



PROPOSED ISS BENCHMARK POLICY CHANGES FOR 2022



Request for Comments

Comment Period: November 4, 2021 through November 16, 2021

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INTRODUCTION

Institutional Shareholder Services announces the launch of our benchmark voting policy comment period on proposed changes. The comment period will be open from November 4, 9:00 a.m. through 5:00 p.m. ET on November 16, 2021. ISS invites views from all interested market constituents on 16 proposed voting policy changes for 2022 and beyond, across a number of different regional and market policies.

To ensure ISS benchmark voting policy changes take into consideration a broad range of perspectives, including the views of institutional investors globally and those of the broader corporate governance community, ISS gathers input each year from institutional investors, companies, and other market constituents through a variety of channels and mediums. Following the recent release of the results of our [2021 Global Benchmark Policy and Climate Surveys](#), we now make available for public comment a number of proposed changes to ISS' benchmark voting policies for 2022.

Comments received will be considered as we finalize the updates. We expect to announce the final benchmark policy changes by or around the end of November 2021. The revised policies will be applied for shareholder meetings taking place on or after Feb 1, 2022, except where otherwise noted for later implementation.

To submit comments, please send via email to policy@issgovernance.com. Please indicate your name and organization in your submission.

All comments received may be published on our website, unless otherwise requested in the body of the email submission.

Key Proposed Policy Changes- Summary

Board Diversity

Board diversity remains an important issue for many investors, and ISS is proposing policy changes in a number of areas related to diversity.

On board gender diversity, changes are proposed expanding the coverage of board gender diversity policies in several markets. For the Canadian Benchmark policy, ISS proposes to expand the board gender diversity policy requiring at least one woman on the board to most Canadian listed companies for 2022. After a one-year grace period, for meetings on or after Feb 1st, 2023, U.S. Benchmark policy is also proposed to expand to apply the expectation of at least one woman on the board to companies beyond the current policy universe of the Russell 3000 and S&P 1500 indices to most listed U.S. companies. A change is also proposed for ISS Japanese Benchmark policy, introducing a board gender diversity policy of at least one woman on the board starting in 2023; this will apply regardless of which board structure the company has adopted, after the one-year grace period.

On racial and ethnic board diversity, the policy announced last year for U.S. companies in the Russell 3000 and S&P 1500 indices to have at least one racially/ethnically diverse director will go into effect in 2022 after the one-year grace period in 2021. For UK & Ireland Benchmark policy, the proposed changes are to phase in from 2022 an expectation that boards will have at least one director from an ethnic minority background. The policy is proposed to apply from 2022 for FTSE 100 companies, with the expectation extending to most other UK companies by 2024, reflecting (and extending for companies outside the FTSE 100 and FTSE 250 indices) the recommendations of the Parker Review.

Three board diversity policies were announced last year with a grace period of one year, and those changes will go into effect for the following markets for 2022: as noted above, in the U.S., large companies will be expected to have at least one racially/ethnically diverse director; in Latin America, large companies will be expected to have at least one woman on the board, and in Canada large companies will be expected to have at least 30 percent women on the board.

Board Accountability – Unequal voting rights

When ISS implemented its original U.S. policy on unequal voting rights in 2015, the attention was on addressing investor concerns with newly-public companies that adopted unequal voting rights without a sunset mechanism. Therefore, companies with an unequal voting rights structure whose first shareholder meeting was prior to 2015 were exempted from the new policy at that time. ISS is now proposing to remove the differential policy application that arose from that grandfathering and – after a year’s grace period in 2022 – to begin in 2023 recommending against the responsible director/s at all U.S. companies with unequal voting rights.

Board and Other Governance Structure Elections

Since the implementation of the remote voting card in 2017, the agenda of Brazilian shareholder meetings include procedural questions that allow for minority shareholders to exercise certain rights granted by Brazilian Corporate law. Among them are requests for the installation of a fiscal council and for separate elections for minority shareholders to elect representatives to the company’s board and fiscal council (one for each class of shares), without the participation of the controlling shareholders. While in the early years of the adoption of the remote voting card, lack of timely disclosure of minority nominees to the board and fiscal council was commonly seen, market practice has improved, and the lack of such timely disclosure is now considered the exception. As such, ISS proposes to update the Brazilian Benchmark policy to reflect an expectation of timely disclosure.

In Saudi Arabia, it is common market practice to appoint external, non-director members to the audit committee. ISS is now proposing to extend its policy on independence of the audit committee to such external members.

The Shariah Supervisory Board is a body that oversees compliance of a company’s operations with the rules and principles of Shariah law. In all Middle Eastern markets where Shariah Supervisory Boards exist, ISS is proposing establishing the expectation that names of the members of Shariah Supervisory Boards be disclosed to shareholders in a timely manner.

Climate – Board accountability

Climate change and climate-related risks are now among the most critical topics for many investors, and this area has developed significantly in the last year. Proposed ISS Benchmark policy changes for 2022 will include the assessment of and focus on the world’s highest greenhouse gas (GHG) emitting companies, and will add new policy provisions for both shareholder and management proposals related to “say on climate” votes.

For the highest GHG emitting companies, ISS is proposing a new climate-related board accountability policy in several major markets, based on widely-held investor expectations of the steps that should be taken by these companies to assess, mitigate, and report on their climate change risks and targets. For ISS Benchmark policies for the U.S., UK & Ireland, Continental Europe, and Russia & Kazakhstan, for the highest emitting companies, ISS is proposing to introduce recommendations to vote against the re-election of relevant directors or any other appropriate items at companies that have not made appropriate climate-related disclosures, such as according to the TCFD framework, or that have not set quantitative GHG reduction targets. The proposed vote recommendation targeting differs by market and region to apply

appropriate targeting of recommendations. In all markets, additional information will be provided in ISS' Benchmark research reports on high emitting companies' climate-related disclosures and GHG reduction targets, where the information is available.

Climate – “Say on Climate” voting

Because of the increases in management proposals seeking approval of climate transition plans and progress, and of shareholder proposals requesting climate reporting and, often, regular shareholder votes on companies' climate transition plans and progress, ISS is proposing new policies codifying the case-by-case analysis frameworks for these items. In analyzing a management-offered climate transition plan (or similar) presented for shareholder approval, ISS will assess the completeness and rigor of the plan in coming to a case-by-case determination and voting recommendation. The policy lays out a number of the key criteria that will be taken into account in the assessment, including the quality of disclosures, the rigor of targets, whether targets are science-based, external verification, and a range of other information. For shareholder proposals requesting such “say on climate” votes including potential other climate-related actions, ISS will analyze each request on a case-by-case basis, taking into account the details of the request and the company's current climate-related disclosures and performance.

Compensation

In order to align with recommendations from the Canadian Coalition for Good Governance, a change is proposed for Canadian Benchmark policy to raise the support threshold that triggers a responsiveness analysis on a company's Management Say on Pay proposal from 70 to 80 percent support; meaning that say on pay proposals that receive the support of less than 80 percent of votes cast will trigger a responsiveness analysis the following year.

In Europe, in response to changes in regulation as part of SRD II, many EU companies have included broad language allowing derogations (deviations) from their stated remuneration policies without clear definitions and limits about when the derogations may apply. According to SRD II, derogations should only be permissible in exceptional circumstances, that is in situations in which the derogation from the remuneration policy is necessary to serve the long-term interests and sustainability of the company as a whole or to ensure its viability. Therefore, we are proposing a policy change to Continental European Benchmark policy to take into account the extent to which a company provides sufficiently clear limits to its derogation policy in analyzing the quality of the executive remuneration disclosure.

Non-financial ESG-related metrics are now seen more frequently in compensation plans, and changes are proposed to the Continental European and the UK & Ireland benchmark policies to add language clarifying that the relevance and stringency of non-financial ESG metrics in compensation plans will be assessed similarly to financial metrics.

Full details of all these proposed changes are shown under the respective topics and policies below.

ISS welcomes comments for all proposed policy changes on the following questions. Some proposed policy changes also have topic-specific additional questions noted below, which we also welcome feedback on.

-  **Question:** Do you support the proposed policy change?
-  **Question:** Do you have any concerns with the proposed policy change?

- ▷ **Question:** If the proposed change contemplates ISS adverse vote recommendations, are they targeted appropriately?
- ▷ **Question:** If the proposed change contemplates ISS adverse vote recommendations, are the appropriate mitigating factors being considered?
- ▷ **Question:** If the proposed change includes a transition period for the implementation of a policy, is it about right, too short or too long?
- ▷ **Question:** If the proposed change applies to a particular set of companies, is the proposed coverage universe appropriate?
- ▷ **Question:** Are there any other factors that ISS should consider when contemplating the proposed policy change?

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Director Elections Board Diversity

1. United States – Gender Diversity

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>Gender Diversity: For companies in the Russell 3000 or S&P 1500 indices, generally vote against or withhold from the chair of the nominating committee (or other directors on a case-by-case basis) at companies where there are no women on the company's board. An exception will be made if there was a woman on the board at the preceding annual meeting and the board makes a firm commitment to return to a gender-diverse status within a year.</p> <p>This policy will also apply for companies not in the Russell 3000 and S&P1500 indices, effective for meetings on or after Feb. 1, 2023.</p>	<p>Gender Diversity: For companies in the Russell 3000 or S&P 1500 indices, generally vote against or withhold from the chair of the nominating committee (or other directors on a case-by-case basis) at companies where there are no women on the company's board. An exception will be made if there was a woman on the board at the preceding annual meeting and the board makes a firm commitment to return to a gender-diverse status within a year.</p> <p>This policy will also apply for companies not in the Russell 3000 and S&P1500 indices, effective for meetings on or after Feb. 1, 2023.</p>

Rationale for Proposed Change:

Following ISS' adoption of a U.S. board gender diversity policy in 2019, which went into effect in February 2020 for companies in the Russell 3000 or S&P 1500 indices, many investors have continued to express an interest in seeing increased levels of gender diversity on corporate boards, citing reasons of equality, improved company performance and good corporate governance. Based on institutional investor feedback during roundtable discussions in 2021, investors indicated a strong preference to extend ISS' board gender diversity policy to all companies covered under the U.S. Policy. In addition to client feedback, increased disclosure requirements and minimum diversity standards for most companies listed on the NASDAQ show continued engagement and increased minimum expectations from the wider market on this topic¹. This policy change will align U.S. benchmark policy with client and market expectations on gender diversity.

Specific questions for this proposed change (in addition to the general questions for all proposed changes as set out in the introduction):

- ▶ Should board size be a consideration? For example, the similar proposed policy for Canada exempts boards with four or fewer directors. Should the U.S. policy similarly include a board size exemption, and if so, what is the appropriate board size?
- ▶ Are there other exemptions that should apply?

¹ <https://listingcenter.nasdaq.com/assets/Board%20Diversity%20Disclosure%20Five%20Things.pdf>

2. Canada – Gender Diversity

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: For S&P/TSX Composite Index companies, effective February 2022, 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, and:</p> <ul style="list-style-type: none"> ▪ wWomen comprise less than 30% of the board of directors; and ▪ The company has not disclosed a formal written gender diversity policy²; or ▪ The companys has not provided a formal, publicly-disclosed written commitment formal written gender diversity policy does not include a commitment to achieve at least 30% women on the board at or prior to the next AGM-over a reasonable timeframe. <p>The gender diversity policy should include an explicit percentage or numerical target for women's representation that is at least 30% of the board. Where such target has not been attained, a reasonable timeframe should be provided under which the company commits to achieving a representation of at least 30%.</p> <p>For widely held TSX companies³ which are not also S&P/TSX Composite Index constituents, generally vote withhold for the Chair of the Nominating Committee or Chair of the committee designated with the responsibility of a nominating committee, or Chair of the board of directors if no nominating committee has been identified or no chair of such committee has been identified, where:</p> <ul style="list-style-type: none"> ▪ The company has not disclosed a formal written gender diversity policy²; and ▪ There are zero women on the board. 	<p>General Recommendation: For S&P/TSX Composite Index companies, generally vote withhold for the Chair of the Nominating Committee or Chair of the committee designated with the responsibility of a nominating committee, or Chair of the board of directors if no nominating committee has been identified or no chair of such committee has been identified, and:</p> <ul style="list-style-type: none"> ▪ Women comprise less than 30% of the board of directors; and ▪ The company has not provided a formal, publicly-disclosed written commitment to achieve at least 30% women on the board at or prior to the next AGM. <p>For TSX companies which are not also S&P/TSX Composite Index constituents, generally vote withhold for the Chair of the Nominating Committee or Chair of the committee designated with the responsibility of a nominating committee, or Chair of the board of directors if no nominating committee has been identified or no chair of such committee has been identified, where:</p> <ul style="list-style-type: none"> ▪ The company has not disclosed a formal written gender diversity policy²; and ▪ There are zero women on the board.

² Per NI 58-101 and Form 58-101F1, the issuer should disclose whether it has adopted a written policy relating to the identification and nomination of women directors. The policy, if adopted, should provide a short summary of its objectives and key provisions; describe the measures taken to ensure that the policy has been effectively implemented; disclose annual and cumulative progress by the issuer in achieving the objectives of the policy, and whether and, if so, how the board or its nominating committee measures the effectiveness of the policy.

³ ~~"Widely held" refers to S&P/TSX Composite Index companies as well as other companies that ISS designates as such based on the number of ISS clients holding securities of the company.~~

<p>Evaluate on a case-by-case basis whether withhold recommendations are warranted for additional directors at companies that fail to meet the above policy that would apply to their respective constituent group over two years or more.</p> <p>The gender diversity policy should include a clear commitment to increase board gender diversity. Boilerplate or contradictory language may result in withhold recommendations for directors.</p> <p>The gender diversity policy should include measurable goals and/or targets denoting a firm commitment to increasing board gender diversity within a reasonable period of time at or prior to the next AGM.</p> <p>Non-S&P/TSX Composite Exemptions:</p> <p>This policy will not apply to:</p> <ul style="list-style-type: none"> ▪ Newly-publicly-listed companies within the current or prior fiscal year; ▪ Companies that have transitioned from the TSXV within the current or prior fiscal year; or ▪ Companies with four or fewer directors. 	<p>Evaluate on a case-by-case basis whether withhold recommendations are warranted for additional directors at companies that fail to meet the above policy that would apply to their respective constituent group over two years or more.</p> <p>The gender diversity policy should include a clear commitment to increase board gender diversity. Boilerplate or contradictory language may result in withhold recommendations for directors.</p> <p>The gender diversity policy should include measurable goals and/or targets denoting a firm commitment to increasing board gender diversity at or prior to the next AGM.</p> <p>Non-S&P/TSX Composite Exemptions:</p> <p>This policy will not apply to:</p> <ul style="list-style-type: none"> ▪ Newly-publicly-listed companies within the current or prior fiscal year; ▪ Companies that have transitioned from the TSXV within the current or prior fiscal year; or ▪ Companies with four or fewer directors.
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Rationale for Proposed Change:

Gender diversity has remained a high profile corporate governance issue in the Canadian market. Effective Dec. 31, 2014, as per National Instrument 58-101 Disclosure of Corporate Governance Practices, TSX-listed issuers are required to provide proxy disclosures regarding whether, and if so how, the board or nominating committee considers the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board. Also required is disclosure of policies or targets, if any, regarding the representation of women on the board. The disclosure requirement has been a catalyst for the addition of women to the boards of many TSX-listed reporting issuers. ISS' Gender Diversity Policy was first introduced in Canada in 2018. It initially targeted the S&P/TSX Composite Index companies and required them to disclose a formal written gender diversity policy or have at least one woman on the board of directors. The policy was then expanded in 2019 to include all widely-held companies. "Widely-held" refers to S&P/TSX Composite Index companies as well as other companies that ISS designates as such based on the number of ISS clients holding securities of the company. Based on most recent ISS data, TSX-listed company boards having no female directors now appear to be outliers. As such, the gender diversity policy for widely-held non-S&P/TSX Composite Index companies is being expanded to include the entire TSX-listed universe.

In addition, the policy requiring S&P/TSX Composite Index companies to have at least 30 percent women directors on the board will come into effect in 2022 after a one year grace period. Companies that have made a clear commitment to achieve the 30 percent target at or prior to the company's next AGM will be seen as meeting the expectations of the new policy.

3. Japan – Gender Diversity

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: ISS has three policies for director elections in Japan: one for companies with a statutory auditor board structure, one for companies with a U.S.-type three committee structure, and one for companies with a board with audit committee structure⁴.</p> <p>1. At companies with a statutory auditor structure: vote for the election of directors, except:</p> <ul style="list-style-type: none"> ▪ Top executive(s)⁵ at a company that has underperformed in terms of capital efficiency (i.e., when the company has posted average return on equity (ROE) of less than five percent over the last five fiscal years)⁶, unless an improvement⁷ is observed; ▪ For meetings on or after Feb. 1, 2022, Top executive(s) at a company that allocates a significant portion (20 percent or more) of its net assets to cross-shareholdings⁸; ▪ Top executive(s) if the board, after the shareholder meeting, will not include at least two outside directors, and, for meetings on or after Feb. 1, 2022, at least one-third of the board members will not be outside directors; 	<p>General Recommendation: ISS has three policies for director elections in Japan: one for companies with a statutory auditor board structure, one for companies with a U.S.-type three committee structure, and one for companies with a board with audit committee structure⁴.</p> <p>1. At companies with a statutory auditor structure: vote for the election of directors, except:</p> <ul style="list-style-type: none"> ▪ Top executive(s)⁵ at a company that has underperformed in terms of capital efficiency (i.e., when the company has posted average return on equity (ROE) of less than five percent over the last five fiscal years)⁶, unless an improvement⁷ is observed; ▪ Top executive(s) at a company that allocates a significant portion (20 percent or more) of its net assets to cross-shareholdings⁸; ▪ Top executive(s) if the board, after the shareholder meeting, will not include at least two outside directors, and at least one-third of the board members will not be outside directors;

⁴ The director election policy for companies with a board with audit committee structure will be applied to the election of executive directors (applying the policy for inside directors who are not audit committee members) and supervisory directors (applying the policy for outside directors who are audit committee members) at real estate investment trusts (REITs), to the extent that the information necessary to apply the policy is disclosed.

⁵ In most cases, the top executive will be the “shacho” (president). However, there are companies where the decision-making authority also rests with the “kaicho” (chairman of the company) or “daihyo torishimariyaku” (representative director).

⁶ Exceptions may be considered for cases such as where the top executive has newly joined the company in connection with a bailout or restructuring. This policy will not be applied to companies which have been public for less than five years.

⁷ Improvement is defined as ROE of five percent or greater for the most recent fiscal year.

⁸ Exceptions may be considered for cases such as where the top executive has newly joined the company in connection with a bailout or restructuring.

<ul style="list-style-type: none"> ▪ For meetings on or after Feb. 1, 2023, top executive(s) if the board, after the shareholder meeting, will not include at least one female director; ▪ Top executive(s) at a company that has a controlling shareholder, unless the board, after the shareholder meeting, will include at least two independent directors and at least one-third of the board members will be independent directors based on ISS independence criteria for Japan; ▪ An outside director nominee who attended less than 75 percent of board meetings during the year under review⁹; or ▪ Top executive(s) who are responsible for not implementing a shareholder proposal which has received a majority¹⁰ of votes cast, or not putting a similar proposal on the ballot as a management proposal the following year (with a management recommendation of for), when that proposal is deemed to be in the interest of independent shareholders. <p><i>[Note: Additional guidelines are applied for companies with a U.S.-type three committee structure and companies with a board with audit committee structure, respectively. However, as the policy change on gender diversity applies to all companies regardless of governance structure, the additional guidelines are not shown here.]</i></p>	<ul style="list-style-type: none"> ▪ For meetings on or after Feb. 1, 2023, top executive(s) if the board, after the shareholder meeting, will not include at least one female director; ▪ Top executive(s) at a company that has a controlling shareholder, unless the board, after the shareholder meeting, will include at least two independent directors and at least one-third of the board members will be independent directors based on ISS independence criteria for Japan; ▪ An outside director nominee who attended less than 75 percent of board meetings during the year under review⁹; or ▪ Top executive(s) who are responsible for not implementing a shareholder proposal which has received a majority¹⁰ of votes cast, or not putting a similar proposal on the ballot as a management proposal the following year (with a management recommendation of for), when that proposal is deemed to be in the interest of independent shareholders. <p><i>[Note: Additional guidelines are applied for companies with a U.S.-type three committee structure and companies with a board with audit committee structure, respectively. However, as the policy change on gender diversity applies to all companies regardless of governance structure, the additional guidelines are not shown here.]</i></p>
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Rationale for Proposed Change:

As gender diversity is becoming an important matter in Japan, more Japanese companies are adding female directors to the board. The number of boards with at least one female director rose to 53.1 percent as of June 2021, up from 26 percent in 2016. On the part of shareholders, board gender diversity is increasingly recognized as a key element. Seven out of the 10 largest global asset management firms (in terms of AUM) have already introduced guidelines factoring in female director representation in their voting policies for Japanese companies. In policy development discussions with investors, ISS generally received positive feedback for introducing a new ISS Japan policy factoring in female director representation. To allow companies sufficient time to recruit qualified candidates, a one-year transition period will apply.

Specific questions for this proposed change (in addition to the general questions for all proposed changes as set out in the introduction):

➤ Should the policy be applied to all Japanese companies? If not, please specify what criteria should be used to exempt companies from the policy.

⁹ The attendance of inside directors is not disclosed in Japan. For companies with a three-committee structure and companies with an audit committee structure, ISS will require attendance of 75 percent or more of audit committee meetings as well as 75 percent or more of board meetings.

¹⁰ Many Japanese shareholder proposals are submitted as article amendments, which require supermajority support in order to pass.

4. UK and Ireland – Gender and Ethnic Board Diversity

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>Gender Diversity Board Diversity</p> <p>The 2018 UK Corporate Governance Code notes that both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.</p> <p>Gender Diversity</p> <p>ISS will generally recommend against the chair of the nomination committee (or other directors on a case-by-case basis) in the following cases:</p> <ul style="list-style-type: none"> ▪ The company is a constituent of the FTSE 350 (excluding investment companies) and the board does not comprise at least 33 percent representation of women, in line with the recommendation of the Hampton-Alexander Review. ▪ The company (excluding investment companies) is a constituent of any of the following, and there is not at least one woman on the board: <ul style="list-style-type: none"> ▪ FTSE SmallCap; ▪ ISEQ 20; ▪ Listed on the AIM with a market capitalisation of over GBP 500 million. <p>Mitigating factors include:</p> <ul style="list-style-type: none"> ▪ Compliance with the relevant board diversity standard at the preceding AGM and a firm commitment, publicly available, to comply with the relevant standard within a year. In 2021 only, for FTSE 350 constituents, a public commitment to bring the composition of the board in line with the recommendations of the Hampton-Alexander Review by the following AGM will not result in a negative recommendation, regardless of the previous composition of the board. ▪ Other relevant factors as applicable. 	<p>Board Diversity</p> <p>The 2018 UK Corporate Governance Code notes that both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.</p> <p>Gender Diversity</p> <p>ISS will generally recommend against the chair of the nomination committee (or other directors on a case-by-case basis) in the following cases:</p> <ul style="list-style-type: none"> ▪ The company is a constituent of the FTSE 350 (excluding investment companies) and the board does not comprise at least 33 percent representation of women, in line with the recommendation of the Hampton-Alexander Review. ▪ The company (excluding investment companies) is a constituent of any of the following, and there is not at least one woman on the board: <ul style="list-style-type: none"> ▪ FTSE SmallCap; ▪ ISEQ 20; ▪ Listed on the AIM with a market capitalisation of over GBP 500 million. <p>Mitigating factors include:</p> <ul style="list-style-type: none"> ▪ Compliance with the relevant board diversity standard at the preceding AGM and a firm commitment, publicly available, to comply with the relevant standard within a year. ▪ Other relevant factors as applicable.

<p>Ethnic Diversity</p> <p>ISS will generally recommend against the chair of the nomination committee (or other directors on a case-by-case basis) if the company is a constituent of the FTSE 100 index (excluding investment companies) and has not appointed at least one individual from an ethnic minority background to the board.</p> <p>Furthermore, there is an expectation for constituents of the following indices (excluding investment companies) to appoint at least one individual from an ethnic minority background to the board by 2024:</p> <ul style="list-style-type: none"> ▪ FTSE 250 index; ▪ FTSE SmallCap; ▪ ISEQ 20; ▪ Listed on the AIM with a market capitalisation of over GBP 500 million. <p>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.</p>	<p>Ethnic Diversity</p> <p>ISS will generally recommend against the chair of the nomination committee (or other directors on a case-by-case basis) if the company is a constituent of the FTSE 100 index (excluding investment companies) and has not appointed at least one individual from an ethnic minority background to the board.</p> <p>Furthermore, there is an expectation for constituents of the following indices (excluding investment companies) to appoint at least one individual from an ethnic minority background to the board by 2024:</p> <ul style="list-style-type: none"> ▪ FTSE 250 index; ▪ FTSE SmallCap; ▪ ISEQ 20; ▪ Listed on the AIM with a market capitalisation of over GBP 500 million. <p>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.</p>
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Rationale for Proposed Change:

New ISS voting guidelines were introduced at the start of 2021 requiring that both board appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender and ethnic backgrounds. This policy reflected the expectations of the 2018 UK Corporate Governance Code¹¹.

Gender Diversity

Ahead of the 2021 AGM season, ISS updated its voting guidelines to incorporate a provision that would expect companies listed on the London Stock Exchange to be in line with leading market practice standards¹² to have at least 33% female representation on the board (in the case of FTSE 350 constituents), and to have at least one female director on the board for smaller companies. At this time, we propose to continue to exclude investment companies from the policy.

¹¹ <https://www.frc.org.uk/getattachment/88bd8c45-50ea-4841-95b0-d2f4f48069a2/2018-UK-Corporate-Governance-Code-FINAL.pdf>

¹² <https://diversityq.com/aic-brings-diversity-to-investment-company-boards-1510455/>

Ethnic Diversity

There is also clear shareholder demand for UK companies to incorporate and improve ethnic diversity on boards, as well as within the wider workforce. A number of regulatory bodies, such as the Financial Conduct Authority, as well as certain studies mandated by the UK Government, such as the Parker Review¹³, are driving the initiative of promoting greater ethnic diversity on boards. The conclusion of the Parker Review, which published its final recommendations in 2017, recommended companies that are constituents of the FTSE 100 to have at least one director of an ethnically diverse background by 2021, and constituents of the FTSE 250 to have an ethnically diverse director by 2024.

Having introduced the gender diversity policy into the UK benchmark policy in 2020, the logical development is the introduction of an ethnic diversity policy. The benchmark policy proposed is based on the recommendations of the Parker Review, such that ISS will expect FTSE 100 companies to already have at least one ethnically diverse director on the board (expected by the Parker Review by the end of 2021). If this is not the case, then ISS may recommend a vote against any director who is considered accountable for board composition. Given the fact that the Parker Review recommendations are already in place for FTSE 100 companies and that the impact would be limited, we do not propose to implement a grace period. For FTSE 250 companies, ISS policy will look for at least one ethnically diverse director on the board by 2024.

The proposed changes will also apply an approach based on the Parker Review recommendations when considering UK companies that are not constituents of the FTSE 100 or FTSE 250 (including the following indices: FTSE SmallCap, ISEQ 20, and large FTSE AIM companies, categorized as those with a market capitalisation of over GBP 500 million). While the Parker Review was silent on any expectations of these companies, ISS will expect companies in these indices, in addition to FTSE 250 constituents, to have at least one director of an ethnically diverse background on the board by 2024.

Under the requirements of the UK Corporate Governance Code (and for the FTSE SmallCap, the FCA's Disclosure Guidance and Transparency Rule 7.2.8A14), companies have to describe their "diversity policy" or explain why they don't have one. Given these disclosure requirements, between now and 2024, ISS will closely observe diversity policies that companies outside the FTSE 100 will adopt, with focus maintained on the potential of incorporating ethnic diversity on the board. In certain situations, ISS may recommend only qualified support for the nomination committee chair, if there is no disclosure on any plans to incorporate ethnically diverse directors into the board by 2024.

ISS recognizes that the UK has a generally more diverse demographic profile than Ireland. According to the most recent published national statistics, in England and Wales¹⁵, 86% of the population identified as white British, Asian (India, Pakistan, Bangladesh, other) comprised 7.5% of the population, Black groups comprised 3.3% of the population, mixed/multiple ethnic groups comprised 2.2%, and other ethnic groups comprised 1% of the population. In the Republic of Ireland¹⁶, on the other hand, 82.2% of the population is represented as white Irish, other White comprised 9.5% (total White: 91.7%), non-Chinese Asian comprised 1.7%, and others including mixed background made up only 1.5% of the total population. It is also further acknowledged that there is no clear requirement which mandates that Irish companies

¹³ https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/news/2020/02/ey-parker-review-2017-report-final.pdf

¹⁴ <https://www.handbook.fca.org.uk/handbook/DTR/7/2.html>

¹⁵ <https://www.ethnicity-facts-figures.service.gov.uk/uk-population-by-ethnicity/national-and-regional-populations/population-of-england-and-wales/latest>

¹⁶ <https://www.cso.ie/en/releasesandpublications/ep/p-cp8iter/p8iter/p8e/>

maintain diverse boards, unlike the case for the UK. It is however recognized that of the 20 largest Irish companies (ISEQ 20), a majority are already constituents of the London Stock Exchange, with three listed within the FTSE 100 index. This shows that Irish companies, particularly larger ones, do have exposure to standards that are expected of FTSE index constituents, and would be cognizant of the need of incorporating ethnic diversity on their boards. This is bolstered by the fact that three of the top six ISEQ 20 companies in terms of market capitalisation have already identified a director of an ethnically diverse background. Based on the above, there is considered to be a sufficient case for Irish companies to also be expected to incorporate ethnic diversity on their boards by 2024, in line with smaller FTSE AllShare Constituents.

Board Accountability

5. United States – Unequal Voting Rights

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>Problematic Capital Structure - Newly Public Companies: For 2022, for newly public companies¹⁷, generally vote against or withhold from the entire board (except new nominees¹⁸, who should be considered case-by-case) if, prior to or in connection with the company's public offering, the company or its board implemented a multi-class capital structure in which the classes have unequal voting rights without subjecting the multi-class capital structure to a reasonable time-based sunset. In assessing the reasonableness of a time-based sunset provision, consideration will be given to the company's lifespan, its post-IPO ownership structure and the board's disclosed rationale for the sunset period selected. No sunset period of more than seven years from the date of the IPO will be considered to be reasonable.</p> <p>Continue to vote against or withhold from incumbent directors in subsequent years, unless the problematic capital structure is reversed, or removed, or subject to a newly added reasonable sunset.</p>	<p>Problematic Capital Structure - Newly Public Companies: For 2022, for newly public companies¹⁷, generally vote against or withhold from the entire board (except new nominees¹⁸, who should be considered case-by-case) if, prior to or in connection with the company's public offering, the company or its board implemented a multi-class capital structure in which the classes have unequal voting rights without subjecting the multi-class capital structure to a reasonable time-based sunset. In assessing the reasonableness of a time-based sunset provision, consideration will be given to the company's lifespan, its post-IPO ownership structure and the board's disclosed rationale for the sunset period selected. No sunset period of more than seven years from the date of the IPO will be considered to be reasonable.</p> <p>Continue to vote against or withhold from incumbent directors in subsequent years, unless the problematic capital structure is is reversed, removed, or subject to a newly added reasonable sunset.</p>

¹⁷ 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.

¹⁸ A "new nominee" is a director who is being presented for election by shareholders for the first time. Recommendations on new nominees who have served for less than one year are made on a case-by-case basis depending on the timing of their appointment and the problematic governance issue in question.

<p>Common Stock Capital Structure with Unequal Voting Rights: Starting Feb 1, 2023, generally vote withhold or against directors individually, committee members, or the entire board (except new nominees¹⁸, who should be considered case-by-case), if the company employs a common stock structure with unequal voting rights¹⁹.</p> <p>Exceptions to this policy will generally be limited to:</p> <ul style="list-style-type: none"> ▪ Newly-public companies¹⁷ with a sunset provision of no more than seven years from the date of going public; ▪ Limited Partnerships and the Operating Partnership (OP) unit structure of REITs; ▪ Situations where the unequal voting rights are considered <i>de minimis</i>; or ▪ The company provides sufficient protections for minority shareholders, such as allowing minority shareholders a regular binding vote on whether the capital structure should be maintained. 	<p>Common Stock Capital Structure with Unequal Voting Rights: Starting Feb 1, 2023, generally vote withhold or against directors individually, committee members, or the entire board (except new nominees¹⁸, who should be considered case-by-case), if the company employs a common stock structure with unequal voting rights¹⁹.</p> <p>Exceptions to this policy will generally be limited to:</p> <ul style="list-style-type: none"> ▪ Newly-public companies¹⁷ with a sunset provision of no more than seven years from the date of going public; ▪ Limited Partnerships and the Operating Partnership (OP) unit structure of REITs; ▪ Situations where the unequal voting rights are considered <i>de minimis</i>; or ▪ The company provides sufficient protections for minority shareholders, such as allowing minority shareholders a regular binding vote on whether the capital structure should be maintained.
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Rationale for Proposed Change:

From the [ISS Global Voting Principles](#), under the core tenet of Board Accountability, is the principal that “...shareholders’ voting rights should be proportional to their economic interest in the company; each share should have one vote.”

As an extension of ISS’ policy regarding companies’ unilateral adoption of adverse governance provisions, starting in 2015, ISS U.S. Benchmark policy has been to recommend against directors of newly - public companies (whose first annual shareholder meeting was in 2015 or thereafter) with governance provisions considered the most adverse: a classified board; supermajority vote requirements to amend the governing documents; and multi-class capital structure in which the classes had unequal voting rights. It was recognized that some such restrictions may have protective benefits for newly-public companies in their initial years, so the presence of a reasonable time-based sunset to the adverse governance structure or provisions was considered a basis to avoid adverse director vote recommendations. In ISS’ policy survey conducted in 2019, a majority of investors supported as reasonable a sunset of not more than [seven years](#). The continued presence of a dual-class capital structure or other poor governance provisions, without a reasonable sunset, results in ongoing against or withhold recommendations on directors in subsequent years. However, many companies continue to go public with such adverse governance provisions. Each additional year subsequent to the initial policy implementation creates a discernable schism between recently-public companies that are impacted by the policy and long-standing grandfathered public companies that are not. Accordingly, a [question](#) was included in ISS’ 2021 Global Benchmark Policy Survey to gauge sentiment toward this issue and whether applying the policy to all companies, regardless of the date they went public, was warranted:

¹⁹ 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”).

In your opinion, for the companies with poor governance structures that were previously grandfathered, should ISS revisit these problematic provisions and consider issuing adverse voting recommendations in the future where they still exist? (i.e., at companies that still maintain these poor governance provisions?)

Investor and non-investor responses to this question:

	Investors	Non-Investors
Yes	94%	57%
No	6%	43%
Total number of respondents	142	137

A follow up question was asked:

If you answered Yes above, which of the following features do you think ISS should revisit and consider no longer grandfathered when considering director vote recommendations (check all that apply)"

Investor and non-investor responses to this question:

	Investors' Rank*	Non-Investors' Rank *
A multiple class capital structure with unequal voting rights	1 (92%)	1 (77%)
Supermajority vote requirements to amend governing documents	2 (86%)	2 (59%)
A classified board structure	3 (80%)	3 (55%)
Other	4 (9%)	4 (8%)
Total number of respondents	133	74

*Rankings are based on number of responses for each answer choice

2021 Policy Roundtable Discussion

During policy roundtable discussions, both investor and director participants expressed an understanding of the desire by some companies to initially go public with certain protections, including a classified board, in place. However, there was a recognition that the benefits of the protections wane over time as companies mature and grow and their shareholder base stabilizes. Investor participants also expressed concern that the current ISS policy is overly harsh on newly public companies, as the ISS recommendations against directors for a company with a dual-class structure versus one with only a classified board and supermajority vote requirements are substantially similar. A multi-class structure with unequal voting rights was considered by far the worst of the adverse governance provisions.

Evolving Regulatory and Index Views on Multi-Class Structures

In July 2017, S&P Dow Jones Indices [updated](#) its listing rules to state that it would no longer add companies with multi-class capital structures to the S&P Composite 1500. Previous efforts by the SEC²⁰ to rein in such structures were defeated in the courts. However, in September 2021 a [draft bill](#) in the House of Representatives was released publicly which would, among other things to amend the Securities Exchange Act of 1934 to improve the governance of multi-class stock companies. Distinctly, the draft bill would empower the SEC to adopt rules under which U.S. stock exchanges would enact listing standards that would prohibit listing a company that has two or more classes of stock with unequal voting rights, unless the company has in place sunset provisions of no longer than seven years that give shareholders one vote for each of their shares after the sunset expires.

Proposed changes to the policy:

Due to the strong support expressed through the survey results and roundtable discussions, ISS is commencing with the removal of the grandfathering of companies with poor governance, focusing first on unequal voting rights, which is considered the problematic governance provision most adverse to shareholders' rights. After a one-year grace period, starting in 2023, ISS will recommend against directors at all companies with unequal voting rights, irrespective of when they first became public companies. While most of the more recent companies' unequal voting rights are due to a multi-class common share structure where one or more classes have more votes per share than other classes, at some of the older companies, some classes of common stock afford shareholders differential rights on which nominees they can elect, or which ballot items they are allowed to vote on. A small number of U.S. companies also have unequal voting rights in the form of time-phased voting which allow shares held for a certain number of years to have more votes per share than shares held for a shorter period.

Note that this policy update means that, starting in 2023, ISS will likely be recommending against directors at many large or iconic U.S. companies that have unequal voting rights structures, such as: Alphabet Inc., Meta Platforms, Inc. (formerly Facebook, Inc.), Ford Motor Company, Berkshire Hathaway Inc., and The New York Times Company.

Specific questions for this proposed change (in addition to the general questions for all proposed changes as set out in the introduction):

- Currently, the ISS U.S. policy for companies that go public with a multi-class structure with unequal voting rights includes recommendations against all nominees. As part of the extension of this policy to companies that were previously grandfathered, ISS is considering changing the vote recommendations to apply against a subset of the board, e.g., the governance committee and/or directors who are identifiable beneficiaries of the superior voting rights. Which directors do you consider the appropriate ones to recommend against for unequal voting rights?
- Similarly, currently ISS recommends against the governance committee members if the newly-public company has either a classified board or supermajority vote requirements to amend the governing documents, and against all nominees if they have both. Should ISS reconsider this policy application, perhaps recommending against only the governance committee chair for one poor governance provision, and against the governance committee for both? Should this change in policy application be considered whether or not the grandfathering of these poor provisions is ended?

²⁰ See footnote 8, Rick A. Fleming, "[Dual-Class Shares: A Recipe for Disaster](#)". Oct 12, 2019

- Are there any other types of unequal voting rights that should be excluded from the policy? Some dual class structures are results of long-ago mergers, MBOs, etc. and impact 5% or less of the shares, so the current disparity between economic interests and voting rights is minimal. What threshold(s) would you consider sufficiently minimal to not materially impact voting rights?
- **Company Commitments:** Some multi-class structures include provisions allowing the structure to unwind upon, among other triggers, the separate vote of the supervoting class. Should ISS therefore accept disclosed commitments to unwind a multi-class capital structure? Are there other company specific factors that ISS should consider?

Separate, Supervisory, and Committee Elections

6. Brazil – Election of Minority Nominees (Separate Election)

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Vote for the election of minority board nominees (ordinary and preferred holders), as well as minority fiscal council nominees, presented under a separate election when timely disclosure is provided of their names and biographical information, in the absence of other concerns regarding the proposed nominees. If competing minority nominees are disclosed by different minority shareholders, the <u>contested election policy</u> will be applied.</p> <p>In the absence of timely disclosure regarding minority nominees, an "Abstain" recommendation may will be issued for the separate minority election proposal.</p> <p>In addition, in the absence of publicly disclosed information regarding the existence of board nominees presented by minority shareholders, "Abstain" vote will also be recommended for the procedural question requesting a separate election for the election of a director appointed by minority ordinary and/or preferred shareholders.</p> <p>For fiscal council elections, in the event of publicly-disclosed minority nominee(s), ISS will prioritize the support for the election of minority representatives, issuing an "Abstain" recommendation for the management nominees. In the absence of timely disclosure of a minority fiscal council</p>	<p>General Recommendation: Vote for the election of minority board nominees (ordinary and preferred holders), as well as minority fiscal council nominees, presented under a separate election when timely disclosure is provided of their names and biographical information, in the absence of other concerns regarding the proposed nominees. If competing minority nominees are disclosed by different minority shareholders, the <u>contested election policy</u> will be applied.</p> <p>In the absence of timely disclosure regarding minority nominees, an "Abstain" recommendation will be issued for the separate minority election proposal.</p> <p>In addition, in the absence of publicly disclosed information regarding the existence of board nominees presented by minority shareholders, "Abstain" vote will also be recommended for the procedural question requesting a separate election for the election of a director appointed by minority ordinary and/or preferred shareholders.</p> <p>For fiscal council elections, in the event of publicly-disclosed minority nominee(s), ISS will prioritize the support for the election of minority representatives, issuing an "Abstain" recommendation for the management nominees. In the absence of timely disclosure of a minority fiscal council</p>

<p>nominee, an "Abstain" vote will be recommended for the fiscal council minority separate election agenda item, with a vote recommendation presented for the management fiscal council nominees in accordance with ISS' policy guidelines.</p> <p>ISS will update its report and vote recommendations, as applicable, on a best effort basis, whenever the names and biographical information of minority nominees are disclosed following the publication of the original report, up to a minimum of eight (8) days prior to the shareholder meeting, in which case priority will be given to allow minority shareholders to elect a representative to the board of directors and/or fiscal council.</p>	<p>nominee, an "Abstain" vote will be recommended for the fiscal council minority separate election agenda item, with a vote recommendation presented for the management fiscal council nominees in accordance with ISS' policy guidelines.</p> <p>ISS will update its report and vote recommendations, as applicable, on a best effort basis, whenever the names and biographical information of minority nominees are disclosed following the publication of the original report, up to a minimum of eight (8) days prior to the shareholder meeting, in which case priority will be given to allow minority shareholders to elect a representative to the board of directors and/or fiscal council.</p>
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Rationale for Proposed Change:

Under Article 141 of the Brazilian Corporate Law, minority common and preferred shareholders (each) have the right to request a separate election, in which the controlling shareholder is not allowed to vote, to elect one member to the board of directors (per each class). The law establishes that for such separate elections to be held, the proposal must be approved by at least 15 percent of the company's ordinary shares and at least 10 percent of the holders of preferred shares. If neither share class reaches the mandatory minimum thresholds, the two classes of shares may combine a minimum ownership of 10 percent of the company's shares to hold a separate election for the election of a single board representative for the holders of ordinary and preferred shares combined.

The Remote Voting Card (RVC), adopted since 2017, introduced several procedural questions in the agendas of general meetings in Brazil to facilitate the exercise of shareholder rights granted under the Brazilian Corporate Law, including such requests for separate elections for minority ordinary and minority preferred shareholders. As the election of minority shareholders' board representatives has been seen to be likely to increase overall board independence and the representation of minority shareholders at the board level, ISS has historically recommended FOR such requests, even in the absence of timely disclosure of board candidates presented by minority ordinary and/or preferred shareholders.

While during the first years of the adoption of the remote voting card agenda in Brazil the timely disclosure of board candidates appointed by minority ordinary and/or preferred shareholders was largely inconsistent, such practice has materially improved over the years. As of 2021, disclosure of minority shareholders' board nominees in a timely manner is now considered market practice.

As such, ISS is proposing to update its policy, consistent with current market practice, to clearly state that the lack of timely disclosure of such minority nominees is no longer considered reasonable and will trigger an "abstain" vote recommendation for both the procedural question to request a separate election of a board representative to be elected by minority ordinary and/or preferred shareholders, as well as the actual proposal to elect a minority representative to the board, when no candidate appointed by minority shareholders (ordinary and/or preferred shareholders) is disclosed prior to the meeting.

7. Brazil – Installation of Fiscal Council

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>Installation of Fiscal Council</p> <p>Fiscal councils are supervisory bodies elected by and reporting to shareholders, with fiduciary duties including, but not limited to, the supervision of acts of the company's administrators to ensure compliance with legal and statutory requirements and the reporting of any error, fraud, and criminal act that may be discovered regarding any officer or administrator. As such, the installation of such body can potentially improve company's oversight.</p> <p>Under the Brazilian Corporate Law, fiscal councils can be permanent or not, and can be established at the request of shareholders at the general meeting.</p> <p>General Recommendation: Vote for approval of the fiscal council installation unless no fiscal council nominees, appointed by either the company's management or by minority shareholders, have been disclosed in a timely manner. Vote to abstain from such proposals in the absence of publicly disclosed candidates.</p> <p>In the event management recommends against the installation of the fiscal council, vote recommendation will be made on a case-by-case basis.</p>	<p>Installation of Fiscal Council</p> <p>Fiscal councils are supervisory bodies elected by and reporting to shareholders, with fiduciary duties including, but not limited to, the supervision of acts of the company's administrators to ensure compliance with legal and statutory requirements and the reporting of any error, fraud, and criminal act that may be discovered regarding any officer or administrator. As such, the installation of such body can potentially improve company's oversight.</p> <p>Under the Brazilian Corporate Law, fiscal councils can be permanent or not, and can be established at the request of shareholders at the general meeting.</p> <p>General Recommendation: Vote for approval of the fiscal council installation unless no fiscal council nominees, appointed by either the company's management or by minority shareholders, have been disclosed in a timely manner. Vote to abstain from such proposals in the absence of publicly disclosed candidates.</p> <p>In the event management recommends against the installation of the fiscal council, vote recommendation will be made on a case-by-case basis.</p>

Rationale for Proposed Change:

Since the adoption of the remote voting card by the Brazilian Securities Regulator (CVM) in 2017, the agendas of annual shareholder meetings in Brazil have included procedural questions based on existing regulation, including for installation of the fiscal council, which shareholders have the right to request based on specific ownership thresholds.

In light of the expected improvement of company oversight provided by the fiscal council, given that its members are elected by, and accountable to, shareholders and that they have fiduciary responsibilities including the supervision of acts of the company's administrators, ISS currently generally supports the request for the fiscal council installation. Still, given recent improvements in disclosure practices in the Brazilian market, this policy update is based on the expectation that fiscal council nominees should be disclosed in a timely manner prior to the meeting.

In light of the reasonable expectation of timely disclosure, ISS will recommend an “abstain” vote from the fiscal council installation agenda item whenever information regarding management and/or shareholder nominees is not available in a timely manner prior to the meeting.

In addition, in the event management recommends against the installation of fiscal council, ISS will analyze the proposal on a case-by-case basis, considering, but not limited to, whether the company has provided a compelling rationale.

8. Saudi Arabia – Audit Committee Elections

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Vote against proposals seeking the election of non-independent members of the audit committee if:</p> <ul style="list-style-type: none"> ▪ Fewer than one-third of all audit committee members*, excluding, where relevant, employee shareholder representatives, would be independent; or ▪ A non-independent member is being presented for election or reelection as the audit committee chair. <p>This policy applies to bundled and unbundled items.</p> <p>Vote against the (re)election of executives who serve on the company's audit committee. ISS may also recommend against if the disclosure is insufficient to determine whether an executive serves or will serve on the audit committee. If a company does not have an audit committee, ISS may consider that the entire board fulfills the role of the committee, and recommend against any executives, including the CEO, on the ballot.</p> <p><i>*For Saudi Arabian companies, ISS will include external (non-board members) nominees in the assessment of the audit committee's level of independence, applying ISS' Middle East and North Africa Classification of Directors.</i></p>	<p>General Recommendation: Vote against proposals seeking the election of non-independent members of the audit committee if:</p> <ul style="list-style-type: none"> ▪ Fewer than one-third of all audit committee members*, excluding, where relevant, employee shareholder representatives, would be independent; or ▪ A non-independent member is being presented for election or reelection as the audit committee chair. <p>This policy applies to bundled and unbundled items.</p> <p>Vote against the (re)election of executives who serve on the company's audit committee. ISS may also recommend against if the disclosure is insufficient to determine whether an executive serves or will serve on the audit committee. If a company does not have an audit committee, ISS may consider that the entire board fulfills the role of the committee, and recommend against any executives, including the CEO, on the ballot.</p> <p><i>*For Saudi Arabian companies, ISS will include external (non-board members) nominees in the assessment of the audit committee's level of independence, applying ISS' Middle East and North Africa Classification of Directors.</i></p>

Rationale for Proposed Change:

Appointing external members (non-directors) within the audit committee has been a common market practice for Saudi-listed companies for several years. Companies usually include a voting item on their annual meeting agenda to elect members of the audit committee (bundled election) for a three-year term in addition to the

approval of the committee charter and the remuneration of its members. Generally, companies appoint external members with the goal of ensuring a high level of independence within the committee. In some cases the number of external members can exceed the number of board members in the committee. However, a large number of companies do not disclose the independence classification of such external members, which does not permit a proper assessment of the level of committee's independence.

The current policy on audit committee elections considers board member nominees only, not such external nominees. Including the external nominees will allow a more accurate assessment of the independence levels of the audit committee. If the independence of the nominee cannot be determined, ISS will consider that person to be non-independent.

9. Middle East and Africa – Shariah Supervisory Board Elections

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: For meetings on or after Feb. 1, 2023, generally vote for the election of members of the Shariah Supervisory Board unless:</p> <ul style="list-style-type: none"> ▪ The names of the proposed nominees or the current composition of the supervisory board are not publicly disclosed in a timely manner; or ▪ There are specific concerns about the supervisory board members or nominees. <p>A one-year transitional period will apply in 2022 to allow companies to adapt to the new policy. During this transitional period, vote recommendations will not be impacted, and the policy will come into effect on Feb. 1, 2023.</p>	<p>General Recommendation: For meetings on or after Feb. 1, 2023, generally vote for the election of members of the Shariah Supervisory Board unless:</p> <ul style="list-style-type: none"> ▪ The names of the proposed nominees or the current composition of the supervisory board are not publicly disclosed in a timely manner; or ▪ There are specific concerns about the Shariah Supervisory Board members or nominees. <p>A one-year transitional period will apply in 2022 to allow companies to adapt to the new policy. During this transitional period, vote recommendations will not be impacted, and the policy will come into effect on Feb. 1, 2023.</p>

Rationale for Proposed Change:

In Middle Eastern markets, Shariah-compliant companies are required to include on their ballots a binding vote on the election of the members of the Shariah Supervisory Board, sometimes bundled with approval of the members’ annual remuneration. This body is generally composed of a minimum of three members called Ulama (Shariah scholars), and its main role is to oversee the compliance of the company's operations and transactions with the rules and principles of Shariah law. The proposed policy change is to analyze election proposals of this supervisory body based on the disclosure of the names of the proposed nominees or, if unavailable, the disclosure of the current composition instead of the current neutral approach taking into consideration companies’ current practice not to disclose the names of the proposed nominees for the Shariah Supervisory Board elections and their remuneration ahead of the general meeting. It will also allow ISS to provide a more in-depth

analysis of the Shariah Supervisory Board appointed by public companies as such structure is considered as part of the companies' governance practices. A grace period of one year ahead of the application of this change is proposed to give time to inform companies of this new policy and give them the opportunity to adapt ahead of the 2023 implementation.

Climate-Related

10. United States, Continental Europe, UK and Ireland, Russia and Kazakhstan – Board Accountability on Climate

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: For companies that are significant greenhouse gas (GHG) emitters, through their operations or value chain²¹, generally vote against or withhold from the responsible incumbent director, committee, or full board in cases where ISS 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:</p> <ul style="list-style-type: none"> ▪ Detailed disclosure of climate-related risks, such as according to the framework established by the Task Force on Climate-related Financial Disclosures (TCFD), including: <ul style="list-style-type: none"> ▪ Board governance measures; ▪ Corporate strategy; ▪ Risk management analyses; and ▪ Metrics and targets. ▪ Appropriate GHG emissions reduction targets. <p>For 2022, “appropriate GHG emissions reductions targets” will be any well-defined GHG reduction targets. Targets for Scope 3 emissions will not be</p>	<p>General Recommendation: For companies that are significant greenhouse gas (GHG) emitters, through their operations or value chain²¹, generally vote against or withhold from the responsible incumbent director, committee, or full board in cases where ISS 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:</p> <ul style="list-style-type: none"> ▪ Detailed disclosure of climate-related risks, such as according to the framework established by the Task Force on Climate-related Financial Disclosures (TCFD), including: <ul style="list-style-type: none"> ▪ Board governance measures; ▪ Corporate strategy; ▪ Risk management analyses; and ▪ Metrics and targets. ▪ Appropriate GHG emissions reduction targets. <p>For 2022, “appropriate GHG emissions reductions targets” will be any well-defined GHG reduction targets. Targets for Scope 3 emissions will not be</p>

²¹ For 2022, companies defined as “significant GHG emitters” will be those on the current Climate Action 100+ Focus Group.

<p>required for 2022 but the targets should cover at least a significant portion of the company’s direct emissions. Expectations about what constitutes “minimum steps to mitigate risks related to climate change” will increase over time.</p>	<p>required for 2022 but the targets should cover at least a significant portion of the company’s direct emissions. Expectations about what constitutes “minimum steps to mitigate risks related to climate change” will increase over time.</p>
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Rationale for Proposed Change:

Note that while the proposed policy presented above specifies “generally vote against or withhold from the responsible incumbent director, committee, or full board...” the vote recommendations will differ by market and region to apply appropriate targeting of recommendations. The language above is for the U.S. policy. For Continental Europe, the vote recommendations proposed are against “the responsible incumbent director(s), or any other appropriate item(s)”; for the UK/Ireland and Russia/Kazakhstan, the vote recommendations will be against the board chair.

Climate change is a global issue and many investors around the world are seeking to better integrate climate risk considerations in their investment, engagement, and voting processes. Scientific experts have stated that there is an imperative to limit cumulative CO₂ emissions, aiming to reach net zero CO₂ emissions by mid-century, along with strong reductions in other greenhouse gas emissions in order to limit human-induced global warming.

In ISS’ 2021 Climate Policy survey, high percentages of investor respondents supported establishing minimum criteria for companies considered to be strongly contributing to climate change. Over 85 percent of investor respondents supported clear and detailed disclosure as a minimum criterion for companies strongly contributing to climate change. Over 70 percent supported the declaration of a long-term ambition to be in line with Paris Agreement goals. Over half said that they expected to see various types of GHG reduction targets. In roundtable discussions, although there was a wide variety in investor views and practices regarding climate change expectations, many investors said that they have established minimum expectations regarding climate-related targets for high-emitting companies. There was not a clear agreement that companies should be held responsible for lowering emissions related to their products and supply chains (Scope 3 targets). ISS is proposing to focus on Scope 1 and 2 targets for 2022 but to provide additional climate-related data in reports for information for clients who may wish to take different approaches.

11. All Markets – Say on Climate (SoC) Management Proposals

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Vote case-by-case on management proposals that request shareholders to approve the company’s climate transition action plan²², taking into account the completeness and rigor of the plan. Information that will be considered where available includes the following:</p> <ul style="list-style-type: none"> ▪ The extent to which the company’s climate related disclosures are in line with TCFD recommendations and meet other market standards; ▪ Disclosure of its operational and supply chain GHG emissions (Scopes 1, 2, and 3); ▪ The completeness and rigor of company’s short-, medium-, and long-term targets for reducing operational and supply chain GHG emissions in line with Paris Agreement goals (Scopes 1, 2, and 3 if relevant); ▪ Whether the company has sought and received third-party approval that its targets are science-based; ▪ Whether the company has made a commitment to be “net zero emissions” for operational and supply chain emissions (Scopes 1, 2, and 3) by 2050; ▪ Whether the company discloses a commitment to report on the implementation of its plan in subsequent years, ▪ Whether the company’s climate data has received third-party assurance, ▪ Disclosure of how the company’s lobbying activities and its capital expenditures align with company strategy, ▪ Whether there are specific industry decarbonization challenges, and ▪ The company’s related commitment, disclosure, and performance compared to its industry peers. 	<p>General Recommendation: Vote case-by-case on management proposals that request shareholders to approve the company’s climate transition action plan²², taking into account the completeness and rigor of the plan. Information that will be considered where available includes the following:</p> <ul style="list-style-type: none"> ▪ The extent to which the company’s climate related disclosures are in line with TCFD recommendations and meet other market standards; ▪ Disclosure of its operational and supply chain GHG emissions (Scopes 1, 2, and 3); ▪ The completeness and rigor of company’s short-, medium-, and long-term targets for reducing operational and supply chain GHG emissions (Scopes 1, 2, and 3 if relevant); ▪ Whether the company has sought and approved third-party approval that its targets are science-based; ▪ Whether the company has made a commitment to be “net zero emissions” for operational and supply chain emissions (Scopes 1, 2, and 3) by 2050; ▪ Whether the company discloses a commitment to report on the implementation of its plan in subsequent years, ▪ Whether the company’s climate data has received third-party assurance, ▪ Disclosure of how the company’s lobbying activities and its capital expenditures align with company strategy, ▪ Whether there are specific industry decarbonization challenges, and ▪ The company’s related commitment, disclosure, and performance compared to its industry peers.

Rationale for Proposed Change:

²² Variations of this request also include climate transition related ambitions, or commitment to reporting on the implementation of a climate plan.

ISS is codifying the framework developed over the last year for analyzing management-offered climate transition plans, incorporating feedback received during this year’s policy development process including that from our Climate Survey. For transparency, we are listing the main criteria to be considered when analyzing these plans.

In 2021 to date there have been 25 management say on climate proposals on ballot across the globe. The proposals were in the following markets: Canada (1); France (3); South Africa (3); Spain (4); Switzerland (1); the UK (10); the U.S. (2); and Australia (1).

The proposals have varied as they sometimes request an approval of a company’s climate transition plan or sometimes its climate reporting. While all were advisory votes, some were one-off votes, and others were announced to be the first of a regularly-occurring vote.

Specific questions for this proposed change (in addition to the general questions for all proposed changes as set out in the introduction):

- ▶ Among the criteria identified as such for the assessment of the climate transition plan, are there any that should weigh more than others?

12. All Markets – Say on Climate (SoC) Shareholder Proposals

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Vote case-by-case on shareholder proposals that request the company to disclose a report providing its GHG emissions levels and reduction targets and/or its upcoming/approved climate transition action plan and provide shareholders the opportunity to regularly express approval or disapproval of its GHG emissions reduction plan, taking into account information such as the following:</p> <ul style="list-style-type: none"> ▪ The completeness and rigor of the company’s climate-related disclosure; ▪ The company’s actual GHG emissions performance; ▪ Whether the company has been the subject of recent, significant violations, fines, litigation, or controversy related to its GHG emissions; and ▪ Whether the proposal’s request is unduly burdensome (scope or timeframe) or overly prescriptive. 	<p>General Recommendation: Vote case-by-case on shareholder proposals that request the company to disclose a report providing its GHG emissions levels and reduction targets and/or its upcoming/approved climate transition action plan and provide shareholders the opportunity to regularly express approval or disapproval of its GHG emissions reduction plan, taking into account information such as the following:</p> <ul style="list-style-type: none"> ▪ The completeness and rigor of the company’s climate-related disclosure; ▪ The company’s actual GHG emissions performance; ▪ Whether the company has been the subject of recent, significant violations, fines, litigation, or controversy related to its GHG emissions; and ▪ Whether the proposal’s request is unduly burdensome (scope or timeframe) or overly prescriptive.

Rationale for Proposed Change:

“Say-on Climate” shareholder proposals emerged late in 2020 and increased in 2021, generally asking companies to publish a climate action plan and to put them to a regular shareholder vote. The proposed update in the policy adding the new policy provisions will establish a case-by-case approach toward these proposals and will provide a transparent framework of analysis that will allow for consistency of assessment across markets.

Compensation

13. Canada – Advisory Vote on Executive Compensation (Say-on-Pay) Management Proposals - Board Communications and Responsiveness

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>General Recommendation: Consider the following on a case-by-case basis when evaluating ballot items related to executive pay:</p> <ul style="list-style-type: none"> ▪ Poor disclosure practices, including: insufficient disclosure to explain the pay setting process for the CEO and how CEO pay is linked to company performance and shareholder return; lack of disclosure of performance metrics and their impact on incentive payouts; no disclosure of rationale related to the use of board discretion when compensation is increased or performance criteria or metrics are changed resulting in greater amounts paid than that supported by previously established goals. ▪ Board's responsiveness to investor input and engagement on compensation issues, including: <ul style="list-style-type: none"> ▪ Failure to respond to majority-supported shareholder proposals on executive pay topics; ▪ Failure to respond to concerns raised in connection with significant opposition to MSOP proposals; ▪ Failure to respond to the company's previous say-on-pay proposal that received support of less than 70⁸⁰ percent of the votes cast taking into account the ownership structure of the company. <p>Examples of board response include but are not limited to: disclosure of engagement efforts regarding the issues that contributed to the low level of support, specific actions taken to address the issues that contributed to the low level of support, and more rationale on pay practices.</p>	<p>General Recommendation: Consider the following on a case-by-case basis when evaluating ballot items related to executive pay:</p> <ul style="list-style-type: none"> ▪ Poor disclosure practices, including: insufficient disclosure to explain the pay setting process for the CEO and how CEO pay is linked to company performance and shareholder return; lack of disclosure of performance metrics and their impact on incentive payouts; no disclosure of rationale related to the use of board discretion when compensation is increased or performance criteria or metrics are changed resulting in greater amounts paid than that supported by previously established goals. ▪ Board's responsiveness to investor input and engagement on compensation issues, including: <ul style="list-style-type: none"> ▪ Failure to respond to majority-supported shareholder proposals on executive pay topics; ▪ Failure to respond to the company's previous say-on-pay proposal that received support of less than 80 percent of the votes cast taking into account the ownership structure of the company. <p>Examples of board response include but are not limited to: disclosure of engagement efforts regarding the issues that contributed to the low level of support, specific actions taken to address the issues that contributed to the low level of support, and more rationale on pay practices.</p>

Rationale for Proposed Change:

In Canada, say-on-pay resolutions are not yet mandated for all reporting issuers. Approximately 30 percent of the TSX issuers under ISS coverage currently provide say on pay resolutions. These resolutions generally receive very strong support. In Canada, the average say-on-pay support level has been over 90 percent in the last five years.

Under current Canadian policy, ISS will evaluate board responsiveness following cases where a company's previous say-on-pay proposal received support of less than 70 percent of votes cast. We are proposing to move that threshold up to 80 percent based on Canadian market expectations. The Canadian Coalition for Good Governance (CCGG) in its comment letter dated March 31, 2021 on the proposed Bill C-97 regulations, recommended that where a say-on-pay vote receives low shareholder support (typically less than 80 percent), the board should report back within a reasonable time on its engagement efforts to understand shareholder concerns.

This change was also supported by all our major clients who participated in 2021 Canadian roundtable. In addition, other major ISS markets such as the UK, Continental European, and Australian markets, all have thresholds higher than 70 percent for their responsiveness policy, or equivalent.

14. Continental Europe – Executive Compensation-Related Proposals - Derogation Policy

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>.....</p> <p>1.3. Companies shall adequately disclose all elements of the compensation, including:</p> <p>1.3.1. Any short- or long-term compensation component must include a maximum award limit.</p> <p>1.3.2. Long-term incentive plans must provide sufficient disclosure of (i) the exercise price/strike price (options); (ii) discount on grant; (iii) grant date/period; (iv) exercise/vesting period; and, if applicable, (v) performance criteria.</p> <p>1.3.3. Discretionary payments, if applicable.</p> <p>1.3.4 The derogation policy, if applicable, which shall clearly define and limit any elements (e.g., base salary, STI, LTI, etc.) and extent (e.g., caps, weightings, etc.) to which derogations may apply.</p> <p>.....</p>	<p>.....</p> <p>1.3. Companies shall adequately disclose all elements of the compensation, including:</p> <p>1.3.1. Any short- or long-term compensation component must include a maximum award limit.</p> <p>1.3.2. Long-term incentive plans must provide sufficient disclosure of (i) the exercise price/strike price (options); (ii) discount on grant; (iii) grant date/period; (iv) exercise/vesting period; and, if applicable, (v) performance criteria.</p> <p>1.3.3. Discretionary payments, if applicable.</p> <p>1.3.4 The derogation policy, if applicable, which shall clearly define and limit any elements (e.g., base salary, STI, LTI, etc.) and extent (e.g., caps, weightings, etc.) to which derogations may apply.</p> <p>.....</p>

Rationale for Proposed Change:

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

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

15. Continental Europe – Executive Compensation-Related Proposals - Non-Financial ESG Performance Conditions

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>.....</p> <p>3. Avoid arrangements that risk “pay for failure”:</p> <p>3.1. The board shall demonstrate good stewardship of investor's interests regarding executive compensation practices (principle being supported by Pay for Performance Evaluation).</p> <p>3.1.1. There shall be a clear link between the company's performance and variable awards incentives. Financial and non-financial conditions, including ESG criteria, are relevant as long as they reward an effective performance in line with the purpose, strategy and objectives adopted by the company.</p> <p>3.1.2. There shall not be significant discrepancies between the company's performance, financial and non-financial, and real executive payouts.</p> <p>3.1.3. The level of pay for the CEO and members of executive management should not be excessive relative to peers, company performance, and market practices.</p> <p>3.1.4. Significant pay increases shall be explained by a detailed and compelling disclosure.</p> <p>3.2. Termination payments must not be in excess of (i) 24 months' pay or of (ii) any more restrictive provision pursuant to local legal requirements and/or market best practices.</p>	<p>.....</p> <p>3. Avoid arrangements that risk “pay for failure”:</p> <p>3.1. The board shall demonstrate good stewardship of investor's interests regarding executive compensation practices (principle being supported by Pay for Performance Evaluation).</p> <p>3.1.1. There shall be a clear link between the company's performance and variable incentives. Financial and non-financial conditions, including ESG criteria, are relevant as long as they reward an effective performance in line with the purpose, strategy and objectives adopted by the company.</p> <p>3.1.2. There shall not be significant discrepancies between the company's performance, financial and non-financial, and real executive payouts.</p> <p>3.1.3. The level of pay for the CEO and members of executive management should not be excessive relative to peers, company performance, and market practices.</p> <p>3.1.4. Significant pay increases shall be explained by a detailed and compelling disclosure.</p> <p>3.2. Termination payments must not be in excess of (i) 24 months' pay or of (ii) any more restrictive provision pursuant to local legal requirements and/or market best practices.</p>

<p>3.3. Arrangements with a company executive regarding pensions and post-mandate exercise of equity-based awards must not result in an adverse impact on shareholders' interests or be misaligned with good market practices.</p>	<p>3.3. Arrangements with a company executive regarding pensions and post-mandate exercise of equity-based awards must not result in an adverse impact on shareholders' interests or be misaligned with good market practices.</p>
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Rationale for Proposed Change:

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

16. UK and Ireland – Remuneration - Non-Financial ESG Performance Conditions

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>Discussion</p> <p>Remuneration should motivate executives to achieve the company's strategic objectives, while ensuring that executive rewards reflect returns to long-term shareholders. Pay should be aligned to the long-term strategy, and companies are encouraged to use the statement by the chair of the remuneration committee to outline how their chosen remuneration approach aligns with the company's strategic goals and key performance indicators (KPIs). The remuneration committee should also closely examine the behaviour that the design of a remuneration package will promote.</p> <p>A good performance target is aligned with company strategy, future direction, performance and shareholder value creation, without promoting or rewarding disproportionate risk-taking. Targets should be challenging but realistic and should closely reflect a company's ongoing business expectations. Where non-financial objectives are used as part of the performance conditions, ISS expects the majority of the payout to be triggered by the financial performance conditions. Environment Social and Governance (ESG) performance conditions may be used but targets should be material to the business and quantifiable.</p>	<p>Discussion</p> <p>Remuneration should motivate executives to achieve the company's strategic objectives, while ensuring that executive rewards reflect returns to long-term shareholders. Pay should be aligned to the long-term strategy, and companies are encouraged to use the statement by the chair of the remuneration committee to outline how their chosen remuneration approach aligns with the company's strategic goals and key performance indicators (KPIs). The remuneration committee should also closely examine the behaviour that the design of a remuneration package will promote.</p> <p>A good performance target is aligned with company strategy, future direction, performance and shareholder value creation, without promoting or rewarding disproportionate risk-taking. Targets should be challenging but realistic and should closely reflect a company's ongoing business expectations. Where non-financial objectives are used as part of the performance conditions, ISS expects the majority of the payout to be triggered by the financial performance conditions. Environment Social and Governance (ESG) performance conditions may be used but targets should be material to the business and quantifiable.</p>

There should also be a clear link between the objectives chosen and the company's strategy."	There should also be a clear link between the objectives chosen and the company's strategy."
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Rationale for Proposed Change:

Non-financial ESG metrics are becoming increasingly popular in variable remuneration schemes. Based on the results of the global survey and clients roundtables in Europe, it appears that investors' expectations are to assess their relevance and stringency in a similar way to financial criteria.

Furthermore, the IA Principles of Remuneration (which the ISS UK and Ireland benchmark policy refers to) already acknowledge the use of ESG metrics when determining variable remuneration, stating: "Remuneration committees should consider including strategic or non-financial performance criteria in variable remuneration, for example relating to environmental, social and governance (ESG) objectives, or to particular operational or strategic objectives. ESG measures should be material to the business and quantifiable. In each case, the link to strategy and method of performance measurement should be clearly explained."

In regard to Annual Bonuses, the IA Principles of Remuneration also provide the following: "The impact of material Environmental, Social and Governance risks on the long-term value of companies is becoming increasingly apparent. As a result, a greater number of companies are incorporating the management of material ESG risks and opportunities into their long-term strategy. In these cases, it is appropriate that Remuneration Committees consider the management of these material ESG risks as performance conditions in the company's variable remuneration. As with any other performance condition, it is imperative they are clearly linked to the implementation of the company's strategy."

Similarly, under Long-Term Incentives, the IA Principles of Remuneration provide:

"Performance Conditions

Performance measures and vesting conditions should be fully explained and clearly linked to the achievement of appropriately challenging financial and strategic performance which will enhance shareholder value.

Whilst other considerations may apply in exceptional circumstances, for example, restructuring, shareholders will expect that remuneration policies and structures will normally be consistent with the following criteria:

- Financial measures linked to value creation. Performance criteria should be linked to the Company's long-term strategy, this includes when environmental, social and governance performance targets are chosen."

The proposed amendment to the ISS Benchmark policy document for UK and Ireland is not designed to replicate the level of detail introduced by the IA Principles of Remuneration, but instead to confirm that ESG metrics can be included as performance measures utilised by a company's variable remuneration schemes, if the measures are clearly linked to the company's long-term strategy, material to the business and are quantifiable.

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