



# INTERNATIONAL

## PUBLIC FUND PROXY VOTING GUIDELINES UPDATES

### 2025 Policy Recommendations

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Effective for Meetings on or after February 1, 2025

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## Operational Items

### Amendments to Articles to Allow Virtual Meetings

Current Public Fund Advisory Services Policy:	New Public Fund Advisory Services Policy:
<p><b>Public Fund Advisory Services Recommendation:</b> Generally vote for proposals allowing for the convening of hybrid<sup>2</sup> shareholder meetings.</p> <p>Vote case-by-case on proposals concerning virtual-only meetings<sup>3</sup>, considering:</p> <ul style="list-style-type: none"> <li>▪ Whether the company has committed to ensuring shareholders will have the same rights participating electronically as they would have for an in-person meeting;</li> <li>▪ Rationale of the circumstances under which virtual-only meetings would be held;</li> <li>▪ In-person or hybrid meetings are not precluded;</li> <li>▪ Whether an authorization is restricted in time or allows for the possibility of virtual-only meetings indefinitely; and</li> <li>▪ Local laws and regulations concerning the convening of virtual meetings.</li> </ul>	<p><b>Public Fund Advisory Services Recommendation:</b> Generally vote for proposals allowing for the convening of hybrid<sup>2</sup> shareholder meetings.</p> <p>Vote case-by-case on proposals concerning virtual-only meetings<sup>3</sup>, considering:</p> <ul style="list-style-type: none"> <li>▪ Whether the company has committed to ensuring shareholders will have the same rights participating electronically as they would have for an in-person meeting;</li> <li>▪ Assurance that a virtual-only meeting will only be convened in the case of extraordinary circumstances that necessitate restrictions on physical attendance;</li> <li>▪ The use of past authorizations to hold virtual-only meetings and the accompanying rationale for doing so;</li> <li>▪ In-person or hybrid meetings are not precluded; and</li> <li>▪ Local laws and regulations concerning the convening of virtual meetings.</li> </ul>
<p><b>Footnotes:</b></p> <p><sup>2</sup>The phrase “hybrid shareholder meeting” refers to an in-person meeting in which shareholders are also permitted to participate online.</p> <p><sup>3</sup>The phrase “virtual-only shareholder meeting” refers to a meeting of shareholders that is held exclusively through the use of online technology without a corresponding in-person meeting.</p>	<p><b>Footnotes:</b></p> <p><sup>2</sup>The phrase “hybrid shareholder meeting” refers to an in-person meeting in which shareholders are also permitted to participate online.</p> <p><sup>3</sup>The phrase “virtual-only shareholder meeting” refers to a meeting of shareholders that is held exclusively through the use of online technology without a corresponding in-person meeting.</p>

#### Rationale for Change:

This policy change is to reflect developing investor sentiment with regard to virtual-only meeting authorizations. The policy was last updated for 2023 in the context of new legislation across a number of markets that allowed for virtual-only shareholder meetings beyond emergency authorizations passed in response to the COVID-19 pandemic. At the time, many companies sought flexibility via these virtual-only meeting authorizations, although shareholder sentiment was cautious on the topic due to concerns that

the virtual-only format may lead to a diminution of shareholder rights. For that reason, the Public Fund Advisory Services Policy Guidelines were formulated in such a way as to take a "wait and see" approach, particularly with regard to how these authorizations would be utilized and shareholders' experience of the virtual-only format.

Against this background, the 2024 ISS policy survey included a follow-up question regarding current views on virtual-only meetings. In the survey, 31.2% of investor respondents answered that they considered the format "*Negative, not supportive under any circumstance*" or "*Somewhat negative, only permissible in extraordinary circumstances, with authorization limited in time*". A further 29.3% of investor respondents considered the format "*Mixed, it depends on company practice (e.g., frequency, rationale, conduct of previous meetings, etc.)*". As a result, it is clear that concerns remain regarding virtual-only meetings, and the Public Fund Advisory Services policy will be updated to reflect investors' concerns and desired safeguards. The policy will continue to be applied on a case-by-case basis.

# Board of Directors

## Board Diversity

### Canada – Gender Diversity

Current Public Fund Advisory Services Policy:	New Public Fund Advisory Services Policy:
<p><b>Public Fund Advisory Services Recommendation:</b> For S&amp;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><b><u>S&amp;P/TSX Composite Exemptions:</u></b></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"> <li>▪ Joined the S&amp;P/TSX Composite Index and have not previously been subject to a 30% representation of women on the board requirement as an S&amp;P/TSX Composite Index constituent in the past; and</li> <li>▪ 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.</li> </ul> <p>For TSX companies which are <b>not</b> also S&amp;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><b><u>Non-S&amp;P/TSX Composite Exemptions:</u></b></p> <p>This policy will not apply to:</p>	<p><b>Public Fund Advisory Services Recommendation:</b> For S&amp;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><b><u>S&amp;P/TSX Composite Exemptions:</u></b></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"> <li>▪ Joined the S&amp;P/TSX Composite Index and have not previously been subject to a 30% representation of women on the board requirement as an S&amp;P/TSX Composite Index constituent in the past; and</li> <li>▪ Have fallen below 30% representation of women on the board after achieving such level of representation at the preceding AGM.</li> </ul> <p>For TSX companies which are not also S&amp;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><b><u>Non-S&amp;P/TSX Composite Exemptions:</u></b></p> <p>This policy will not apply to:</p> <ul style="list-style-type: none"> <li>▪ Newly publicly-listed companies within the current or prior fiscal year;</li> </ul>

<ul style="list-style-type: none"> <li>▪ Newly publicly-listed companies within the current or prior fiscal year;</li> <li>▪ Companies that have transitioned from the TSXV within the current or prior fiscal year; or</li> <li>▪ Companies with four or fewer directors.</li> </ul> <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>	<ul style="list-style-type: none"> <li>▪ Companies that have transitioned from the TSXV within the current or prior fiscal year; or</li> <li>▪ Companies with four or fewer directors.</li> </ul> <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 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>
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#### Rationale for Change:

The current policy requires the disclosure and interpretation of the circumstances behind an issuer falling below the board gender diversity thresholds for Canadian meetings before a policy exemption may be applied. By removing this requirement, it is anticipated there will be greater transparency and predictability as to how the policy is applied while harmonizing the Canadian approach with the US market.

## Canada – Ethnic Diversity

Current Public Fund Advisory Services Policy:	New Public Fund Advisory Services Policy:
<p><b>Public Fund Advisory Services Recommendation:</b> For companies in the S&amp;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:</p> <ul style="list-style-type: none"> <li>▪ The board has no apparent racially or ethnically diverse members<sup>6</sup>; and</li> <li>▪ The company has not provided a formal, publicly-disclosed written commitment to add at least one racially or ethnically diverse director at or prior to the next AGM.</li> </ul> <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><b>Public Fund Advisory Services Recommendation:</b> For companies in the S&amp;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 members<sup>6</sup>.</p> <p><b><u>S&amp;P/TSX Composite Exemptions:</u></b></p> <p>With a publicly disclosed written commitment to add at least one racially or ethnically diverse director 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"> <li>▪ Joined the S&amp;P/TSX Composite Index and have not previously been subject to the racial/ethnic board requirement as an S&amp;P/TSX Composite Index constituent in the past<sup>7</sup>; or</li> <li>▪ Have fallen below the minimum racial or ethnic representation on the board after achieving such level of representation at the preceding AGM.</li> </ul> <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><b>Footnotes:</b></p> <p><sup>6</sup>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) <a href="https://laws-lois.justice.gc.ca/eng/acts/E-5.401/section-3.html">https://laws-lois.justice.gc.ca/eng/acts/E-5.401/section-3.html</a></p>	<p><b>Footnotes:</b></p> <p><sup>6</sup>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) <a href="https://laws-lois.justice.gc.ca/eng/acts/E-5.401/section-3.html">https://laws-lois.justice.gc.ca/eng/acts/E-5.401/section-3.html</a></p> <p><sup>7</sup>Since the previous AGM.</p>

**Rationale for Change:**

The Canadian market was notified of the inclusion of a racial/ethnic diversity standard for all TSX Composite Index boards during the 2023 consultation period, implemented for TSX composite companies with meetings after February 1, 2024, and the 2025 changes to this policy are being made to remove the transitory language associated with the initial implementation year and addition of conditional exemptions to the final policy language.



## UK & Ireland

Current Public Fund Advisory Services Policy:	New Public Fund Advisory Services Policy:
<p><b>Gender Diversity</b></p> <p>In UK &amp; Ireland, generally recommend against the chair of the nomination committee (or other directors on a case-by-case basis) in the following cases:</p> <ul style="list-style-type: none"> <li>▪ The company is a constituent of the FTSE 350 (excluding investment trusts) and the board does not comprise at least 33 percent representation of women, in line with the recommendation of the Hampton-Alexander Review.</li> <li>▪ 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"> <li>▪ FTSE SmallCap;</li> <li>▪ ISEQ 20;</li> <li>▪ Listed on the AIM with a market capitalisation of over GBP 500 million.</li> </ul> </li> </ul> <p>Mitigating factors include:</p> <ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ Other relevant factors as applicable.</li> </ul> <p>For companies with financial years beginning on or after April 1, 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"> <li>▪ At least 40% of the board are women; and</li> <li>▪ At least one of the senior board positions (Chair, CEO, Senior Independent Director, or CFO) is a woman.</li> </ul> <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 there is not at least one woman on the board.</p>	<p><b>Gender Diversity</b></p> <p>For companies required to report against the FCA Listing Rules on a comply or explain basis, Public Fund Advisory Services may consider recommending against the chair of the nomination committee (or another relevant director) if the company has not met the disclosure requirements of the FCA Listing Rules in respect of board diversity, including reporting against the following targets:</p> <ul style="list-style-type: none"> <li>▪ At least 40 percent of the board are women; and</li> <li>▪ At least one of the senior board positions (Chair, CEO, Senior Independent Director, or CFO) is a woman.</li> </ul> <p>Progress against the targets will be evaluated. Public Fund Advisory Services may consider recommending against the chair of the nomination committee (or another relevant director) in the absence of such progress, unaccompanied by a satisfactory rationale.</p> <p>The market expects higher diversity standards from FTSE 350 companies, which have been subject to pre-existing diversity recommendations.</p> <p>In respect of AIM-listed companies with a market capitalisation of over GBP 500 million, Public Fund Advisory Services may consider recommending against the chair of the nomination committee (or another relevant director) if there is not at least one woman on the board.</p> <p>In the case of ISEQ 20 companies, Public Fund Advisory Services may consider a negative recommendation where less than 33% of the board is composed of women.</p> <p>In all cases, diversity is considered in a holistic manner, taking account of the company's explanation. Mitigating factors include, but are not limited to, the company's previous record on board diversity and future commitments.</p>

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 April 1, 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 background<sup>8</sup>.

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***

For companies required to report against the FCA Listing Rules on a comply or explain basis, Public Fund Advisory Services may consider recommending against the chair of the nomination committee (or another relevant director) if the company has not met the relevant disclosure requirements, including reporting against the target, that at least one member of the board is from a minority ethnic background<sup>8</sup>.

Progress against the target will be evaluated. Public Fund Advisory Services may consider recommending against the chair of the nomination committee (or another relevant director) in the absence of such progress, unaccompanied by a satisfactory rationale.

The market expects higher diversity standards from FTSE 350 companies, which have been subject to pre-existing diversity recommendations.

In respect of ISEQ 20 constituents and AIM-listed companies with a market capitalisation of over GBP 500 million, Public Fund Advisory Services will consider recommending against the chair of the nomination committee (or another relevant director) if such companies have not appointed at least one individual from an ethnic minority background to the board.

<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><b>Footnotes:</b></p> <p><sup>8</sup>Defined by reference to categories recommended by the <a href="#">Office for National Statistics</a> (ONS) excluding those listed, by the ONS, as coming from a White ethnic background.</p>	<p><b>Footnotes:</b></p> <p><sup>8</sup>Defined by reference to categories recommended by the <a href="#">Office for National Statistics</a> (ONS) excluding those listed, by the ONS, as coming from a White ethnic background.</p>

### Rationale for Change:

In recent years, there has been a global drive to increase gender diversity on corporate boards and in senior management positions. In early 2024, the FCA listing rules for the UK were updated to include a recommendation that at least one member of a company's senior management team, defined as the company's CEO, CFO, Board Chair, or Senior Independent Director (SID), be a woman. Public Fund policy was amended in 2023 to take account of the Listing Rules revisions regarding gender and ethnic diversity. The purpose of the new change is to clarify that the FCA requirement is for companies to report against the targets, as opposed to actually meeting them (although progress against the targets is expected by investors). The change aims to better reflect the nature of the FCA's requirement.

The Public Fund Advisory Services Policy thus far has integrated the benchmark approach to this topic. However, by explicitly including this recommendation as part of the guidelines and applying the policy's current targeting approach in the same way as board gender and racial/ethnic diversity triggers, the Specialty Research team will be better able to identify issuers' shortcomings and recommend votes against appropriate targets. This will facilitate more flexibility for smaller companies, which have not been subject to the recommendations of the FTSE Women Leaders Review (formerly Hampton Alexander) or Parker Reviews. These reviews have been applicable to FTSE 350 companies for some time, and the change allows for differentiated treatment of the FTSE 350 in this context. The update also acknowledges that ISEQ 20 companies are bound by the Irish Government's Balance for Better Boards. Lastly, the changes reflect the movement away from the obsolete UK listing categories of premium and standard companies.

## Board Structure

Current Public Fund Advisory Services Policy:	New Public Fund Advisory Services Policy:
<p data-bbox="142 331 684 358"><b>Public Fund Advisory Services Recommendation:</b></p> <ul data-bbox="193 412 1010 570" style="list-style-type: none"> <li data-bbox="193 412 625 440">▪ Vote for proposals to fix board size.</li> <li data-bbox="193 444 947 505">▪ Vote against the introduction of classified boards and mandatory retirement ages for directors.</li> <li data-bbox="193 509 1010 570">▪ Vote against proposals to alter board structure or size in the context of a fight for control of the company or the board.</li> </ul>	<p data-bbox="1052 331 1593 358"><b>Public Fund Advisory Services Recommendation:</b></p> <ul data-bbox="1102 402 1919 591" style="list-style-type: none"> <li data-bbox="1102 402 1535 430">▪ Vote for proposals to fix board size.</li> <li data-bbox="1102 435 1850 495">▪ Vote against the introduction of classified boards and mandatory retirement ages for directors.</li> <li data-bbox="1102 500 1919 560">▪ Vote against proposals to alter board structure or size in the context of a fight for control of the company or the board.</li> <li data-bbox="1102 565 1667 591">▪ Vote against proposals to increase board terms.</li> </ul>

### Rationale for Change:

The update codifies the policy application already applied in the rare cases when companies propose an increase to board term. In addition, the policy update also provides greater transparency and consistency on the current policy application.

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