



INTERNATIONAL

SRI PROXY VOTING GUIDELINES UPDATES

2023 Policy Recommendations

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Operational Items

Virtual Meetings (UK/Ireland and Europe)

Current Social Advisory Services Policy:	New Social Advisory Services Policy:
<p>General Recommendation: Generally vote for proposals allowing for the convening of hybrid* shareholder meetings if it is clear that it is not the intention to hold virtual-only AGMs.</p> <p>Generally vote against proposals allowing for the convening of virtual-only* shareholder meetings.</p>	<p>General Recommendation: Generally vote for proposals allowing for the convening of hybrid¹ shareholder meetings.</p> <p>Vote case-by-case on proposals concerning virtual-only meetings², 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>* The phrase “virtual-only shareholder meeting” refers to a meeting of shareholders that is held exclusively through the use of online technology without a corresponding in-person meeting. The term “hybrid shareholder meeting” refers to an in-person, or physical, meeting in which shareholders are permitted to participate online.</p>	<p>¹ The phrase “hybrid shareholder meeting” refers to an in-person meeting in which shareholders are also permitted to participate online.</p> <p>² The phrase “virtual-only shareholder meeting” refers to a meeting of shareholders that is held exclusively through the use of online technology without a corresponding in-person meeting.</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 Elections

Diversity

Current Social Advisory Services Policy:	New Social Advisory Services Policy:
<p>Social Advisory Services will evaluate gender diversity on boards in international markets when reviewing director elections, to the extent that disclosures and market practices permit.</p> <p>Social Advisory Services Recommendation: Generally vote against or withhold from incumbent members of the nominating committee if the board lacks at least one director of an underrepresented gender identity*.</p> <p>For Japan, if the company has an audit-committee-board structure or a traditional two-tier board structure as opposed to three committees, vote against incumbent representative directors if the board lacks at least one director of an underrepresented gender identity.</p> <p>For Canada, UK, and Australia, vote against or withhold from incumbent members of the nominating committee if: the board is not comprised of at least 40 percent underrepresented gender identities; or the board is not comprised of at least 20 percent racially or ethnically diverse directors.</p> <p>For 2023, for Continental European markets, generally vote against or withhold from incumbent members of the nominating committee if the board is not comprised of at least 40 percent underrepresented gender identities. Vote against or withhold from other directors on a case-by-case-basis.</p>	<p>Social Advisory Services will evaluate gender diversity on boards in international markets when reviewing director elections, to the extent that disclosures and market practices permit.</p> <p>Social Advisory Services Recommendation: Generally vote against or withhold from incumbent members of the nominating committee if the board lacks at least one director of an underrepresented gender identity⁴.</p> <p>For Japan, if the company has an audit-committee-board structure or a traditional two-tier board structure as opposed to three committees, vote against incumbent representative directors if the board lacks at least one director of an underrepresented gender identity.</p> <p>For Canada, UK, and Australia, vote against or withhold from incumbent members of the nominating committee if: the board is not comprised of at least 40 percent underrepresented gender identities; or the board is not comprised of at least 20 percent racially or ethnically diverse directors.</p> <p>For Continental European markets, generally vote against or withhold from incumbent members of the nominating committee if the board is not comprised of at least 40 percent underrepresented gender identities. Vote against or withhold from other directors on a case-by-case-basis.</p>
<p>Footnotes:</p> <p>* Underrepresented gender identities include directors who identify as women or non-binary</p>	<p>⁴ Underrepresented gender identities include directors who identify as women or non-binary</p>

Rationale for Change:

At the start of 2022, Social Advisory Services' guidelines on board diversity were updated, increasing the levels of gender diversity expected in Continental Europe. The changes are consistent with the increasing focus on board diversity at the global level and bring Social Advisory Services policy in line with progressing client expectations and market norms. This policy update removes the transition provision included in last year's policy guidelines.

Board Accountability – Climate Risk Mitigation and Net Zero

Current Social Advisory Services Policy:	New Social Advisory Services Policy:
<p>Social Advisory Services Recommendation: For companies that are significant GHG emitters, through their operations or value chain⁴, generally vote against or withhold from the incumbent chair of the responsible committee (or other directors on a case-by-case basis) in cases where Social Advisory Services determines that the company is not taking the minimum steps needed to understand, assess, and mitigate risks related to climate change to the company and the larger economy.</p> <p>For 2022, minimum steps to understand and mitigate those risks are considered to be the following. Both minimum criteria will be required to be in compliance:</p> <ul style="list-style-type: none"> ▪ Detailed disclosure of climate-related risks, such as according to the framework established by the Task Force on Climate-related Financial Disclosures (TCFD), including: <ul style="list-style-type: none"> ▪ Board governance measures; ▪ Corporate strategy; ▪ Risk management analyses; and ▪ Metrics and targets. ▪ Appropriate GHG emissions reduction targets <p>For 2022, "appropriate GHG emissions reductions targets" will be any well-defined GHG reduction targets. Expectations about what constitutes "minimum steps to mitigate risks related to climate change" will increase over time.</p>	<p>Social Advisory Services Recommendation: For companies that are significant GHG emitters⁴, through their operations or value chain, generally vote against or withhold from the incumbent chair of the responsible committee (or other directors on a case-by-case basis) in cases where Social Advisory Services determines that the company is not taking the minimum steps needed to be aligned with a Net Zero by 2050 trajectory.</p> <p>For 2023, minimum steps needed to be considered to be aligned with a Net Zero by 2050 trajectory are (all minimum criteria will be required to be in alignment with policy):</p> <ul style="list-style-type: none"> ▪ The company has 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. ▪ The company has declared a target of Net Zero by 2050 or sooner and the target includes scope 1, 2, and relevant scope 3 emissions. ▪ The company has set a medium-term target for reducing its GHG emissions. <p>Expectations about what constitutes "minimum steps needed to be aligned with a Net Zero by 2050 trajectory" will increase over time.</p>
<p>Footnotes:</p> <p>⁴ For 2022, companies defined as "significant GHG emitters" will be those on the current Climate Action 100+ Focus Group list</p>	<p>⁴ For 2023, companies defined as "significant GHG emitters" will be those on the current Climate Action 100+ Focus Group list</p>

Rationale for Change:

Proxy voting is a key shareholder right and responsibility, and, in the context of climate change, is a tool that investors can use to help actively manage and mitigate exposure to climate-related risks in their portfolio companies. Based on client engagement (i.e. surveys, roundtables) after the 2021 Proxy Voting season, a high proportion of Social

Advisory Services' policy clients have indicated support for additional indicators and assessment for significantly GHG emitting companies. In addition, Social Advisory Services' policy clients have expressed strong expectations for companies to set targets and disclose commitments aligned with a Net Zero by 2050 trajectory (Net Zero defined as consistent with a pathway to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels). As such, Social Advisory Services policy guidelines are being updated to include specific minimum requirements on overall disclosure and Net Zero by 2050 commitments for significantly GHG emitting companies.

This policy will take effect during the 2023 calendar year, based on implementation and data availability considerations. Once this policy is implemented, minimum expectations for significantly emitting will be:

- The company has detailed disclosure of climate-related risks, such as according to the framework established by the Task Force on Climate-related Financial Disclosures (TCFD).
- The company has declared a target of Net Zero by 2050 or sooner and the target includes scope 1, 2, and relevant scope 3 emissions.
- The company has set a medium-term target for reducing its GHG emissions.

The Social Advisory Services policy will target the chair or incumbent members of the committee identified as responsible for failure to meet these minimum expectations. In cases where the company has not identified a committee responsible for climate change strategy or members of this committee are not up for election, Social Advisory Services will recommend voting against other nominees on a case-by-case basis.

Director Elections- Definition of Key Committees

Current Social Advisory Services Policy:	New Social Advisory Services Policy:
<p>General Recommendation: Vote for management nominees in the election of directors, unless:</p> <ul style="list-style-type: none"> ▪ Adequate disclosure has not been provided in a timely manner; ▪ There are clear concerns over questionable finances or restatements; ▪ There have been questionable transactions with conflicts of interest; ▪ There are any records of abuses against minority shareholder interests; ▪ The board fails to meet minimum corporate governance standards; ▪ There are specific concerns about the individual, such as criminal wrongdoing or breach of fiduciary responsibilities; and ▪ Repeated absences at board and key committee meetings have not been explained (in countries where this information is disclosed). 	<p>General Recommendation: Vote for management nominees in the election of directors, unless:</p> <ul style="list-style-type: none"> ▪ Adequate disclosure has not been provided in a timely manner; ▪ There are clear concerns over questionable finances or restatements; ▪ There have been questionable transactions with conflicts of interest; ▪ There are any records of abuses against minority shareholder interests; ▪ The board fails to meet minimum corporate governance standards; ▪ There are specific concerns about the individual, such as criminal wrongdoing or breach of fiduciary responsibilities; and ▪ Repeated absences at board and key committee¹ meetings have not been explained (in countries where this information is disclosed).
<p>Footnotes:</p>	<p>¹ Key committees are usually the ones performing the functions of audit, remuneration and nomination (plus risk for financial institutions).</p>

Rationale for Change:

The policy change is to clarify which committees are considered key.

Canadian Guidelines

Voting on Director Nominees in Uncontested Elections – Overboarded Directors (Venture Guidelines)

Current Social Advisory Services Policy:	New Social Advisory Services Policy:
<p>General Recommendation: For meetings on or after February 1, 2023, generally vote withhold for individual director nominees who:</p> <ul style="list-style-type: none"> ▪ Are non-CEO directors and serve on more than five public company boards; or ▪ Are CEOs of public companies who serve on the boards of more than two public companies besides their own – withhold only at their outside boards³. <p>Transitioning directors: It is preferable for a director to step down from a board at the annual meeting to ensure orderly transitions, which may result in a director being temporarily overboarded (e.g. joining a new board in March but stepping off another board in June). Social Advisory Services will generally not count a board for policy application purposes when it is publicly-disclosed that the director will be stepping off that board at its next annual meeting. This disclosure must be included within the company's proxy circular to be taken into consideration. Conversely, Social Advisory Services will include the new boards that the director is joining even if the shareholder meeting with his or her election has not yet taken place.</p>	<p>General Recommendation: Generally vote withhold for individual director nominees who:</p> <ul style="list-style-type: none"> ▪ Are non-CEO directors and serve on more than five public company boards; or ▪ Are CEOs of public companies who serve on the boards of more than two public companies besides their own – withhold only at their outside boards³. <p>Transitioning directors: It is preferable for a director to step down from a board at the annual meeting to ensure orderly transitions, which may result in a director being temporarily overboarded (e.g. joining a new board in March but stepping off another board in June). Social Advisory Services will generally not count a board for policy application purposes when it is publicly-disclosed that the director will be stepping off that board at its next annual meeting. This disclosure must be included within the company's proxy circular to be taken into consideration. Conversely, Social Advisory Services will include the new boards that the director is joining even if the shareholder meeting with his or her election has not yet taken place.</p>
<p>Footnotes:</p> <p>³ Although a CEO's subsidiary boards will be counted as separate boards, Social Advisory Services will not recommend a withhold vote for the CEO of a parent company board or any of the controlled (>50 percent ownership) subsidiaries of that parent, but may do so at subsidiaries that are less than 50 percent controlled and boards outside the parent/subsidiary relationship.</p>	<p>Footnotes:</p> <p>³ Although a CEO's subsidiary boards will be counted as separate boards, Social Advisory Services will not recommend a withhold vote for the CEO of a parent company board or any of the controlled (>50 percent ownership) subsidiaries of that parent, but may do so at subsidiaries that are less than 50 percent controlled and boards outside the parent/subsidiary relationship.</p>

Rationale for Change:

The overboarded director policy for Venture issuers has been introduced since February 1, 2022, to be aligned with the existing policy for TSX-listed issuers. This policy reflects the prevailing client expectations based on the feedback received at the 2021 ISS Canadian Policy Discussion Roundtable and is also aligned with Social Advisory Services International policy approach. The policy will be fully implemented effective February 1, 2023.

European Guidelines

Overboarded Directors

Current Social Advisory Services Policy:	New Social Advisory Services Policy:
<p>In Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, the Netherlands, Norway, Poland, Spain, Sweden, and Switzerland, Social Advisory Services will generally recommend a vote against a candidate when they hold an excessive number of board appointments, as defined by the following guidelines:</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 chair position counts as two mandates, and a position as executive director (or a comparable role) is counted as three mandates. Also, any person who holds the position of executive director (or a comparable role) at one company and serves as a non-executive chair at a different company will be classified as overboarded. 	<p>In Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Malta, the Netherlands, Norway, Poland, Spain, Sweden, and Switzerland, Social Advisory Services will generally recommend a vote against a candidate when they hold an excessive number of board appointments, as defined by the following guidelines:</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 chair position counts as two mandates, and a position as executive director (or a comparable role) is counted as three mandates. Also, any person who holds the position of executive director (or a comparable role) at one company and serves as a non-executive chair at a different company will be classified as overboarded. <p>For Cyprus and Malta, this policy is effective as of Feb. 1, 2024.</p>

Rationale for Change:

The change is to include Cyprus and Malta in the current policy on overboarded directors, reflecting best practice in Cyprus and Malta and further harmonizing the overboarding policy across Continental Europe.

According to the Corporate Governance Code of the Cyprus Stock Exchange, *"Every Director should dedicate the required time and attention in carrying out his duties and should limit the number of his other professional obligations (especially positions in Board of Directors of other companies) to such extent so as to allow him to carry out his duties in due performance"*.

In Malta, the Code of Principles of Good Corporate Governance of MFSA states that "Each Director should apply to his duties the necessary time and attention, and should undertake to limit the number of any Directorships held in other companies to such an extent that the proper performance of his duties is assured"

Voto di Lista (Italy)

Current Social Advisory Services Policy:	New Social 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.</p> <p>Since shareholders only have the option to support one such list, where lists are published in sufficient time, Social Advisory Services will recommend a vote on a case-by-case basis, determining which list of nominees it considers is best suited to add value for shareholders.</p> <p>Those companies that are excluded from the provisions of the European Shareholder Rights Directive generally publish lists of nominees seven days before the meeting. In the case where nominees are not published in sufficient time, Social Advisory Services will recommend a vote against the director elections before the lists of director nominees are disclosed. Once the various lists of nominees are disclosed, Social Advisory Services will issue an alert to its clients and, if appropriate, change its vote recommendation to support one particular list.</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.</p> <p>Since shareholders only have the option to support one such list, where lists are published in sufficient time, Social Advisory Services will recommend a vote on a case-by-case basis, determining which list of nominees it considers is best suited to add value for shareholders.</p> <p>Those companies that are excluded from the provisions of the European Shareholder Rights Directive generally publish lists of nominees seven days before the meeting. In the case where nominees are not published in sufficient time, Social Advisory Services will recommend a vote against the director elections before the lists of director nominees are disclosed. Once the various lists of nominees are disclosed, Social Advisory Services will issue an alert to its clients and, if appropriate, change its vote recommendation to support one particular list.</p>

Rationale for Change:

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

Composition of Committees

Current Social Advisory Services Policy:	New Social Advisory Services Policy:
<p>For widely-held 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 chair 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>For widely-held companies, generally vote against the (re)election of any non-independent members of the audit committee if 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.</p> <p>Generally vote against the election or reelection of the non-independent member of the audit committee designated as chair 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 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.</p>

Rationale for Change:

This change harmonizes the approach to board elections/committee elections in markets that legally require employee representatives on their boards, regardless of the legal thresholds required in different countries.

Unequal Voting Rights

Current Social Advisory Services Policy:	New Social Advisory Services Policy:
<p>[None]</p>	<p><i>Accountability for Capital Structure with Unequal Voting Rights:</i></p> <p>For meetings held on or after Feb. 1, 2024, at widely-held companies, generally vote against directors or against the discharge of (non-executive) directors, if the company employs a stock structure with unequal voting rights¹. Vote recommendations will generally be directed against the nominees primarily responsible for, or benefiting from, the unequal vote structure.</p> <p>Exceptions to this policy will generally be limited to:</p> <ul style="list-style-type: none"> ▪ Newly-public companies² with a sunset provision of no more than seven years from the date of going public; ▪ Situations where the unequal voting rights are considered de minimis³; or ▪ The company provides sufficient protections for minority shareholders, for example such as allowing minority shareholders a regular binding vote on whether the capital structure should be maintained or a commitment to abolish the structure by the next AGM.
<p>Footnotes:</p>	<p>¹ This generally includes classes of common stock that have additional votes per share than other shares; classes of shares that are not entitled to vote on all the same ballot items or nominees; or stock with time-phased voting rights (“loyalty shares” or “double-voting” shares).</p> <p>² Newly-public companies generally include companies that emerge from bankruptcy, SPAC transactions, spin-offs, direct listings, and those who complete a traditional initial public offering.</p> <p>³ Distortion between voting and economic power does not exceed 10 percent, where this is calculated relative to the entire share capital for multiple share classes and on individual shareholder or concert level in case of loyalty share structures.</p>

Rationale for Change:

Since 2015, Social Advisory Services policy for the U.S. has been to recommend votes against directors of newly public companies that have certain poor governance provisions, such as multiple classes of stock with unequal voting rights. Starting in 2023, Social Advisory Services will recommend against directors at U.S. companies with unequal voting rights, irrespective of when they first became public companies.

From the Social Advisory Services Global Voting Principles, under the core tenet of Board Accountability, is the principle that “... shareholders’ voting rights should be proportional to their economic interest in the company; each share should have one vote.” This also aligns with the ICGN's Global Governance Principles (Principle 9).

Given a number of developments in Europe (particularly the introduction of new loyalty share structures in various European markets, alongside some existing long-standing loyalty share structures e.g., in Belgium, Italy, France, Netherlands, Spain), Social Advisory Services is revisiting its approach to board accountability in the context of unequal voting rights in Continental Europe and introducing a specific policy in this area and aim to harmonize policies on unequal voting rights, generally recognizing them as a poor governance feature, with some exceptions as noted in the policy.

We recognize that on the European continent, which consists of many different markets, many companies take different governance approaches and a variety of governance structures have historically been used. Whether through golden share structures, multiple share classes, or the increasing numbers of "loyalty" preferential voting structures, Europe has a large variety of structures that may be considered to treat shareholders unequally. However, some of these structures have been designed with positive governance intentions and may not be universally considered to treat shareholders unequally (e.g., loyalty voting structures are in theory open to all shareholders but due to practical reservations minority shareholders rarely apply to register). In addition, there are questions of whether the board is accountable for the continued existence of such structures in all instances, for example given that holders of special share classes must often approve the abolition of an existing structure.

Nevertheless, equal treatment of shareholders is a key tenet of good governance. Therefore Social Advisory Services International policy will generally hold boards accountable for the existence of arrangements that allow for unequal voting rights through recommendations against specific directors or against the discharge of (non-executive) directors.

Given the expected significant impact of this new policy, a one-year grace period will apply, with the policy starting for meetings on or after Feb. 1, 2024.

International Markets

Board Composition – Overboarding (Philippines)

Current Social Advisory Services Policy:	New Social Advisory Services Policy:
<p>Overboarding:</p> <p>For meetings on or after Feb. 1, 2023, for the Philippines, vote against the election of a board-nominated candidate who sits on more than a total of five (5) publicly-listed boards.</p>	<p>Social Advisory Services Recommendation: Vote against the election of a board-nominated candidate who sits on more than a total of five (5) publicly-listed boards.</p>
<p>Footnotes:</p>	

Rationale for Change:

The one-year transitional period has passed; the policy will now be in effect.

Classification of Directors – International Policy

Current Social Advisory Services Policy:	New Social Advisory Services Policy:
<p>Executive Director</p> <ul style="list-style-type: none"> ▪ Employee or executive of the company or a wholly-owned subsidiary of the company; ▪ Any director who is classified as a non-executive, but receives salary, fees, bonus, and/or other benefits that are in line with the highest-paid executives of the company. <p>Non-Independent Non-Executive Director (NED)</p> <ul style="list-style-type: none"> ▪ Any director who is attested by the board to be a non-independent NED; ▪ Any director specifically designated as a representative of a shareholder of the company; ▪ Any director who is also an employee or executive of a significant^[1] shareholder of the company; ▪ Any director who is also an employee or executive of a subsidiary, associate, joint venture, or company that is affiliated with a significant^[1] shareholder of the company; ▪ Any director who is nominated by a dissenting significant shareholder, unless there is a clear lack of material^[2] connection with the dissident, either currently or historically; ▪ Beneficial owner (direct or indirect) of at least 10 percent of the company's stock, either in economic terms or in voting rights (this may be aggregated if voting power is distributed among more than one member of a defined group, e.g., family members who beneficially own less than 10 percent individually, but collectively own more than 10 percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances); ▪ Government representative; ▪ Currently provides or has provided (or a relative^[3] provides) professional services^[4] to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in the latest fiscal year in excess of USD 10,000 per year; 	<p>Executive Director</p> <ul style="list-style-type: none"> ▪ Employee or executive of the company or a wholly-owned subsidiary of the company; ▪ Any director who is classified as a non-executive, but receives salary, fees, bonus, and/or other benefits that are in line with the highest-paid executives of the company. <p>Non-Independent Non-Executive Director (NED)</p> <ul style="list-style-type: none"> ▪ Any director who is attested by the board to be a non-independent NED; ▪ Any director specifically designated as a representative of a shareholder of the company; ▪ Any director who is also an employee or executive of a significant^[1] shareholder of the company; ▪ Any director who is also an employee or executive of a subsidiary, associate, joint venture, or company that is affiliated with a significant^[1] shareholder of the company; ▪ Any director who is nominated by a dissenting significant shareholder, unless there is a clear lack of material^[2] connection with the dissident, either currently or historically; ▪ Beneficial owner (direct or indirect) of at least 10 percent of the company's stock, either in economic terms or in voting rights (this may be aggregated if voting power is distributed among more than one member of a defined group, e.g., family members who beneficially own less than 10 percent individually, but collectively own more than 10 percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances); ▪ Government representative; ▪ Currently provides or has provided (or a relative^[3] provides) during the most recently concluded financial year under review professional services^[4] to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in excess of USD 10,000 per year;

- Represents customer, supplier, creditor, banker, or other entity with which the company maintains transactional/commercial relationship (unless company discloses information to apply a materiality test^[5]);
- Any director who has a conflicting relationship with the company, including but not limited to cross-directorships with executive directors or the chairman of the company;
- Relative^[3] of a current employee or executive of the company or its affiliates;
- Relative^[3] of a former employee or executive of the company or its affiliates;
- A new appointee elected other than by a formal process through the General Meeting (such as a contractual appointment by a substantial shareholder);
- Founder/co-founder/member of founding family but not currently an employee or executive;
- Former employee or executive (five-year cooling off period);
- Directors with a tenure exceeding nine years will be considered non-independent, unless the company provides sufficient and clear justification that the director is independent despite his long tenure.
- Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance.

Independent NED

- No material^[2] connection, either directly or indirectly, to the company (other than a board seat) or the dissenting significant shareholder.

Employee Representative

- Represents employees or employee shareholders of the company (classified as “employee representative” but considered a non-independent NED).

- Represents customer, supplier, creditor, banker, or other entity with which the company maintains transactional/commercial relationship (unless company discloses information to apply a materiality test^[5]);
- Any director who has a conflicting relationship with the company, including but not limited to cross-directorships with executive directors or the chairman of the company;
- Relative^[3] of a current employee or executive of the company or its affiliates;
- Relative^[3] of a former employee or executive of the company or its affiliates;
- A new appointee elected other than by a formal process through the General Meeting (such as a contractual appointment by a substantial shareholder);
- Founder/co-founder/ SPAC sponsors^[6]/member of founding family but not currently an employee or executive;
- Former employee or executive (five-year cooling off period);
- Directors with a tenure exceeding nine years will be considered non-independent, unless the company provides sufficient and clear justification that the director is independent despite his long tenure.
- Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance.

Independent NED

- No material^[2] connection, either directly or indirectly, to the company (other than a board seat) or the dissenting significant shareholder.

Employee Representative

- Represents employees or employee shareholders of the company (classified as “employee representative” but considered a non-independent NED).

Footnotes:

[1] At least 10 percent of the company's stock, unless market best practice dictates a lower ownership and/or disclosure threshold.

[2] For purposes of ISS' director independence classification, "material" will be defined as a standard of relationship financial, personal, or otherwise that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders.

[3] "Relative" follows the definition of "immediate family members" which covers spouses, parents, children, stepparents, step-children, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.

[4] Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship.

[5] A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company's turnover or 1 percent of the turnover of the company or organization with which the director is associated. OR, A business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is associated is more than 10 percent of the company's shareholder equity or the transaction value, (of all outstanding financing operations), compared to the company's total assets, is more than 5 percent.

Footnotes:

[1] At least 10 percent of the company's stock, unless market best practice dictates a lower ownership and/or disclosure threshold.

[2] For purposes of ISS' director independence classification, "material" will be defined as a standard of relationship financial, personal, or otherwise that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders.

[3] "Relative" follows the definition of "immediate family members" which covers spouses, parents, children, stepparents, step-children, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.

[4] Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship.

[5] A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company's turnover or 1 percent of the turnover of the company or organization with which the director is associated. OR, A business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is associated is more than 10 percent of the company's shareholder equity or the transaction value, (of all outstanding financing operations), compared to the company's total assets, is more than 5 percent.

[6] Depending how SPAC sponsors benefit from the transaction, a misalignment of sponsors and shareholders' interests may be characterized. Potential conflicts of interest could arise if sponsors benefit from share classes with special rights attached.

Rationale for Change:

Boards should be sufficiently independent to ensure that they are able and motivated to effectively supervise management's performance and remuneration, for the benefit of all shareholders. Any relationship that can potentially compromise director independence should be scrutinized. The update in the policy language is to provide clarification on how Social Advisory Services policy determines the classification of directors who have provided (or a relative provided) professional services to the company or its affiliates by specifying that the provision of services during the most recently concluded financial year under review will be the basis of director classification.

Classification of Directors — International Policy (SPAC Sponsors and Cooling-Off Period)

Current Social Advisory Services Policy:	New Social Advisory Services Policy:
<p>Executive Director</p> <ul style="list-style-type: none"> ▪ Employee or executive of the company; ▪ Any director who is classified as a non-executive, but receives salary, fees, bonus, and/or other benefits that are in line with the highest-paid executives of the company. <p>Non-Independent Non-Executive Director (NED)</p> <ul style="list-style-type: none"> ▪ Any director who is attested by the board to be a non-independent NED; ▪ Any director specifically designated as a representative of a significant shareholder of the company; ▪ Any director who is also an employee or executive of a significant shareholder of the company; ▪ Any director who is nominated by a dissenting significant shareholder unless there is a clear lack of material⁴ connection with the dissident, either currently or historically; ▪ Beneficial owner (direct or indirect) of at least 10 percent of the company's stock, either in economic terms or in voting rights (this may be aggregated if voting power is distributed among more than one member of a defined group, e.g., members of a family that beneficially own less than 10 percent individually, but collectively own more than 10 percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances); ▪ Government representative; ▪ Currently provides (or a relative¹ provides) professional services² to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in excess of \$10,000 per year; ▪ Represents customer, supplier, creditor, banker, or other entity with which the company maintains a transactional/commercial relationship (unless the company discloses information to apply a materiality test³); ▪ Any director who has cross-directorships with executive directors or those in comparable roles; ▪ Relative¹ of a current or former executive of the company or its affiliates; 	<p>Executive Director</p> <ul style="list-style-type: none"> ▪ Employee or executive of the company; ▪ Any director who is classified as a non-executive, but receives salary, fees, bonus, and/or other benefits that are in line with the highest-paid executives of the company. <p>Non-Independent Non-Executive Director (NED)</p> <ul style="list-style-type: none"> ▪ Any director who is attested by the board to be a non-independent NED; ▪ Any director specifically designated as a representative of a significant shareholder of the company; ▪ Any director who is also an employee or executive of a significant shareholder of the company; ▪ Any director who is nominated by a dissenting significant shareholder unless there is a clear lack of material^[4] connection with the dissident, either currently or historically; ▪ Beneficial owner (direct or indirect) of at least 10 percent of the company's stock, either in economic terms or in voting rights (this may be aggregated if voting power is distributed among more than one member of a defined group, e.g., members of a family that beneficially own less than 10 percent individually, but collectively own more than 10 percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances); ▪ Government representative; ▪ Currently provides (or a relative^[1] provides) professional services^[2] to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in excess of \$10,000 per year; ▪ Represents customer, supplier, creditor, banker, or other entity with which the company maintains a transactional/commercial relationship (unless the company discloses information to apply a materiality test^[3]); ▪ Any director who has cross-directorships with executive directors or those in comparable roles; ▪ Relative^[1] of a current or former executive of the company or its affiliates;

- A new appointee elected other than by a formal process through the general meeting (such as a contractual appointment by a substantial shareholder);
- Founder/co-founder/member of founding family but not currently an employee;
- Former executive (five-year cooling off period);
- Years of service^[6] is generally not a determining factor unless it is recommended best practice in a market and/or in extreme circumstances, in which case it may be considered.
- Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance.

Independent NED

- Not classified as non-independent by Social Advisory Services (see above);
- No material⁵ connection, either direct or indirect, to the company (other than a board seat) or to a significant shareholder.

Employee Representative

- Represents employees or employee shareholders of the company (classified as "employee representative" and considered a non-independent NED).

- A new appointee elected other than by a formal process through the general meeting (such as a contractual appointment by a substantial shareholder);
- Founder/co-founder/SPAC sponsors^[4]/member of founding family but not currently an employee;
- Former executive (five-year cooling off period)^[5];
- Years of service^[6] is generally not a determining factor unless it is recommended best practice in a market and/or in extreme circumstances, in which case it may be considered.
- Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance.

Independent NED

- Not classified as non-independent by Social Advisory Services (see above);
- No material^[7] connection, either direct or indirect, to the company (other than a board seat) or to a significant shareholder.

Employee Representative

- Represents employees or employee shareholders of the company (classified as "employee representative" and considered a non-independent NED).

Footnotes:

¹ “Relative” follows the definition of “immediate family members” which covers spouses, parents, children, stepparents, step-children, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.

² Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship.

³ A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company’s turnover or 1 percent of the turnover of the company or organization with which the director is associated; or

A business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is associated is more than 10 percent of the company’s shareholder equity or the transaction value (of all outstanding financing operations) compared to the company’s total assets is more than 5 percent.

⁴ For example, the EC recommendation 2005/162/EC’s definition of independence provides that in order to remain independent, a non-executive director shall have served on the [supervisory] board for no more than 12 years. For countries governed by ISS’ European policy, Social Advisory Services will follow the EC recommendation and apply stricter tenure limits where recommended by local corporate governance codes or established by local best practice.

⁵ For MEA markets, directors’ past services as statutory auditor/partner of the statutory audit firm will be taken into account, with cooling-off periods in accordance with local market best practice.

Footnotes:

¹ “Relative” follows the definition of “immediate family members” which covers spouses, parents, children, stepparents, step-children, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.

² Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship.

³ A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company’s turnover or 1 percent of the turnover of the company or organization with which the director is associated; OR a business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is associated is more than 10 percent of the company’s shareholder equity or the transaction value (of all outstanding financing operations) compared to the company’s total assets is more than 5 percent.

⁴ Depending how SPAC sponsors benefit from the transaction, a misalignment of sponsors and shareholders’ interests may be characterized. Potential conflicts of interest could arise if sponsors benefit from share classes with special rights attached.

⁵ For the purpose of calculating the cooling-off period, if a former executive joins the board without having completed a five-year cooling-off period, they will be classified as non-independent for the remainder of their tenure on the company’s board.

⁶ For example, the EC recommendation 2005/162/EC’s definition of independence provides that in order to remain independent, a non-executive director shall have served on the [supervisory] board for no more than 12 years. For countries governed by Social Advisory Services’ International policy, Social Advisory Services will follow the EC recommendation and apply stricter tenure limits where recommended by local corporate governance codes or established by local best practice.

⁷ For purposes of Social Advisory Services’ director independence classification, “material” will be defined as a standard of relationship (financial, personal, or otherwise) that a reasonable person might conclude could potentially influence one’s objectivity in the boardroom in a manner that would have a meaningful impact on an individual’s ability to satisfy requisite fiduciary standards on behalf of shareholders.

Rationale for Change:

Cooling-off period: This change harmonizes the approach to cooling-off for all Continental European markets, as well as clarify the methodology regarding how the cooling-off period is considered. Furthermore, a differentiation between soft and hard approaches to cooling-off for different executive directors is no longer deemed appropriate, considering current best practices.

SPAC sponsor: In the context of the initial business combination of a SPAC, sponsors of the SPAC can be proposed for election to the board of directors. Given the nature of SPACs, a misalignment of sponsors' and shareholders' interests may arise due to sponsors' holding a special class of shares with specific rights attached.

Capital Structure

Share Issuance Requests

General Issuances – Hong Kong

Current Social Advisory Services Policy:	New Social Advisory Services Policy:
<p>General Recommendation: Generally vote for the general share issuance mandate for companies that:</p> <ul style="list-style-type: none"> ▪ Limit the issuance request to 10 percent or less of the relevant class of issued share capital; ▪ Limit the discount to 10 percent of the market price of shares (rather than the maximum 20 percent permitted by the Listing Rules); and ▪ Have no history of renewing the general issuance mandate several times within a period of one year which may result in the share issuance limit exceeding 10 percent of the relevant class of issued share capital within the 12-month period. 	<p>General Recommendation: Generally vote for the general share issuance mandate for companies that:</p> <ul style="list-style-type: none"> ▪ Limit the request to 10 percent or less of the relevant class of issued share capital for issuance for cash and non-cash consideration; ▪ Limit the discount to 10 percent of the market price of shares (rather than the maximum 20 percent permitted by the Listing Rules) for issuance for cash and non-cash consideration; and ▪ Have no history of renewing the general issuance mandate several times within a period of one year which may result in the share issuance limit exceeding 10 percent of the relevant class of issued share capital for issuance for cash and non-cash consideration within the 12-month period.

Rationale for Change:

Most Hong Kong companies ask shareholders to grant the board of directors a "general mandate to issue shares" without preemptive rights, at least once every year. Under the Hong Kong Listing Rules, companies are allowed to issue shares up to 20 percent of the number of issued shares as of the date of the resolution granting the general mandate and at a discount to market prices of up to 20 percent (or more under special circumstances). In addition, the regulation provides that the number of shares repurchased by the company since the granting of the general mandate (up to a maximum number of 10 percent of the number of issued shares as of the date of the approval of the repurchase mandate which is also normally proposed concurrent with the share issuance mandate), can also be added to the aforementioned 20 percent general share issuance mandate, provided that the existing shareholders have by a separate ordinary resolution authorized the directors to add such repurchased shares to

the 20 percent general share issuance mandate. This "share reissuance mandate" would extend the number of shares that may be issued without preemptive rights to up to 30 percent.

While most companies propose a general mandate to issue shares: (i) with an issuance limit of up to 20 percent or up to 30 percent if a share reissuance mandate is also proposed; and (ii) at a discount limit that is normally not disclosed, some companies provide a lower sublimit and a discount limit in the case of issue of new shares solely for cash consideration. This update clarifies that the share issuance limit of 10 percent and the discount limit of 10 percent applies for issue of new shares for both cash and non-cash consideration.

General Issuances – UK & Ireland

Current Social Advisory Services Policy:	New Social Advisory Services Policy:
<p>General Recommendation: Generally vote for a resolution to authorise the issuance of equity, unless:</p> <ul style="list-style-type: none"> ▪ The general issuance authority exceeds one-third (33 percent) of the issued share capital. Assuming it is no more than one-third, a further one-third of the issued share capital may also be applied to a fully pre-emptive rights issue taking the acceptable aggregate authority to two-thirds (66 percent); or ▪ The routine authority to disapply pre-emption rights exceeds 10 percent of the issued share capital, provided that any amount above 5 percent is to be used for the purposes of an acquisition or a specified capital investment. 	<p>General Recommendation: Generally vote for a resolution to authorise the issuance of equity, unless:</p> <ul style="list-style-type: none"> ▪ The general issuance authority exceeds one-third (33 percent) of the issued share capital. Assuming it is no more than one-third, a further one-third of the issued share capital may also be applied to a fully pre-emptive rights issue taking the acceptable aggregate authority to two-thirds (66 percent); or ▪ The routine authority to disapply pre-emption rights exceeds 20 percent of the issued share capital, provided that any amount above 10 percent is to be used for the purposes of an acquisition or a specified capital investment. For the general disapplication authority and specific disapplication authority, a further disapplication of up to 2 percent may be used for each authority for the purposes of a follow-on offer. <p>Social Advisory Services will generally support resolutions seeking authorities in line with the Investment Association's Share Capital Management Guidelines and the Pre-Emption Group Statement of Principles⁷. Social Advisory Services will support an authority to allot up to two-thirds of the existing issued share capital, providing that any amount in excess of one-third of existing issued shares would be applied to fully pre-emptive rights issues only.</p> <p>Under the Pre-Emption Group Principles, companies can seek shareholder approval for a general authority of up to 10 percent, of issued ordinary share capital (with a further authority of no more than 2 percent to be used only for the purposes of making a follow-on offer); and a further 10 percent authority to be used only for purposes of an acquisition or a specified capital investment</p>

	<p>(with a further authority for no more than 2 percent to be used only for the purposes of making a follow-on offer).</p> <p>A company which receives approval for an authority of this nature but is then subsequently viewed as abusing the authority in a manner not in line with Pre-emption Group Principles – for example, by issuing shares up to 10 percent for purposes other than set out in the guidelines or by using a cash-box structure⁸ to issue more than the authority approved at the previous AGM – is likely to receive a negative recommendation on the share issuance authorities at the following AGM.</p> <p>In line with the Pensions and Lifetime Savings Association guidelines, the authority to issue shares and the authority to disapply pre-emption rights should not be bundled together, or with any other voting issue.</p> <p>It is good practice, in terms of duration, for the authorities to last no more than 15 months or until the next AGM, whichever is the shorter period.</p>
<p>Footnotes:</p>	<p>⁷ https://www.frc.org.uk/getattachment/cd763f78-d306-43bf-99f7-7fb282200c4d/PEG_Statement-of-Principles.pdf</p> <p>⁸ A "cash box" structure refers to a method of raising cash from the issue of equity securities for non-cash consideration through the acquisition of a special purpose vehicle whose principal asset is cash.</p>

Rationale for Change:

In July 2022, a review of the UK's secondary capital raising regime ([the Secondary Capital Raising Review](#) (the "SCRR")) was published, setting out a number of recommendations to reform and update the UK's secondary capital raising regime. The SCRR was launched as a result of the recommendations contained in Lord Hill's [UK Listing Review](#), published in March 2021. The objectives of the SCRR are to make the UK's regulatory regime more flexible, more efficient, and cheaper, while increasing participation by retail investors in secondary capital raisings.

On 4th November 2022, the Financial Reporting Council (FRC) [issued a statement](#) on behalf of the Pre-Emption Group (PEG), that the PEG would be implementing in full the recommendations of SCRR. The statement includes an updated version of the PEG's [Statement of Principles](#) and [template resolutions](#).

The SCRR was also [supported by the FCA](#), in a statement released on the publication of the SCRR. In particular, it noted the following:

We also welcome the recommendation accepted by the Pre-Emption Group (PEG) to enhance its governance and provide new guidance on when shareholders are likely to accept companies raising further capital without observing full pre-emption rights. In making these forthcoming changes, PEG – which is an industry body comprised of listed companies, investors and intermediaries – has carefully considered how to balance enabling access to capital for companies with adequate investor protections.

Acknowledging that the existing International Proxy Voting Guidelines have previously incorporated the PEG's 2015 Statement of Principles – which is widely recognized as representing best market practice – it is recommended that the Social Advisory Services guidelines are updated to reflect the PEG's updated Statement of Principles.

The primary change introduced in the PEG's 2022 Statement of Principles is the expansion of the existing disapplication authorities from the existing 5% + 5% authority (a general authority to issue up to 5% of issued share capital, with a further 5% authority for the purposes of financing an acquisition of a specified capital investment) to a 10% + 10% authority. It should be noted that the PEG temporarily relaxed its guidelines during the pandemic in 2020 to enable issues of up to 20% of shares, which was reported to have been well-received by the market, giving issuers increased flexibility.

In addition to the 10% + 10% guidelines, a further 2% of issued share capital may be issued for each the general disapplication authority and specific disapplication authority for the purposes of a follow-on offer. This is designed to give due consideration to the interests of retail shareholders and encourage their involvement in the offer as fully as possible. Any follow-on offer is limited to no more than 20% of the size of the placing, with a monetary cap of GBP 30,000 per investor.

Share Repurchase Plans

Current Social Advisory Services Policy:	New Social Advisory Services Policy:
<p>General Recommendation: Generally, vote 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 ▪ A duration of no more than five 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. Social Advisory Services 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 ▪ A duration of no more than 18 months. <p>In markets where it is normal practice not to provide a repurchase limit, evaluate the proposal based on the company's historical practice. However, companies should disclose such limits and, in the future, a vote against may be warranted at 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 ▪ A duration of no more than 18 months. <p>In addition, vote 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; and/or 	<p>General Recommendation: Generally, vote 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") (where information is disclosed); and ▪ A duration of no more than 18 months. <p>Authorities to repurchase shares in excess of the 10 percent repurchase limit will be assessed on a case-by-case basis. Such share repurchase authorities under special circumstances, which are required to be publicly disclosed by the company, may be supported 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 ▪ A duration of no more than 18 months. <p>In addition, vote 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 of similar authorities; ▪ There is no safeguard against selective buybacks; and/or ▪ Pricing provisions and safeguards are deemed to be unreasonable in light of market practice.

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| <ul style="list-style-type: none">▪ Pricing provisions and safeguards are deemed to be unreasonable in light of market practice. | |
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Rationale for Change:

In Sub-Saharan African (SSA) markets such as Botswana, Ghana, Kenya, Namibia, Nigeria and Zimbabwe, companies regularly submit general authorizations for market share repurchase plans for shareholders' approval on annual general meetings. Currently, the policy guidelines regarding SSA markets support the approval of market repurchase authorities if they comply with a repurchase limit of up to 10 percent of the outstanding issued share capital which is an established SSA market practice. If an authorization that exceeds a 10 percent limit is proposed yet remains in line with the local laws and regulations such as in Botswana, Ghana, Nigeria, and Zimbabwe, it is assessed on a case-by-case basis.

The updated policy amends the duration of a repurchase authorization from five years to 18 months since the five-year duration does not apply to SSA markets: SSA market practices do not exceed a duration of 18 months and SSA laws and regulations stipulate a duration until the next AGM or of 18 months (except for Nigeria where it extends to two years, yet this market is unlikely to be impacted by this change given that Nigerian companies rarely propose share repurchase plans). Moreover, disclosure by SSA companies on the percentage of their share capital held as treasury shares is neither a current market practice, nor stipulated by most SSA laws and regulations, thereby the policy clarifies that a holding limit of 10 percent of the share capital held in treasury shares applies where information is disclosed.

The new policy provides for a more consistent and codified assessment of SSA share repurchase plans.

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