential votes against for persistent non-compliance)
- The Nomination Committee Chair's time in the role
- The size of the company and additional resources that may be required (e.g. new board members)
- Data such as the gender pay gap.

Board Diversity – Malaysia

Current Public Fund Advisory Services Policy:	New Public Fund Advisory Services Policy:
[None]	For Malaysia, generally vote against all members of the nomination committee up for reelection if the board has no woman director. For companies with market capitalization of below MYR 2 billion as at Dec. 31, 2021, this policy will be effective for meetings on or after June 1, 2023.

Rationale for Change:

In January 2022, Bursa Malaysia Berhad (Bursa Malaysia) amended the Listing Requirements to further strengthen board independent, quality, and diversity. Included in the changes was to require listed issuers with a market cap of MYR 2 billion as at Dec. 31, 2021, to appoint at least one woman director to the board by Sept. 1, 2022. The remaining listed issuers must comply by June 1, 2023. The compliance to the listing requirements is mandatory. The introduction of a board gender diversity policy will align Public Fund Advisory Services Policy for this market with the regulatory requirement and may encourage boards to increase women's participation on corporate boards.

Board Diversity - Japan

Current Public Fund Advisory Services Policy:	New Public Fund Advisory Services Policy:
[None]	For Japanese companies with a statutory auditor structure: vote for the election of directors, except top executive(s) if the board, after the shareholder meeting, will not include at least one female director.

Rationale for Change:

As gender diversity is becoming an important matter in Japan, more Japanese companies are adding female directors to the board . On the part of shareholders, board gender diversity is increasingly recognized as a key element. Seven out of the 10 largest global asset management firms (in terms of AUM) have already introduced guidelines factoring in female director representation in their voting policies for Japanese companies.

Climate Accountability

Current Public Fund Advisory Services Policy:	New Public Fund Advisory Services Policy:
<p>For companies that are significant greenhouse gas (GHG) emitters, through their operations or value chain¹¹, generally vote against the board chair 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. Targets for Scope 3 emissions will not be required for 2022 but the targets should cover at least a significant portion of the company’s direct emissions. Expectations about what constitutes “minimum steps to mitigate risks related to climate change” will increase over time.</p>	<p>For companies that are significant greenhouse gas (GHG) emitters, through their operations or value chain⁹, generally vote against the board chair 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>Minimum steps to understand and mitigate those risks are considered to be the following. Both minimum criteria will be required to be in alignment with the policy:</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>At this time, “appropriate GHG emissions reductions targets” will be medium-term GHG reduction targets or Net Zero-by-2050 GHG reduction targets for a company's operations (Scope 1) and electricity use (Scope 2). Targets should cover the vast majority of the company’s direct emissions.</p>
<p>Footnotes:</p> <p>¹¹ For 2022, companies defined as “significant GHG emitters” will be those on the current Climate Action 100+ Focus Group list.</p>	<p>⁹ Companies defined as “significant GHG emitters” will be those on the current Climate Action 100+ Focus Group list.</p>

Rationale for Change:

For 2023, the universe of high emitting companies will continue to be identified as those in the Climate Action 100+ Focus Group. Public Fund Advisory Services is extending globally the policy on climate board accountability first announced last year and introduced in selected markets for 2022, and is updating the factors considered under the policy as follows: In cases where a company in the universe is not considered to be adequately disclosing climate risk disclosure information, such as according to the Task Force on Climate-related Financial Disclosures (TCFD), and does not have either medium-term GHG emission reductions targets or Net Zero-by-2050 GHG reduction targets for at least a company’s operations (Scope 1) and electricity use (Scope 2), Public Fund Advisory Services policy will generally be to recommend voting against what it considers to be the appropriate director(s) and/or other voting items available. Emission reduction targets should also cover the vast majority (95%) of the company’s

operational (Scope 1 & 2) emissions. For 2023, Public Fund Advisory Services will apply the same analysis framework for all Climate Action 100+ Focus Group companies globally but with differentiated implementation of any negative vote recommendations depending on relevant market and company factors (for example, voting item availability). Additional data and information will be included in the company information section of the research reports for all Climate Action 100+ Focus Group companies in order to support this extended policy application.

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