



INTERNATIONAL CLIMATE POLICY PROXY VOTING GUIDELINES UPDATES

2021 Climate Policy Recommendations

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Operational Items

Appointment of Auditors and Auditor Fees

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

Rationale for Change:

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

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

Board of Directors

Director Elections

Gender Diversity

Current Climate Advisory Services Policy, incorporating changes:	New Climate Advisory Services Policy:
<p>Gender Diversity</p> <p>Climate Advisory Services will evaluate gender diversity on boards in international markets when reviewing director elections, to the extent that disclosures permit.</p> <ul style="list-style-type: none"> Generally vote against or withhold from the incumbent chair of the nominating committee if there is not at least one woman on the board. If the chair of the nominating committee is not identified, generally vote against or withhold from incumbent members of the nominating committee. Generally vote against or withhold from the incumbent board chair, or other directors on a case-by-case basis, if there is not at least one woman on the board and the board lacks a formal nominating committee. 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. 	<p>Gender Diversity</p> <p>Climate Advisory Services will evaluate gender diversity on boards in international markets when reviewing director elections, to the extent that disclosures permit.</p> <ul style="list-style-type: none"> Generally vote against or withhold from the incumbent chair of the nominating committee if there is not at least one woman on the board. If the chair of the nominating committee is not identified, generally vote against or withhold from incumbent members of the nominating committee. Generally vote against or withhold from the incumbent board chair, or other directors on a case-by-case basis, if there is not at least one woman on the board and the board lacks a formal nominating committee. 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.

Rationale for Change:

This policy update provides greater transparency on the use of potentially different vote recommendations based on the different election scenarios that can arise in international markets. It does not represent a change of the underlying policy on board gender diversity, which looks for at least one woman on the board.

Diversity – UK FTSE 350

Current Climate Advisory Services Policy, incorporating changes:	New Climate Advisory Services Policy:
<p>Climate Advisory Services will evaluate gender diversity on boards in international markets when reviewing director elections, to the extent that disclosures permit.</p> <p>Climate Policy Recommendation: Generally vote against or withhold from incumbent nominees who: Generally vote against or withhold from the chair of the nominating committee if the board lacks at least one woman.</p> <ul style="list-style-type: none"> ▪ Generally vote against or withhold from the incumbent chair of the nominating committee if there is not at least one woman on the board. If the chair of the nominating committee is not identified, generally vote against or withhold from incumbent members of the nominating committee. ▪ Generally vote against or withhold from the incumbent board chair, or other directors on a case-by-case basis, if there is not at least one woman on the board and the board lacks a formal nominating committee. ▪ If the board lacks a formal nominating committee, generally vote against or withhold from the board chair, or other directors on a case-by-case basis. ▪ 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. ▪ For UK constituents of the FTSE 350 (excluding investment trusts) and the board does not comprise at least 33 percent representation of women, in line with the recommendation of the Hampton-Alexander Review, generally vote against or withhold from the incumbent chair of the nominating committee, or other directors on a case-by-case basis. 	<p>Climate Advisory Services will evaluate gender diversity on boards in international markets when reviewing director elections, to the extent that disclosures permit.</p> <p>Climate Policy Recommendation: Generally vote against or withhold from the chair of the nominating committee if the board lacks at least one woman.</p> <ul style="list-style-type: none"> ▪ If the chair of the nominating committee is not identified, generally vote against or withhold from incumbent members of the nominating committee. ▪ If the board lacks a formal nominating committee, generally vote against or withhold from the board chair, or other directors on a case-by-case basis. ▪ 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. ▪ For UK constituents of the FTSE 350 (excluding investment trusts) and the board does not comprise at least 33 percent representation of women, in line with the recommendation of the Hampton-Alexander Review, generally vote against or withhold from the incumbent chair of the nominating committee, or other directors on a case-by-case basis.

Rationale for Change:

The changes are consistent with the increasing focus on board diversity at the global level, and bring Climate Policy in line with the recommendations of the Hampton-Alexander Review, the relevant standard for constituents of the FTSE 350.

First published in 2016, the Hampton-Alexander Review called for 33% women representation on FTSE 350 boards by 2020. There has been significant progress towards the target but there are still a number of companies falling short, despite pressure from shareholders and investor bodies such as the Investment Association. Many institutional investors support the Hampton Alexander Review and have begun voting against chairs in recent years due to lack of progress.

This approach was broadly supported by institutional investor clients attending the London Benchmark Policy Roundtables in September 2020, most of whom already apply bespoke diversity standards to companies listed in the UK and Ireland.

Material ESG Failures

Current Climate Policy, incorporating changes:	New Climate Policy:
<p>Climate Policy Recommendation: Vote against or withhold from directors individually, on a committee, or potentially the entire board due to:</p> <ul style="list-style-type: none"> ▪ Material failures of governance, stewardship, risk oversight², or fiduciary responsibilities at the company, including failure to adequately manage or mitigate environmental, social and governance (ESG) risks; ▪ Failure to adequately guard against or manage climate-related risks; ▪ A lack of sustainability reporting in the company's public documents and/or website in conjunction with a failure to adequately manage or mitigate ESG risks; ▪ Failure to replace management as appropriate; or ▪ Egregious actions related to the director(s)' service on the boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company. <p>² Examples of failure of risk oversight include but are not limited to: bribery; large or serial fines or sanctions from regulatory bodies; demonstrably poor risk oversight of environmental and social issues, including climate change; large scale or repeat workplace fatalities or injuries; significant adverse legal judgments or settlements; or hedging of company stock.</p>	<p>Climate Policy Recommendation: Vote against or withhold from directors individually, on a committee, or potentially the entire board due to:</p> <ul style="list-style-type: none"> ▪ Material failures of governance, stewardship, risk oversight², or fiduciary responsibilities at the company, including failure to adequately manage or mitigate environmental, social and governance (ESG) risks; ▪ Failure to adequately guard against or manage climate-related risks; ▪ A lack of sustainability reporting in the company's public documents and/or website in conjunction with a failure to adequately manage or mitigate ESG risks; ▪ Failure to replace management as appropriate; or ▪ Egregious actions related to the director(s)' service on the boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company. <p>² Examples of failure of risk oversight include but are not limited to: bribery; large or serial fines or sanctions from regulatory bodies; demonstrably poor risk oversight of environmental and social issues, including climate change; large scale or repeat workplace fatalities or injuries; significant adverse legal judgments or settlements; or hedging of company stock.</p>

Rationale for Change:

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

European Guidelines

Director Terms

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

Rationale for Change:

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

Election of a Former CEO as Chair of the Board

Current Climate Policy, incorporating changes:	New Climate Policy:
<p>Generally vote against the election or reelection of a former CEO as chair to the supervisory board or board of directors at widely held companies in Germany, Austria, and the Netherlands. In markets such as Germany, where the general meeting only elects the nominees and, subsequently, the new board's chair, the Climate policy will generally recommend a vote against the election or reelection of a former CEO, unless the company has publicly confirmed prior to the general meeting that he will not proceed to become chair of the board.</p> <p>Considerations should be given to any of the following exceptional circumstances on a case-by-case basis if:</p> <ul style="list-style-type: none"> ▪ There are compelling reasons that justify the election or reelection of a former CEO as chair; or ▪ The former CEO is proposed to become the board's chair only on an interim or temporary basis; or ▪ 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. 	<p>Generally vote against the election or reelection of a former CEO as chairman to the supervisory board or board of directors in Germany, Austria, and the Netherlands. In markets such as Germany, where the general meeting only elects the nominees and, subsequently, the new board's chair, the Climate policy will generally recommend a vote against the election or reelection of a former CEO, unless the company has publicly confirmed prior to the general meeting that he will not proceed to become chair of the board.</p> <p>Considerations should be given to any of the following exceptional circumstances on a case-by-case basis if:</p> <ul style="list-style-type: none"> ▪ There are compelling reasons that justify the election or reelection of a former CEO as 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.

Rationale for Change:

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

Overboarded Directors

Current Climate Policy, incorporating changes:	New Climate Policy:
<p>Climate Policy Recommendation: In Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Poland, Spain, Sweden, and Switzerland, at widely held companies, Climate Advisory Services will generally recommend a vote against a candidate when s/he holds an excessive number of board appointments, as defined by the following guidelines:</p> <ul style="list-style-type: none"> ▪ Any person who holds more than five mandates at listed companies will be classified as overboarded. For the purposes of calculating this limit, a non-executive directorship counts as one mandate, a non-executive chairmanship counts as two mandates, and a position as executive director (or a comparable role) is counted as three mandates. ▪ Also, any person who holds the position of executive director (or a comparable role) at one company and a non-executive chairman at a different company will be classified as overboarded. 	<p>Climate Policy Recommendation: In Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Poland, Spain, Sweden, and Switzerland, Climate Advisory Services will generally recommend a vote against a candidate when s/he holds an excessive number of board appointments, as defined by the following guidelines:</p> <ul style="list-style-type: none"> ▪ Any person who holds more than five mandates at listed companies will be classified as overboarded. For the purposes of calculating this limit, a non-executive directorship counts as one mandate, a non-executive chairmanship counts as two mandates, and a position as executive director (or a comparable role) is counted as three mandates. ▪ Also, any person who holds the position of executive director (or a comparable role) at one company and a non-executive chairman at a different company will be classified as overboarded.

Rationale for Change:

The harmonization of overboarding standards across Continental European markets to all companies will be beneficial in terms of equal treatment between listed companies under Climate policy coverage. According to the Climate policy's voting policy guidelines for Continental Europe, any director who holds more than five mandates is considered overboarded. For the purposes of calculating this limit, a non-executive directorship counts as one mandate, a non-executive chairmanship counts as two mandates, and a position as executive director (or a comparable role) is counted as three mandates.

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

Composition of Committees

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

<p><i>For all companies:</i></p> <p>In Belgium, Denmark, Finland, France, Iceland, Luxembourg, the Netherlands, Norway, Spain, Sweden, and Switzerland, Generally vote against the (re)election of executives who serve on the company's audit or remuneration committee. Climate Advisory Services may recommend against if the disclosure is too poor to determine whether an executive serves, or will serve, on a committee. If a company does not have an audit or a remuneration committee, Climate Advisory Services may consider that the entire board fulfills the role of a committee. In such case, Climate Advisory Services may recommend against the executives, including the CEO, up for election to the board.</p>	<p><i>For all companies:</i></p> <p>Generally vote against the (re)election of executives who serve on the company's audit or remuneration committee. Climate Advisory Services may recommend against if the disclosure is too poor to determine whether an executive serves, or will serve, on a committee. If a company does not have an audit or a remuneration committee, Climate Advisory Services may consider that the entire board fulfills the role of a committee. In such case, Climate Advisory Services may recommend against the executives, including the CEO, up for election to the board.</p>
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Rationale for Change:

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

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

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

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

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

Election of Censors (France)

Current Climate Policy, incorporating changes:	New Climate Policy:
<p>For widely held companies, The Climate policy will generally recommend a vote against proposals seeking shareholder approval to elect a censor, to amend bylaws to authorize the appointment of censors, or to extend the maximum number of censors to the board.</p> <p>However, the Climate policy will recommend a vote on a case-by-case basis when the company provides assurance that the censor would serve on a short-term basis (maximum one year) with the intent to retain the nominee before his/her election as director. In this case, consideration shall also be given to the nominee's situation (notably overboarding or other factors of concern).</p> <p>In consideration of the principle that censors should be appointed on a short-term basis, vote against any proposal to renew the term of a censor or to extend the statutory term of censors.</p>	<p>The Climate policy will generally recommend a vote against proposals seeking shareholder approval to elect a censor, to amend bylaws to authorize the appointment of censors, or to extend the maximum number of censors to the board.</p> <p>However, the Climate policy will recommend a vote on a case-by-case basis when the company provides assurance that the censor would serve on a short-term basis (maximum one year) with the intent to retain the nominee before his/her election as director. In this case, consideration shall also be given to the nominee's situation (notably overboarding or other factors of concern).</p> <p>In consideration of the principle that censors should be appointed on a short-term basis, vote against any proposal to renew the term of a censor or to extend the statutory term of censors.</p>

Rationale for Change:

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

Florange Act (France) - Double Voting Rights

Current Climate Policy, incorporating changes:	New Climate Policy:
<p>Climate Policy Recommendation: Vote for resolutions that seek to maintain, or convert to, a one-share, one-vote capital structure.</p> <p>Vote against requests for the creation or continuation of dual-class capital structures or the creation of new or additional super voting shares.</p> <p>Florange Act – Double Voting Rights (France)</p> <p>For French companies that:</p> <ul style="list-style-type: none"> ▪ Did not have a bylaw allowing for double voting rights before the enactment of the Law of 29 March 2014 (Florange Act); and ▪ Do not currently have a bylaw prohibiting double voting rights; and either <ul style="list-style-type: none"> ▪ Do not have on their ballot for shareholder approval a bylaw amendment to prohibit double voting, submitted by either management or shareholders; or ▪ Have not made a public commitment to submit such a bylaw amendment to shareholder vote before April 3, 2016; <p>Then, on a case-by-case basis, the Climate policy may recommend against the following types of proposals:</p> <ul style="list-style-type: none"> ▪ The reelection of directors or supervisory board members; or ▪ The approval of the discharge of directors; or ▪ If neither reelection of directors/supervisory board members nor approval of discharge is considered appropriate, then the approval of the annual report and accounts. 	<p>Climate Policy Recommendation: Vote for resolutions that seek to maintain, or convert to, a one-share, one-vote capital structure.</p> <p>Vote against requests for the creation or continuation of dual-class capital structures or the creation of new or additional super voting shares.</p>

Rationale for Change:

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

International Markets

Overboarding – Brazil and Americas Regional

Current Climate Policy, incorporating changes:	New Climate Policy:
<p><u>Overboarding</u></p> <p>Generally, vote against management nominees who:</p> <ul style="list-style-type: none"> ▪ Sit on more than five public company boards; or ▪ Are CEOs of public companies who sit on the boards of more than two public companies besides their own— recommend against only at their outside boards¹. <p>Generally, vote against the bundled election of directors if one or more nominees, if elected, would be overboarded.</p>	<p><u>Overboarding</u></p> <p>Generally, vote against management nominees who:</p> <ul style="list-style-type: none"> ▪ Sit on more than five public company boards; or ▪ Are CEOs of public companies who sit on the boards of more than two public companies besides their own— recommend against only at their outside boards¹. <p>Generally, vote against the bundled election of directors if one or more nominees, if elected, would be overboarded.</p>

Rationale for Change:

Directors need sufficient time and energy to be effective representatives of shareholder interests, and directors’ responsibilities are increasingly complex as board and key committee memberships demand greater time commitments. According to a 2014-2015 Public Company Governance Survey conducted by the National Association of Corporate Directors (NACD), directors of public companies committed an annual average of 278 hours to board-related matters in 2014. A review of NACD’s annual surveys reveals the average director time commitment has grown by 46 percent, from 190 hours in 2005 to 278 hours in 2014. There is a need to balance the additional insight gained by directors’ participation on different boards with the need to limit the number of commitments to allow directors sufficient time for the preparation, attendance, and participation at board and committee meetings in an ever more complex and challenging governance landscape.

¹ Although all of a CEO’s subsidiary boards with publicly-traded common stock will be counted as separate boards, the Climate policy will not recommend an against 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 relationships.

A number of ISS' international policies apply overboarding policies to their vote recommendations of board elections. Based on ISS data, the Latin American markets currently have a high concentration of directors serving on multiple boards. Of the approximately 440 Latin American issuers covered by ISS research, 63 issuers have directors serving on more than five boards.

This overboarding policy follows global trends towards greater scrutiny regarding the time and energy needed to be an effective representative of shareholder interests and the greater demands sought in board and key committee memberships. Furthermore, an overboarding policy can promote greater board refreshment, potentially bringing new members and perspectives to boards.

Capital Structure

Share Repurchase Plans

Current Climate Policy, incorporating changes:	New Climate Policy:
<p>Climate Policy Recommendation: Generally recommend for market repurchase authorities (share repurchase programs) if the terms comply with the following criteria:</p> <ul style="list-style-type: none"> ▪ A repurchase limit of up to 10 percent of outstanding issued share capital; ▪ A holding limit of up to 10 percent of a company’s issued share capital in treasury (“on the shelf”); and ▪ Duration of no more than 5 years, or such lower threshold as may be set by applicable law, regulation, or code of governance best practice. <p>Authorities to repurchase shares in excess of the 10 percent repurchase limit will be assessed on a case-by-case basis. The Climate policy may support such share repurchase authorities under special circumstances, which are required to be publicly disclosed by the company, provided that, on balance, the proposal is in shareholders’ interests. In such cases, the authority must comply with the following criteria:</p> <ul style="list-style-type: none"> ▪ A holding limit of up to 10 percent of a company’s issued share capital in treasury (“on the shelf”); and ▪ Duration of no more than 18 months. <p>In markets where it is normal practice not to provide a repurchase limit, the Climate policy will evaluate the proposal based on the company’s historical practice. However, the Climate policy expects companies to disclose such limits and, in the future, may recommend a vote against companies that fail to do so. In such cases, the authority must comply with the following criteria:</p> <ul style="list-style-type: none"> ▪ A holding limit of up to 10 percent of a company’s issued share capital in treasury (“on the shelf”); and 	<p>Climate Policy Recommendation: Generally recommend for market repurchase authorities (share repurchase programs) if the terms comply with the following criteria:</p> <ul style="list-style-type: none"> ▪ A repurchase limit of up to 10 percent of outstanding issued share capital; ▪ A holding limit of up to 10 percent of a company’s issued share capital in treasury (“on the shelf”); and ▪ Duration of no more than 5 years, or such lower threshold as may be set by applicable law, regulation, or code of governance best practice. <p>Authorities to repurchase shares in excess of the 10 percent repurchase limit will be assessed on a case-by-case basis. The Climate policy may support such share repurchase authorities under special circumstances, which are required to be publicly disclosed by the company, provided that, on balance, the proposal is in shareholders’ interests. In such cases, the authority must comply with the following criteria:</p> <ul style="list-style-type: none"> ▪ A holding limit of up to 10 percent of a company’s issued share capital in treasury (“on the shelf”); and ▪ Duration of no more than 18 months. <p>In markets where it is normal practice not to provide a repurchase limit, the Climate policy will evaluate the proposal based on the company’s historical practice. However, the Climate policy expects companies to disclose such limits and, in the future, may recommend a vote against companies that fail to do so. In such cases, the authority must comply with the following criteria:</p> <ul style="list-style-type: none"> ▪ A holding limit of up to 10 percent of a company’s issued share capital in treasury (“on the shelf”); and

<ul style="list-style-type: none"> Duration of no more than 18 months. <p>In addition, the Climate policy will recommend against any proposal where:</p> <ul style="list-style-type: none"> The repurchase can be used for takeover defenses; There is clear evidence of abuse; There is no safeguard against selective buybacks; Pricing provisions and safeguards are deemed to be unreasonable in light of market practice. <p><i>Market-Specific Exceptions</i></p> <p>For Italy and Germany, vote for share repurchase plans and share reissuance plans that would use call and put options if the following criteria are met:</p> <ul style="list-style-type: none"> The duration of the options is limited in time to no more than 18 months; The total number of shares covered by the authorization is disclosed; The number of shares that would be purchased with call options and/or sold with put options is limited to a maximum of 5 percent of currently outstanding capital (or half of the total amounts allowed by law in Italy and Germany); A financial institution, with experience conducting sophisticated transactions, is indicated as the party responsible for the trading; and The company has a clean track record regarding repurchases. <p>For Singapore, generally vote for resolutions authorizing the company to repurchase its own shares, unless the premium over the average trading price of the shares as implied by the maximum price paid exceeds 5 percent for on-market repurchases and 20 percent for off-market repurchases.</p>	<ul style="list-style-type: none"> Duration of no more than 18 months. <p>In addition, the Climate policy will recommend against any proposal where:</p> <ul style="list-style-type: none"> The repurchase can be used for takeover defenses; There is clear evidence of abuse; There is no safeguard against selective buybacks; Pricing provisions and safeguards are deemed to be unreasonable in light of market practice. <p><i>Market-Specific Exceptions</i></p> <p>For Singapore, generally vote for resolutions authorizing the company to repurchase its own shares, unless the premium over the average trading price of the shares as implied by the maximum price paid exceeds 5 percent for on-market repurchases and 20 percent for off-market repurchases.</p>
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Rationale for Change:

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

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

Compensation

European Guidelines

Executive Compensation-Related Proposals

Current Climate Policy, incorporating changes:	New Climate Policy:
<p>Climate Policy Recommendation: Climate 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:</p> <ul style="list-style-type: none"> ▪ Provide shareholders with clear and comprehensive compensation disclosures: <ul style="list-style-type: none"> ▪ 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; <ul style="list-style-type: none"> ▪ 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 shall adequately disclose all elements of the compensation, including: <ul style="list-style-type: none"> ▪ Any short- or long-term compensation component must include a maximum award limit. 	<p>Climate Policy Recommendation: Climate 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:</p> <ul style="list-style-type: none"> ▪ Provide shareholders with clear and comprehensive compensation disclosures: <ul style="list-style-type: none"> ▪ 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; <ul style="list-style-type: none"> ▪ 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 shall adequately disclose all elements of the compensation, including: <ul style="list-style-type: none"> ▪ Any short- or long-term compensation component must include a maximum award limit.

<ul style="list-style-type: none">▪ 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.	<ul style="list-style-type: none">▪ 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.
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Rationale for Change:

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

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

Other Items

Exclusive Forum Proposals (TSX-Listed Companies and Venture Companies)

Current Climate Policy, incorporating changes:	New Climate Policy:
<p>Climate Policy Recommendation: Vote case-by-case on proposals to adopt an exclusive forum by-law or to amend by-laws to add an exclusive forum provision, taking the following into consideration:</p> <ul style="list-style-type: none"> ▪ Jurisdiction of incorporation; ▪ Board rationale for adopting exclusive forum; ▪ Legal actions subject to the exclusive forum provision; ▪ Evidence of past harm as a result of shareholder legal action against the company originating outside of the jurisdiction of incorporation; ▪ Company corporate governance provisions and shareholder rights; ▪ Any other problematic provisions that raise concerns regarding shareholder rights. 	<p>Climate Policy Recommendation: Vote case-by-case on proposals to adopt an exclusive forum by-law or to amend by-laws to add an exclusive forum provision, taking the following into consideration:</p> <ul style="list-style-type: none"> ▪ Jurisdiction of incorporation; ▪ Board rationale for adopting exclusive forum; ▪ Legal actions subject to the exclusive forum provision; ▪ Evidence of past harm as a result of shareholder legal action against the company originating outside of the jurisdiction of incorporation; ▪ Company corporate governance provisions and shareholder rights; ▪ Any other problematic provisions that raise concerns regarding shareholder rights.

Rationale for Change:

Exclusive forum by-laws, which have been adopted widely in the US market, are still relatively new to the Canadian market, although an increasing number of companies continue to adopt these provisions as by-laws which require shareholder approval. There is merit to the notion that judges based in a corporation's jurisdiction of incorporation are best suited to apply that jurisdiction's law to those companies. As well, given a corporation's typically strong presence in that province or jurisdiction, an exclusive forum provision may help to reduce the likelihood of high legal costs accrued through litigation outside of the jurisdiction of incorporation.

It can be argued, however, that there is often more than one proper forum available to shareholder plaintiffs, and this proposal would curtail the right of shareholders to select any proper forum of their choosing. The proposed exclusive forum jurisdiction and the details of the extent and types of legal actions that would be subject to the exclusive forum by-law provide critical information to shareholders whose rights may be impacted. This information together with the board of directors' rationale in adopting an exclusive forum by-law will be key considerations in evaluating the acceptability of such a proposal. As well, the absence of a compelling company-specific history with regard to out-of-province/jurisdiction shareholder litigation is important in light of the limitation on shareholder litigation rights that this provision represents. More generally, a company's track record vis-à-vis corporate governance and shareholder rights should be examined to identify any other concerns when considering the acceptability of an exclusive forum by-law.

This policy codifies the policy approach currently applied as it is expected that more companies will adopt exclusive forum by-laws, providing more transparency and a rationale.

Related-Party Transactions

Current Climate Policy, incorporating changes:	New Climate Policy:
<p>Climate Policy Recommendation: Vote related-party transactions on a case-by-case basis considering factors including, but not limited to, the following:</p> <ul style="list-style-type: none"> ▪ The parties on either side of the transaction; ▪ The nature of the asset to be transferred/service to be provided; ▪ The pricing of the transaction (and any associated professional valuation); ▪ The views of independent directors (where provided); ▪ The views of an independent financial adviser (where appointed); ▪ Whether any entities party to the transaction (including advisers) is conflicted; and ▪ The stated rationale for the transaction, including discussions of timing. ▪ If there is a transaction that is deemed problematic and that was not put to a shareholder vote, Climate Advisory Services may recommend against the election of the director(s) involved in the related-party transaction or against the full board. <p>In the case of Nigerian companies, vote for proposals relating to renewal of the general mandate for the company to enter into recurrent transactions with related parties necessary for its day-to-day operations in the absence of any concerns with the related party transactions concluded pursuant to this general mandate.</p>	<p>Climate Policy Recommendation: Vote related-party transactions on a case-by-case basis considering factors including, but not limited to, the following:</p> <ul style="list-style-type: none"> ▪ The parties on either side of the transaction; ▪ The nature of the asset to be transferred/service to be provided; ▪ The pricing of the transaction (and any associated professional valuation); ▪ The views of independent directors (where provided); ▪ The views of an independent financial adviser (where appointed); ▪ Whether any entities party to the transaction (including advisers) is conflicted; and ▪ The stated rationale for the transaction, including discussions of timing. ▪ If there is a transaction that is deemed problematic and that was not put to a shareholder vote, Climate Advisory Services may recommend against the election of the director(s) involved in the related-party transaction or against the full board. <p>In the case of Nigerian companies, vote for proposals relating to renewal of the general mandate for the company to enter into recurrent transactions with related parties necessary for its day-to-day operations in the absence of any concerns with the related party transactions concluded pursuant to this general mandate.</p>

Rationale for Change:

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

Antitakeover Mechanisms

Current Climate Policy, incorporating changes:	New Climate Policy:
<p>Climate Policy Recommendation: Vote against all antitakeover proposals unless they are structured in such a way that they give shareholders the ultimate decision on any proposal or offer.</p> <p>As of Feb. 1, 2016 Following the Florange act of 2016, for French companies listed on a regulated market, generally vote against any general authorities impacting the share capital (i.e. authorities for share repurchase plans and any general share issuances with or without preemptive rights, including by capitalization of reserves) if they can be used for antitakeover purposes without shareholders' prior explicit approval.</p>	<p>Climate Policy Recommendation: Vote against all antitakeover proposals unless they are structured in such a way that they give shareholders the ultimate decision on any proposal or offer.</p> <p>Following the Florange act of 2016, for French companies listed on a regulated market, generally vote against any general authorities impacting the share capital (i.e. authorities for share repurchase plans and any general share issuances with or without preemptive rights) if they can be used for antitakeover purposes without shareholders' prior explicit approval.</p>

Rationale for Change:

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

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