



# AMERICAS

## PROXY VOTING GUIDELINES UPDATES FOR 2022

Benchmark Policy Changes for U.S., Canada, Brazil, and  
Americas Regional

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Effective for Meetings on or after February 1, 2022

Published December 7, 2021

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## All Markets

### Social and Environmental Issues – Climate Change

#### Say on Climate (SoC) Management Proposals

Current ISS Policy, incorporating changes:	New ISS Policy:
<p><b>General Recommendation:</b> Vote case-by-case on management proposals that request shareholders to approve the company’s climate transition action plan<sup>1</sup>, 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"> <li>▪ The extent to which the company’s climate related disclosures are in line with TCFD recommendations and meet other market standards;</li> <li>▪ Disclosure of its operational and supply chain GHG emissions (Scopes 1, 2, and 3);</li> <li>▪ 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);</li> <li>▪ Whether the company has sought and received third-party approval that its targets are science-based;</li> <li>▪ Whether the company has made a commitment to be “net zero” for operational and supply chain emissions (Scopes 1, 2, and 3) by 2050;</li> <li>▪ Whether the company discloses a commitment to report on the implementation of its plan in subsequent years;</li> <li>▪ Whether the company’s climate data has received third-party assurance;</li> <li>▪ Disclosure of how the company’s lobbying activities and its capital expenditures align with company strategy;</li> <li>▪ Whether there are specific industry decarbonization challenges; and</li> <li>▪ The company’s related commitment, disclosure, and performance compared to its industry peers.</li> </ul>	<p><b>General Recommendation:</b> Vote case-by-case on management proposals that request shareholders to approve the company’s climate transition action plan<sup>1</sup>, 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"> <li>▪ The extent to which the company’s climate related disclosures are in line with TCFD recommendations and meet other market standards;</li> <li>▪ Disclosure of its operational and supply chain GHG emissions (Scopes 1, 2, and 3);</li> <li>▪ 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);</li> <li>▪ Whether the company has sought and approved third-party approval that its targets are science-based;</li> <li>▪ Whether the company has made a commitment to be “net zero” for operational and supply chain emissions (Scopes 1, 2, and 3) by 2050;</li> <li>▪ Whether the company discloses a commitment to report on the implementation of its plan in subsequent years;</li> <li>▪ Whether the company’s climate data has received third-party assurance;</li> <li>▪ Disclosure of how the company’s lobbying activities and its capital expenditures align with company strategy;;</li> <li>▪ Whether there are specific industry decarbonization challenges; and</li> <li>▪ The company’s related commitment, disclosure, and performance compared to its industry peers.</li> </ul>

<sup>1</sup> Variations of this request also include climate transition related ambitions, or commitment to reporting on the implementation of a climate plan.

**Rationale for Change:**

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 the Climate Survey. The policy lists the main criteria that will be considered when analyzing these plans (it is a non-exhaustive list).

In 2021, there were over two dozen management Say on Climate proposals on ballot across the globe. The proposals were seen in Canada, France, South Africa, Spain, Switzerland, the UK, the U.S., and Australia.

The proposals varied as they sometimes requested 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.

**Say on Climate (SoC) Shareholder Proposals**

Current ISS Policy, incorporating changes:	New ISS Policy:
<p><b>General Recommendation:</b> 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 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"> <li>▪ The completeness and rigor of the company’s climate-related disclosure;</li> <li>▪ The company’s actual GHG emissions performance;</li> <li>▪ Whether the company has been the subject of recent, significant violations, fines, litigation, or controversy related to its GHG emissions; and</li> <li>▪ Whether the proposal’s request is unduly burdensome (scope or timeframe) or overly prescriptive.</li> </ul>	<p><b>General Recommendation:</b> 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 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"> <li>▪ The completeness and rigor of the company’s climate-related disclosure;</li> <li>▪ The company’s actual GHG emissions performance;</li> <li>▪ Whether the company has been the subject of recent, significant violations, fines, litigation, or controversy related to its GHG emissions; and</li> <li>▪ Whether the proposal’s request is unduly burdensome (scope or timeframe) or overly prescriptive.</li> </ul>

**Rationale for Change:**

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

## United States

### Board of Directors – Voting on Director Nominees in Uncontested Elections

#### Board Composition – Gender Diversity

Current ISS Policy, incorporating changes:	New ISS Policy:
<p><b>Gender Diversity:</b> For companies in the Russell 3000 or S&amp;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&amp;P1500 indices, effective for meetings on or after <b>Feb. 1, 2023</b>.</p>	<p><b>Gender Diversity:</b> For companies in the Russell 3000 or S&amp;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&amp;P1500 indices, effective for meetings on or after <b>Feb. 1, 2023</b>.</p>

#### Rationale for 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 topic<sup>2</sup>. This policy change will align U.S. benchmark policy with client and market expectations on gender diversity.

<sup>2</sup> <https://listingcenter.nasdaq.com/assets/Board%20Diversity%20Disclosure%20Five%20Things.pdf>

## Board Composition – Racial/Ethnic Diversity

Current ISS Policy, incorporating changes:	New ISS Policy:
<p><b>Racial and/or Ethnic Diversity:</b> <del>For companies in the Russell 3000 or S&amp;P 1500 indices, highlight boards with no apparent racial and/or ethnic diversity<sup>3</sup>.</del></p> <p>For companies in the Russell 3000 or S&amp;P 1500 indices, <del>effective for meetings on or after Feb. 1, 2022,</del> generally vote against or withhold from the chair of the nominating committee (or other directors on a case-by-case basis) where the board has no apparent racially or ethnically diverse members<sup>3</sup>. An exception will be made if there was racial and/or ethnic diversity on the board at the preceding annual meeting and the board makes a firm commitment to appoint at least one racial and/or ethnic diverse member within a year.</p>	<p><b>Racial and/or Ethnic Diversity:</b> For companies in the Russell 3000 or S&amp;P 1500 indices, generally vote against or withhold from the chair of the nominating committee (or other directors on a case-by-case basis) where the board has no apparent racially or ethnically diverse members<sup>3</sup>. An exception will be made if there was racial and/or ethnic diversity on the board at the preceding annual meeting and the board makes a firm commitment to appoint at least one racial and/or ethnic diverse member within a year.</p>

### Rationale for Change:

The one-year grace period has now passed; under Benchmark policy, ISS will start issuing vote recommendations on the basis of a lack of board racial/ethnic diversity.

<sup>3</sup> Aggregate diversity statistics provided by the board will only be considered if specific to racial and/or ethnic diversity.

## Board Accountability — Unequal Voting Rights

Current ISS Policy, incorporating changes:	New ISS Policy:
<p><b>Problematic Capital Structure - Newly Public Companies:</b> For 2022, <del>f</del>For newly public companies<sup>4</sup>, generally vote against or withhold from the entire board (except new nominees<sup>5</sup>, 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, <del>or removed</del>, or subject to a newly added reasonable sunset.</p> <p><b>Common Stock Capital Structure with Unequal Voting Rights:</b> Starting Feb 1, 2023, generally vote withhold or against directors individually, committee members, or the entire board (except new nominees<sup>5</sup>, who should be considered case-by-case), if the company employs a common stock structure with unequal voting rights<sup>6</sup>.</p> <p>Exceptions to this policy will generally be limited to:</p> <ul style="list-style-type: none"> <li>Newly-public companies<sup>4</sup> with a sunset provision of no more than seven years from the date of going public;</li> </ul>	<p><b>Problematic Capital Structure - Newly Public Companies:</b> For 2022, for newly public companies<sup>4</sup>, generally vote against or withhold from the entire board (except new nominees<sup>5</sup>, 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> <p><b>Common Stock Capital Structure with Unequal Voting Rights:</b> Starting Feb 1, 2023, generally vote withhold or against directors individually, committee members, or the entire board (except new nominees<sup>5</sup>, who should be considered case-by-case), if the company employs a common stock structure with unequal voting rights<sup>6</sup>.</p> <p>Exceptions to this policy will generally be limited to:</p> <ul style="list-style-type: none"> <li>Newly-public companies<sup>4</sup> with a sunset provision of no more than seven years from the date of going public;</li> </ul>

<sup>4</sup> 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.

<sup>5</sup> 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.

<sup>6</sup> 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").

<ul style="list-style-type: none"> <li>▪ Limited Partnerships and the Operating Partnership (OP) unit structure of REITs;</li> <li>▪ Situations where the unequal voting rights are considered <i>de minimis</i>; or</li> <li>▪ 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.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Limited Partnerships and the Operating Partnership (OP) unit structure of REITs;</li> <li>▪ Situations where the unequal voting rights are considered <i>de minimis</i>; or</li> <li>▪ 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.</li> </ul>
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**Rationale for 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:

*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

#### 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 SEC<sup>7</sup> 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.

#### **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

<sup>7</sup> See footnote 8, Rick A. Fleming, "[Dual-Class Shares: A Recipe for Disaster](#)". Oct 12, 2019

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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.

## Board Accountability – Climate Accountability

Current ISS Policy, incorporating changes:	New ISS Policy:
<p><b>General Recommendation:</b> For companies that are significant greenhouse gas (GHG) emitters, through their operations or value chain<sup>8</sup>, generally vote against or withhold from the incumbent chair of the responsible committee (or other directors on a case-by-case basis) in cases where 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 <b>2022</b>, minimum steps to understand and mitigate those risks are considered to be the following. Both minimum criteria will be required to be in compliance:</p> <ul style="list-style-type: none"> <li>▪ 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"> <li>▪ Board governance measures;</li> <li>▪ Corporate strategy;</li> <li>▪ Risk management analyses; and</li> <li>▪ Metrics and targets.</li> </ul> </li> <li>▪ Appropriate GHG emissions reduction targets.</li> </ul> <p>For <b>2022</b>, “appropriate GHG emissions reductions targets” will be any well-defined GHG reduction targets. Targets for Scope 3 emissions will not be required for 2022 but the targets should cover at least a significant portion of the company’s direct emissions. Expectations about what constitutes “minimum steps to mitigate risks related to climate change” will increase over time.</p>	<p><b>General Recommendation:</b> For companies that are significant greenhouse gas (GHG) emitters, through their operations or value chain<sup>8</sup>, generally vote against or withhold from the incumbent chair of the responsible committee (or other directors on a case-by-case basis) in cases where 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 <b>2022</b>, minimum steps to understand and mitigate those risks are considered to be the following. Both minimum criteria will be required to be in compliance:</p> <ul style="list-style-type: none"> <li>▪ 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"> <li>▪ Board governance measures;</li> <li>▪ Corporate strategy;</li> <li>▪ Risk management analyses; and</li> <li>▪ Metrics and targets.</li> </ul> </li> <li>▪ Appropriate GHG emissions reduction targets.</li> </ul> <p>For <b>2022</b>, “appropriate GHG emissions reductions targets” will be any well-defined GHG reduction targets. Targets for Scope 3 emissions will not be required for 2022 but the targets should cover at least a significant portion of the company’s direct emissions. Expectations about what constitutes “minimum steps to mitigate risks related to climate change” will increase over time.</p>

### Rationale for Change:

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. Many investors around the world are seeking to better integrate climate risk considerations in their investment, engagement, and voting processes. Scientific experts have

<sup>8</sup> For 2022, companies defined as “significant GHG emitters” will be those on the current Climate Action 100+ Focus Group list.

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stated that there is an imperative to limit cumulative CO<sub>2</sub> emissions, aiming to reach net zero CO<sub>2</sub> emissions by mid-century, along with strong reductions in other greenhouse gas emissions in order to limit human-induced global warming. The ISS policy updates for 2022 introduce a board accountability policy for the assessment of and focus on the world's highest greenhouse gas (GHG) emitting companies.

In response to our 2021 Climate Policy survey, high percentages of investor respondents supported establishing minimum criteria for companies considered to be strongly contributing to climate change. Therefore, ISS is for 2022 focusing on the 167 companies currently identified as the Climate Action 100+ Focus Group list, and it will recommend against incumbent directors – usually the appropriate committee chair in the first year – in cases where the company is not disclosing such as according to the Task Force on Climate-related Financial Disclosures (TCFD) and does not have quantitative GHG emission reduction targets covering at least a significant portion of the company's direct emissions.

For 2022, additional data points will be provided in the company information section for all Climate Action 100+ Focus Group companies in order to support this policy.

## Capital

### Common Stock Authorization

Current ISS Policy, incorporating changes:	New ISS Policy:
<p><u>General Authorization Requests</u></p> <p><del>General Recommendation: Vote for proposals to increase the number of authorized common shares where the primary purpose of the increase is to issue shares in connection with a transaction on the same ballot that warrants support.</del></p> <p><del>Vote against proposals at companies with more than one class of common stock to increase the number of authorized shares of the class of common stock that has superior voting rights.</del></p> <p><del>Vote against proposals to increase the number of authorized common shares if a vote for a reverse stock split on the same ballot is warranted despite the fact that the authorized shares would not be reduced proportionally.</del></p> <p>Vote case-by-case on <del>all other</del> proposals to increase the number of <b>authorized</b> shares of common stock <del>authorized for issuance. Take into account company-specific factors that include, at a minimum, the following:</del></p> <ul style="list-style-type: none"> <li><del>▪ Past Board Performance:</del> <ul style="list-style-type: none"> <li><del>▪ The company's use of authorized shares during the last three years;</del></li> </ul> </li> <li><del>▪ The Current Request:</del> <ul style="list-style-type: none"> <li><del>▪ Disclosure in the proxy statement of the specific purposes of the proposed increase;</del></li> <li><del>▪ Disclosure in the proxy statement of specific and severe risks to shareholders of not approving the request; and</del></li> <li><del>▪ The dilutive impact of the request as determined relative to an allowable increase calculated by ISS (typically 100 percent of existing</del></li> </ul> </li> </ul>	<p><u>General Authorization Requests</u></p> <p><b>General Recommendation:</b> Vote case-by-case on proposals to increase the number of authorized shares of common stock that are to be used for general corporate purposes:</p> <ul style="list-style-type: none"> <li>▪ If share usage (outstanding plus reserved) is less than 50% of the current authorized shares, vote for an increase of up to <b>50%</b> of current authorized shares.</li> <li>▪ If share usage is 50% to 100% of the current authorized, vote for an increase of up to <b>100%</b> of current authorized shares.</li> <li>▪ If share usage is greater than current authorized shares, vote for an increase of up to the current share usage.</li> <li>▪ In the case of a stock split, the allowable increase is calculated (per above) based on the post-split adjusted authorization.</li> </ul> <p>Generally vote against proposed increases, even if within the above ratios, if the proposal or the company's prior or ongoing use of authorized shares is problematic, including, but not limited to:</p> <ul style="list-style-type: none"> <li>▪ The proposal seeks to increase the number of authorized shares of the class of common stock that has superior voting rights to other share classes;</li> <li>▪ On the same ballot is a proposal for a reverse split for which support is warranted despite the fact that it would result in an excessive increase in the share authorization;</li> <li>▪ The company has a non-shareholder approved poison pill (including an NOL pill); or</li> </ul>

<p><del>authorized shares) that reflects the company's need for shares and total shareholder returns.</del></p> <p><del>ISS will apply the relevant allowable increase below to requests to increase common stock that are to be used for general corporate purposes (or to the general corporate purposes portion of a request that also includes a specific need):</del></p> <p><del>A. — Most companies: 100 percent of existing authorized shares.</del></p> <p><del>B. — Companies with less than 50 percent of existing authorized shares either outstanding or reserved for issuance: 50 percent of existing authorized shares.</del></p> <ul style="list-style-type: none"> <li>▪ If share usage (outstanding plus reserved) is less than 50% of the current authorized shares, vote for an increase of up to 50% of current authorized shares.</li> <li>▪ If share usage is 50% to 100% of the current authorized, vote for an increase of up to 100% of current authorized shares.</li> <li>▪ If share usage is greater than current authorized shares, vote for an increase of up to the current share usage.</li> <li>▪ In the case of a stock split, the allowable increase is calculated (per above) based on the post-split adjusted authorization.</li> </ul> <p><del>C. — Companies with one and three year total shareholder returns (TSRs) in the bottom 10 percent of the U.S. market as of the end of the calendar quarter that is closest to their most recent fiscal year end: 50 percent of existing authorized shares.</del></p> <p><del>D. — Companies at which both conditions (B and C) above are both present: 25 percent of existing authorized shares.</del></p> <p>Generally vote against proposed increases, even if within the above ratios, if the proposal or the company's prior or ongoing use of authorized shares is problematic, including, but not limited to:</p> <ul style="list-style-type: none"> <li>▪ The proposal seeks to increase the number of authorized shares of the class of common stock that has superior voting rights to other share classes;</li> </ul>	<ul style="list-style-type: none"> <li>▪ The company has previous sizeable placements (within the past 3 years) of stock with insiders at prices substantially below market value, or with problematic voting rights, without shareholder approval.</li> </ul> <p>However, generally vote for proposed increases beyond the above ratios or problematic situations when there is disclosure of specific and severe risks to shareholders of not approving the request, such as:</p> <ul style="list-style-type: none"> <li>▪ In, or subsequent to, the company's most recent 10-K filing, the company discloses that there is substantial doubt about its ability to continue as a going concern;</li> <li>▪ The company states that there is a risk of imminent bankruptcy or imminent liquidation if shareholders do not approve the increase in authorized capital; or</li> <li>▪ A government body has in the past year required the company to increase its capital ratios.</li> </ul> <p>For companies incorporated in states that allow increases in authorized capital without shareholder approval, generally vote withhold or against all nominees if a unilateral capital authorization increase does not conform to the above policies.</p> <p><b><u>Specific Authorization Requests</u></b></p> <p><b>General Recommendation:</b> Generally vote for proposals to increase the number of authorized common shares where the primary purpose of the increase is to issue shares in connection with transaction(s) (such as acquisitions, SPAC transactions, private placements, or similar transactions) on the same ballot, or disclosed in the proxy statement, that warrant support. For such transactions, the allowable increase will be the greater of:</p> <ul style="list-style-type: none"> <li>▪ twice the amount needed to support the transactions on the ballot, and</li> <li>▪ the allowable increase as calculated for general issuances above.</li> </ul>
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- On the same ballot is a proposal for a reverse split for which support is warranted despite the fact that it would result in an excessive increase in the share authorization;
- The company has a non-shareholder approved poison pill (including an NOL pill); or
- The company has previous sizeable placements (within the past 3 years) of stock with insiders at prices substantially below market value, or with problematic voting rights, without shareholder approval.

However, generally vote for proposed increases beyond the above ratios or problematic situations when there is disclosure of specific and severe risks to shareholders of not approving the request, such as:

- In, or subsequent to, the company's most recent 10-K filing, the company discloses that there is substantial doubt about its ability to continue as a going concern;
- The company states that there is a risk of imminent bankruptcy or imminent liquidation if shareholders do not approve the increase in authorized capital; or
- A government body has in the past year required the company to increase its capital ratios.

For companies incorporated in states that allow increases in authorized capital without shareholder approval, generally vote withhold or against all nominees if a unilateral capital authorization increase does not conform to the above policies.

#### Specific Authorization Requests

**General Recommendation:** Generally vote for proposals to increase the number of authorized common shares where the primary purpose of the increase is to issue shares in connection with transaction(s) (such as ~~If there is an~~ acquisitions, SPAC transactions, private placements, or similar transactions) on the same ballot (~~not including equity incentive plans~~), or disclosed in the proxy statement,

<p>that warrant support. <del>that ISS is recommending FOR</del>, For such transactions, the allowable increase will be the greater of</p> <ul style="list-style-type: none"><li>▪ twice the amount needed to support the transactions on the ballot, and</li><li>▪ the allowable increase as calculated for general issuances above.</li></ul>	
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### Rationale for Change:

There are two primary changes to the policy:

**Removal of the limitation for companies in the bottom 10% of TSRs:** The lower a company's share price, the more shares it will need to issue to raise a given amount of money. Moreover, companies whose TSR performance puts them in the bottom 10 percent of the market are often companies which have suffered serious financial or operational setbacks, which may necessitate a pivot to a new strategy or business model, which in turn may require financing. Such companies often have few options for raising funds other than issuing common stock, or convertible bonds or warrants linked to common stock. So while shareholders may justifiably be concerned about high levels of dilution from low-priced share issuances, in practice supporting an authorized capital increase to enable such issuances may be the least-bad option for shareholders. Therefore, ISS will apply the same dilution limits to underperforming companies as are applied to other companies.

**Use of capital in the past three years:** Under the current policy, ISS looked only at the use of capital for the last three years, such as the adoption of a non-shareholder approved poison pill in that time period. However, that disregarded companies that had outstanding longer term non-shareholder approved pills (such as 5- or 10-year pills). The policy update clarifies that companies that adopt long term pills and do not put them to a shareholder vote will be considered poor stewards of capital. This change aligns the capital authorization policy with the recommendations on directors for non-shareholder approved poison pills.

The policy has also been rearranged to better differentiate between general and specific use authorizations of capital, and to clarify the hierarchy of factors considered: when problematic practices override the generally acceptable ratios, and that severe risks to the company's continuation may override other concerns. Information currently included in [FAQs](#) has been brought into the policy directly to clarify.

## Preferred Stock Authorization

Current ISS Policy, incorporating changes:	New ISS Policy:
<p><b>General Authorization Requests</b></p> <p><del>General Recommendation: Vote for proposals to increase the number of authorized preferred shares where the primary purpose of the increase is to issue shares in connection with a transaction on the same ballot that warrants support.</del></p> <p><del>Vote against proposals at companies with more than one class or series of preferred stock to increase the number of authorized shares of the class or series of preferred stock that has superior voting rights.</del></p> <p>Vote case-by-case on <del>all other</del> proposals to increase the number of <b>authorized</b> shares of preferred stock <del>authorized for issuance. that are to be used for general corporate purposes</del> <b>Take into account company specific factors that include, at a minimum, the following:</b></p> <ul style="list-style-type: none"> <li><del>▪ Past Board Performance:</del> <ul style="list-style-type: none"> <li><del>▪ The company's use of authorized preferred shares during the last three years;</del></li> </ul> </li> <li><del>▪ The Current Request:</del> <ul style="list-style-type: none"> <li><del>▪ Disclosure in the proxy statement of the specific purposes for the proposed increase;</del></li> <li><del>▪ Disclosure in the proxy statement of specific and severe risks to shareholders of not approving the request;</del></li> <li><del>▪ In cases where the company has existing authorized preferred stock, the dilutive impact of the request as determined by an allowable increase</del></li> </ul> </li> </ul>	<p><b>General Authorization Requests</b></p> <p><b>General Recommendation:</b> Vote case-by-case on proposals to increase the number of authorized shares of preferred stock that are to be used for general corporate purposes:</p> <ul style="list-style-type: none"> <li>▪ If share usage (outstanding plus reserved) is less than 50% of the current authorized shares, vote for an increase of up to <b>50%</b> of current authorized shares.</li> <li>▪ If share usage is 50% to 100% of the current authorized, vote for an increase of up to <b>100%</b> of current authorized shares.</li> <li>▪ If share usage is greater than current authorized shares, vote for an increase of up to the current share usage.</li> <li>▪ In the case of a stock split, the allowable increase is calculated (per above) based on the post-split adjusted authorization.</li> <li>▪ If no preferred shares are currently issued and outstanding, vote against the request, unless the company discloses a specific use for the shares.</li> </ul> <p>Generally vote against proposed increases, even if within the above ratios, if the proposal or the company's prior or ongoing use of authorized shares is problematic, including, but not limited to:</p> <ul style="list-style-type: none"> <li>▪ If the shares requested are blank check preferred shares that can be used for antitakeover purposes;<sup>9</sup></li> <li>▪ The company seeks to increase a class of non-convertible preferred shares entitled to more than one vote per share on matters that do not solely affect the rights of preferred stockholders "supervoting shares");</li> <li>▪ The company seeks to increase a class of convertible preferred shares entitled to a number of votes greater than the number of common shares</li> </ul>

<sup>9</sup> To be acceptable, appropriate disclosure would be needed that the shares are "declawed": i.e., representation by the board that it will not, without prior stockholder approval, issue or use the preferred stock for any defensive or anti-takeover purpose or for the purpose of implementing any stockholder rights plan.

<p><del>calculated by ISS (typically 100 percent of existing authorized shares) that reflects the company's need for shares and total shareholder returns; and</del></p> <p><del>Whether the shares requested are blank check preferred shares that can be used for antitakeover purposes:</del></p> <ul style="list-style-type: none"> <li>▪ If share usage (outstanding plus reserved) is less than 50% of the current authorized shares, vote for an increase of up to <b>50%</b> of current authorized shares.</li> <li>▪ If share usage is 50% to 100% of the current authorized, vote for an increase of up to <b>100%</b> of current authorized shares.</li> <li>▪ If share usage is greater than current authorized shares, vote for an increase of up to the current share usage.</li> <li>▪ In the case of a stock split, the allowable increase is calculated (per above) based on the post-split adjusted authorization.</li> <li>▪ If no preferred shares are currently issued and outstanding, vote against the request, unless the company discloses a specific use for the shares.</li> </ul> <p>Generally vote against proposed increases, even if within the above ratios, if the proposal or the company's prior or ongoing use of authorized shares is problematic, including, but not limited to:</p> <ul style="list-style-type: none"> <li>▪ If the shares requested are blank check preferred shares that can be used for antitakeover purposes;<sup>9</sup></li> <li>▪ The company seeks to increase a class of non-convertible preferred shares entitled to more than one vote per share on matters that do not solely affect the rights of preferred stockholders ("supervoting shares");</li> <li>▪ The company seeks to increase a class of convertible preferred shares entitled to a number of votes greater than the number of common shares into which they're convertible ("supervoting shares") on matters that do not solely affect the rights of preferred stockholders;</li> <li>▪ The stated intent of the increase in the general authorization is to allow the company to increase an existing designated class of supervoting preferred shares;</li> <li>▪ On the same ballot is a proposal for a reverse split for which support is warranted despite the fact that it would result in an excessive increase in the share authorization;</li> </ul>	<ul style="list-style-type: none"> <li>▪ into which they're convertible ("supervoting shares") on matters that do not solely affect the rights of preferred stockholders;</li> <li>▪ The stated intent of the increase in the general authorization is to allow the company to increase an existing designated class of supervoting preferred shares;</li> <li>▪ On the same ballot is a proposal for a reverse split for which support is warranted despite the fact that it would result in an excessive increase in the share authorization;</li> <li>▪ The company has a non-shareholder approved poison pill (including an NOL pill); or</li> <li>▪ The company has previous sizeable placements (within the past 3 years) of stock with insiders at prices substantially below market value, or with problematic voting rights, without shareholder approval.</li> </ul> <p>However, generally vote for proposed increases beyond the above ratios or problematic situations when there is disclosure of specific and severe risks to shareholders of not approving the request, such as:</p> <ul style="list-style-type: none"> <li>▪ In, or subsequent to, the company's most recent 10-K filing, the company discloses that there is substantial doubt about its ability to continue as a going concern;</li> <li>▪ The company states that there is a risk of imminent bankruptcy or imminent liquidation if shareholders do not approve the increase in authorized capital; or</li> <li>▪ A government body has in the past year required the company to increase its capital ratios.</li> </ul> <p>For companies incorporated in states that allow increases in authorized capital without shareholder approval, generally vote withhold or against all nominees if a unilateral capital authorization increase does not conform to the above policies.</p> <p><b><u>Specific Authorization Requests</u></b></p> <p><b>General Recommendation:</b> Generally vote for proposals to increase the number of authorized preferred shares where the primary purpose of the increase is to issue shares in connection with transaction(s) (such as acquisitions, SPAC</p>
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<ul style="list-style-type: none"> <li>▪ The company has a non-shareholder approved poison pill (including an NOL pill); or</li> <li>▪ The company has previous sizeable placements (within the past 3 years) of stock with insiders at prices substantially below market value, or with problematic voting rights, without shareholder approval.</li> </ul> <p>However, generally vote for proposed increases beyond the above ratios or problematic situations when there is disclosure of specific and severe risks to shareholders of not approving the request, such as:</p> <ul style="list-style-type: none"> <li>▪ In, or subsequent to, the company's most recent 10-K filing, the company discloses that there is substantial doubt about its ability to continue as a going concern;</li> <li>▪ The company states that there is a risk of imminent bankruptcy or imminent liquidation if shareholders do not approve the increase in authorized capital; or</li> <li>▪ A government body has in the past year required the company to increase its capital ratios.</li> </ul> <p>For companies incorporated in states that allow increases in authorized capital without shareholder approval, generally vote withhold or against all nominees if a unilateral capital authorization increase does not conform to the above policies.</p> <p><b><u>Specific Authorization Requests</u></b></p> <p><b>General Recommendation:</b> Generally vote for proposals to increase the number of authorized preferred shares where the primary purpose of the increase is to issue shares in connection with transaction(s) (such as acquisitions, SPAC transactions, private placements, or similar transactions) on the same ballot, or disclosed in the proxy statement, that warrant support. For such transactions, the allowable increase will be the greater of:</p> <ul style="list-style-type: none"> <li>▪ twice the amount needed to support the transactions on the ballot, and</li> <li>▪ the allowable increase as calculated for general issuances above.</li> </ul>	<p>transactions, private placements, or similar transactions) on the same ballot, or disclosed in the proxy statement, that warrant support. For such transactions, the allowable increase will be the greater of:</p> <ul style="list-style-type: none"> <li>▪ twice the amount needed to support the transactions on the ballot, and</li> <li>▪ the allowable increase as calculated for general issuances above.</li> </ul>
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**Rationale for Change:**

In line with the revisions to the [Common Stock Authorizations](#) policy, the revised policy for Preferred Stock Authorizations reflects the removal of the limitation for companies in the bottom 10% of TSRs, and the change in the policy to look for whether there is an outstanding non-shareholder-approved poison pill, as opposed to one that has been adopted in the past 3 years. Preferred stock also has numerous variations with regards to voting rights and convertibility into common stock, so the policy update includes information on when such features are considered problematic.

Compensation

**Equity-Based and Other Incentive Plans – Three Year Burn Rate**

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>For meetings held prior to February 1, 2023, burn-rate benchmarks (utilized in Equity Plan Scorecard evaluations) are calculated as the greater of: (1) the mean (<math>\mu</math>) plus one standard deviation (<math>\sigma</math>) of the company's GICS group segmented by S&amp;P 500, Russell 3000 index (less the S&amp;P500), and non-Russell 3000 index; and (2) two percent of weighted common shares outstanding. In addition, year-over-year burn-rate benchmark changes will be limited to a maximum of two (2) percentage points plus or minus the prior year's burn-rate benchmark. See the U.S. Equity Compensation Plans FAQ for the benchmarks.</p>	<p>For meetings held prior to February 1, 2023, burn-rate benchmarks (utilized in Equity Plan Scorecard evaluations) are calculated as the greater of: (1) the mean (<math>\mu</math>) plus one standard deviation (<math>\sigma</math>) of the company's GICS group segmented by S&amp;P 500, Russell 3000 index (less the S&amp;P500), and non-Russell 3000 index; and (2) two percent of weighted common shares outstanding. In addition, year-over-year burn-rate benchmark changes will be limited to a maximum of two (2) percentage points plus or minus the prior year's burn-rate benchmark. See the U.S. Equity Compensation Plans FAQ for the benchmarks.</p>
<p>For meetings held prior to February 1, 2023, a company's adjusted burn rate is calculated as follows:</p>	<p>For meetings held prior to February 1, 2023, a company's adjusted burn rate is calculated as follows:</p>
<p>Burn Rate = (# of appreciation awards granted + # of full value awards granted * Volatility Multiplier) / Weighted average common shares outstanding</p>	<p>Burn Rate = (# of appreciation awards granted + # of full value awards granted * Volatility Multiplier) / Weighted average common shares outstanding</p>
<p>The Volatility Multiplier is used to provide more equivalent valuation between stock options and full value shares, based on the company's historical stock price volatility.</p>	<p>The Volatility Multiplier is used to provide more equivalent valuation between stock options and full value shares, based on the company's historical stock price volatility.</p>
<p>Effective for meetings held on or after February 1, 2023, a "Value-Adjusted Burn Rate" will instead be used for stock plan evaluations. Value-Adjusted Burn Rate</p>	<p>Effective for meetings held on or after February 1, 2023, a "Value-Adjusted Burn Rate" will instead be used for stock plan evaluations. Value-Adjusted Burn Rate</p>

<p>benchmarks will be calculated as the greater of: (1) an industry-specific threshold based on three-year burn rates within the company's GICS group segmented by S&amp;P 500, Russell 3000 index (less the S&amp;P 500) and non-Russell 3000 index; and (2) a de minimis threshold established separately for each of the S&amp;P 500, the Russell 3000 index less the S&amp;P 500, and the non-Russell 3000 index. Year-over-year burn-rate benchmark changes will be limited to a predetermined range above or below the prior year's burn-rate benchmark.</p> <p>The Value-Adjusted Burn Rate will be calculated as follows:</p> <p>Value-Adjusted Burn Rate = ((# of options * option's dollar value using a Black-Scholes model) + (# of full-value awards * stock price)) / (Weighted average common shares * stock price).</p>	<p>benchmarks will be calculated as the greater of: (1) an industry-specific threshold based on three-year burn rates within the company's GICS group segmented by S&amp;P 500, Russell 3000 index (less the S&amp;P 500) and non-Russell 3000 index; and (2) a de minimis threshold established separately for each of the S&amp;P 500, the Russell 3000 index less the S&amp;P 500, and the non-Russell 3000 index. Year-over-year burn-rate benchmark changes will be limited to a predetermined range above or below the prior year's burn-rate benchmark.</p> <p>The Value-Adjusted Burn Rate will be calculated as follows:</p> <p>Value-Adjusted Burn Rate = ((# of options * option's dollar value using a Black-Scholes model) + (# of full-value awards * stock price)) / (Weighted average common shares * stock price).</p>
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**Rationale for Change:**

The current volatility-based adjusted burn rate calculation is beneficial as an approximation of the rate at which a company is granting new shares through equity-based compensation, using historic volatility to account for the difference in value between a stock option and a full-value share (i.e. restricted stock). However, the new "Value-Adjusted Burn Rate" calculation will more accurately measure the value of recently granted equity awards using a methodology that more precisely measures the value of option grants. In addition, the Value-Adjusted Burn Rate is based on calculations that are more readily understood and accepted by the market: the actual stock price for full-value awards, and the Black-Scholes value for stock options. In contrast, the full-value multiplier used in the current burn rate calculation is determined based on a company's three-year stock price volatility, which is influenced by stock price changes even in periods when no stock options were granted. Further, the multiplier approach groups companies into broad categories, and is not sensitive to differences within each of the six volatility-based multiplier "buckets," which can result in a less precise calculation.

When the multiplier-based adjusted burn rate was adopted many years ago, resource limitations prevented ISS from performing the more extensive calculations that are required for the value-adjusted burn rate, especially in consideration of the volume of equity plan proposals that are analyzed during the U.S. proxy season. Thanks in part to improvements in ISS' data collection and technical resources, it is now feasible to adopt the more accurate and more resource-intensive value-based burn rate calculation. More details regarding the new Value-Adjusted Burn Rate calculations will be provided in [ISS' Policy Gateway](#).

## Social and Environmental Issues

### Shareholder Proposals on Racial Equity and/or Civil Rights Audit Guidelines

Current ISS Policy, incorporating changes:	New ISS Policy:
<p><b>General Recommendation:</b> Vote case-by-case on proposals asking a company to conduct an independent racial equity and/or civil rights audit, taking into account:</p> <ul style="list-style-type: none"> <li>▪ The company’s established process or framework for addressing racial inequity and discrimination internally;</li> <li>▪ Whether the company has issued a public statement related to their racial justice efforts in recent years, or has committed to internal policy review;</li> <li>▪ Whether the company has engaged with impacted communities, stakeholders, and civil rights experts,</li> <li>▪ The company’s track record in recent years of racial justice measures and outreach externally;</li> <li>▪ Whether the company has been the subject of recent controversy, litigation, or regulatory actions related to racial inequity or discrimination; and</li> <li>▪ Whether the company’s actions are aligned with market norms on civil rights, and racial or ethnic diversity.</li> </ul>	<p><b>General Recommendation:</b> Vote case-by-case on proposals asking a company to conduct an independent racial equity and/or civil rights audit, taking into account:</p> <ul style="list-style-type: none"> <li>▪ The company’s established process or framework for addressing racial inequity and discrimination internally;</li> <li>▪ Whether the company has issued a public statement related to their racial justice efforts in recent years, or has committed to internal policy review;</li> <li>▪ Whether the company has engaged with impacted communities, stakeholders, and civil rights experts,</li> <li>▪ The company’s track record in recent years of racial justice measures and outreach externally;</li> <li>▪ Whether the company has been the subject of recent controversy, litigation, or regulatory actions related to racial inequity or discrimination; and</li> <li>▪ Whether the company’s actions are aligned with market norms on civil rights, and racial or ethnic diversity.</li> </ul>

#### Rationale for Change:

A new shareholder proposal requesting that companies oversee an independent racial equity audit was introduced in 2021 following the 2020 Black Lives Matter protests. Although the new proposal did not pass at any annual meetings in 2021, it garnered significant levels of shareholder support and is expected to be on ballot again in the coming years due to growing pressure for progress on DEI efforts. As this is a new proposal, ISS does not yet have a policy to address racial equity audit proposals. This update codifies ISS’ approach to these proposals.

## Coverage — Foreign-Incorporated Companies

Current ISS Policy, incorporating changes:	New ISS Policy:
<p><b>Foreign-incorporated companies</b></p> <p>In addition to U.S.- incorporated, <b>U.S.- listed</b> companies, ISS’ U.S. policies are applied to certain foreign-incorporated company analyses. Like the SEC, ISS distinguishes two types of companies that list but are not incorporated in the U.S.:</p> <ul style="list-style-type: none"> <li>U.S. Domestic Issuers – which have a majority of outstanding shares held in the U.S. and meet other criteria, as determined by the SEC, and are subject to the same disclosure and listing standards as U.S. incorporated companies (e.g. they are required to file DEF14A proxy statements) – are generally covered under standard U.S. policy guidelines.</li> <li><b>Foreign Private Issuers</b> (FPIs) – which <del>do not meet the Domestic Issuer criteria and are allowed to take exemptions</del> from most disclosure requirements (e.g., they are allowed to file 6-K for their proxy materials <del>do not file DEF14A reports</del>) and U.S. listing standards (<del>e.g., for required levels of board and committee independence</del>) – are generally covered under a combination of policy guidelines: <ul style="list-style-type: none"> <li>FPI Guidelines (see the <a href="#">Americas Regional Proxy Voting Guidelines</a>), may apply to companies incorporated in governance havens, and <del>which</del> apply certain minimum independence and disclosure standards in the evaluation of key proxy ballot items, such as the election of directors <del>and approval of financial reports</del>; and/or</li> <li><del>For other issues, g</del>Guidelines for the market that is responsible for, or most relevant to, the item on the ballot.</li> </ul> </li> </ul> <p>U.S. incorporated companies listed only on non-U.S. exchanges are generally covered under the ISS guidelines for the market on which they are traded.</p> <p>An FPI is generally covered under ISS’ approach to FPIs outlined above, even if such FPI voluntarily files a proxy statement and/or other filing normally required of a U.S. Domestic Issuer, so long as the company retains its FPI status.</p>	<p><b>Foreign-incorporated companies</b></p> <p>In addition to U.S.- incorporated, U.S.- listed companies, ISS’ U.S. policies are applied to certain foreign-incorporated company analyses. Like the SEC, ISS distinguishes two types of companies that list but are not incorporated in the U.S.:</p> <ul style="list-style-type: none"> <li>U.S. Domestic Issuers – which have a majority of outstanding shares held in the U.S. and meet other criteria, as determined by the SEC, and are subject to the same disclosure and listing standards as U.S. incorporated companies (e.g. they are required to file DEF14A proxy statements) – are generally covered under standard U.S. policy guidelines.</li> <li><b>Foreign Private Issuers</b> (FPIs) – which are allowed to take exemptions from most disclosure requirements (e.g., they are allowed to file 6-K for their proxy materials) and U.S. listing standards – are generally covered under a combination of policy guidelines: <ul style="list-style-type: none"> <li>FPI Guidelines (see the <a href="#">Americas Regional Proxy Voting Guidelines</a>), may apply to companies incorporated in governance havens, and apply certain minimum independence and disclosure standards in the evaluation of key proxy ballot items, such as the election of directors; and/or</li> <li>Guidelines for the market that is responsible for, or most relevant to, the item on the ballot.</li> </ul> </li> </ul> <p>U.S. incorporated companies listed only on non-U.S. exchanges are generally covered under the ISS guidelines for the market on which they are traded.</p> <p>An FPI is generally covered under ISS’ approach to FPIs outlined above, even if such FPI voluntarily files a proxy statement and/or other filing normally required of a U.S. Domestic Issuer, so long as the company retains its FPI status.</p> <p>In all cases – including with respect to other companies with cross-market features that may lead to ballot items related to multiple markets – items that</p>

<p>In all cases – including with respect to other companies with cross-market features that may lead to ballot items related to multiple markets – items that are on the ballot solely due to the requirements of another market (listing, incorporation, or national code) may be evaluated under the policy of the relevant market, regardless of the “assigned” <b>primary</b> market coverage.</p>	<p>are on the ballot solely due to the requirements of another market (listing, incorporation, or national code) may be evaluated under the policy of the relevant market, regardless of the “assigned” primary market coverage.</p>
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**Rationale for Change:**

The question has arisen as to ISS’ coverage of certain foreign-incorporated companies, that while they are not required to file as U.S. Domestic Issuers (they still qualify as foreign private issuers under the SEC tests) may choose to do so voluntarily (also known as a partial transition). The update to the Coverage section is to clarify this issue.

## Canada

### Coverage (TSX Guidelines)

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>The Canadian research team provides proxy analyses and voting recommendations for common shareholder meetings of publicly – traded Canadian-incorporated companies that are held in our institutional investor clients' portfolios. These TSX policy guidelines apply to companies listed on the Toronto Stock Exchange and the NEO Exchange. ISS reviews its universe of coverage on an annual basis, and the coverage is subject to change based on client need and industry trends.</p> <p>U.S. Domestic Issuers – which have a majority of outstanding shares held in the U.S. and meet other criteria, as determined by the SEC, and are subject to the same disclosure and listing standards as U.S. incorporated companies – are generally covered under standard U.S. policy guidelines. U.S. Foreign Private Issuers that are incorporated in Canada and that do not file DEF14A reports and do not meet the SEC Domestic Issuer criteria are covered under Canadian policy.</p> <p>In all cases – including with respect to other companies with cross-market features that may lead to ballot items related to multiple markets – items that are on the ballot solely due to the requirements of another market (listing, incorporation, or national code) may be evaluated under the policy of the relevant market, regardless of the “assigned” market coverage.</p>	<p>The Canadian research team provides proxy analyses and voting recommendations for common shareholder meetings of publicly – traded Canadian-incorporated companies that are held in our institutional investor clients' portfolios. These TSX policy guidelines apply to companies listed on the Toronto Stock Exchange and the NEO Exchange. ISS reviews its universe of coverage on an annual basis, and the coverage is subject to change based on client need and industry trends.</p> <p>U.S. Domestic Issuers – which have a majority of outstanding shares held in the U.S. and meet other criteria, as determined by the SEC, and are subject to the same disclosure and listing standards as U.S. incorporated companies – are generally covered under standard U.S. policy guidelines. U.S. Foreign Private Issuers that are incorporated in Canada and that do not file DEF14A reports and do not meet the SEC Domestic Issuer criteria are covered under Canadian policy.</p> <p>In all cases – including with respect to other companies with cross-market features that may lead to ballot items related to multiple markets – items that are on the ballot solely due to the requirements of another market (listing, incorporation, or national code) may be evaluated under the policy of the relevant market, regardless of the “assigned” market coverage.</p>

#### Rationale for Change:

ISS' proxy voting guidelines for TSX-Listed companies are currently applied to both TSX-Listed companies and companies listed on the NEO Exchange. The NEO Exchange has substantially the same listing requirements as the TSX and is also considered to be a prime exchange. The TSX voting guidelines are therefore being updated to clearly state their application to NEO Exchange listed companies as well.

## Board of Directors – Voting on Director Nominees in Uncontested Elections

### TSX Listing Requirements (TSX Guidelines)

Current ISS Policy, incorporating changes:	New ISS Policy:
<p>Under Part IV of the Toronto Stock Exchange (TSX) Company Manual, issuers are required to provide for the annual election of directors by individual ballot and to promptly and publicly disclose the votes received for the election of each director following the meeting.</p> <p>In addition, effective June 30, 2014, issuers were required to adopt a majority voting director resignation policy<sup>10</sup> providing that:</p> <ul style="list-style-type: none"> <li>▪ If a director receives less than a majority of votes for his or her election, the director will be required to submit his or her resignation to the board for consideration;</li> <li>▪ The board will accept the resignation absent exceptional circumstances; and</li> <li>▪ The company will promptly issue a public statement with the board's decision regarding the director's resignation. If the board does not accept the resignation the statement must fully state the reasons for that decision.</li> </ul> <p>The NEO Exchange has the same listing requirements for director elections as the TSX.</p>	<p>Under Part IV of the Toronto Stock Exchange (TSX) Company Manual, issuers are required to provide for the annual election of directors by individual ballot and to promptly and publicly disclose the votes received for the election of each director following the meeting.</p> <p>In addition, effective June 30, 2014, issuers were required to adopt a majority voting director resignation policy<sup>10</sup> providing that:</p> <ul style="list-style-type: none"> <li>▪ If a director receives less than a majority of votes for his or her election, the director will be required to submit his or her resignation to the board for consideration;</li> <li>▪ The board will accept the resignation absent exceptional circumstances; and</li> <li>▪ The company will promptly issue a public statement with the board's decision regarding the director's resignation. If the board does not accept the resignation the statement must fully state the reasons for that decision.</li> </ul> <p>The NEO Exchange has the same listing requirements for director elections as the TSX.</p>

### Rationale for Change:

See the rationale for the change for [Coverage](#).

<sup>10</sup> Controlled companies are exempt from this requirement.

## Gender Diversity (TSX Guidelines)

Current ISS Policy, incorporating changes:	New ISS Policy:
<p><b>General Recommendation:</b> For S&amp;P/TSX Composite Index companies, <del>effective February 2022,</del> 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"> <li>▪ <del>w</del>Women comprise less than 30% of the board of directors; and</li> <li>▪ <del>The company has not disclosed a formal written gender diversity policy<sup>11</sup>; or</del></li> <li>▪ The company<del>s</del> <del>has not provided a formal, publicly-disclosed written commitment</del> <del>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.</del></li> </ul> <p><del>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%.</del></p> <p>For <del>widely held</del> TSX companies<sup>12</sup> which are <b>not</b> also S&amp;P/TSX Composite Index constituents, generally vote withhold for the Chair of the Nominating Committee or Chair of the committee designated with the responsibility of a nominating committee, or Chair of the board of directors if no nominating committee has been identified or no chair of such committee has been identified, where:</p> <ul style="list-style-type: none"> <li>▪ The company has not disclosed a formal written gender diversity policy<sup>11</sup>; and</li> <li>▪ There are zero women on the board.</li> </ul>	<p><b>General Recommendation:</b> For S&amp;P/TSX Composite Index companies, generally vote withhold for the Chair of the Nominating Committee or Chair of the committee designated with the responsibility of a nominating committee, or Chair of the board of directors if no nominating committee has been identified or no chair of such committee has been identified, and:</p> <ul style="list-style-type: none"> <li>▪ Women comprise less than 30% of the board of directors; and</li> <li>▪ 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.</li> </ul> <p>For TSX companies which are <b>not</b> also S&amp;P/TSX Composite Index constituents, generally vote withhold for the Chair of the Nominating Committee or Chair of the committee designated with the responsibility of a nominating committee, or Chair of the board of directors if no nominating committee has been identified or no chair of such committee has been identified, where:</p> <ul style="list-style-type: none"> <li>▪ The company has not disclosed a formal written gender diversity policy<sup>11</sup>; and</li> </ul>

<sup>11</sup> 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.

<sup>12</sup> ~~"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 <del>within a reasonable period of time at or prior to the next AGM.</del></p> <p><b>Non-S&amp;P/TSX Composite Exemptions:</b></p> <p>This policy will not apply to:</p> <ul style="list-style-type: none"> <li>▪ Newly-publicly-listed companies within the current or prior fiscal year;</li> <li>▪ Companies that have transitioned from the TSXV within the current or prior fiscal year; or</li> <li>▪ Companies with four or fewer directors.</li> </ul>	<ul style="list-style-type: none"> <li>▪ There are zero women on the board.</li> </ul> <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><b>Non-S&amp;P/TSX Composite Exemptions:</b></p> <p>This policy will not apply to:</p> <ul style="list-style-type: none"> <li>▪ Newly-publicly-listed companies within the current or prior fiscal year;</li> <li>▪ Companies that have transitioned from the TSXV within the current or prior fiscal year; or</li> <li>▪ Companies with four or fewer directors.</li> </ul>
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### Rationale for 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.

**Overboarded Directors (Venture Guidelines)**

Current ISS Policy, incorporating changes:	New ISS Policy:
<p><b>General Recommendation:</b> For meetings on or after February 1, 2023, generally vote withhold for individual director nominees who:</p> <ul style="list-style-type: none"> <li>▪ Are non-CEO directors and serve on more than five public company boards; or</li> <li>▪ Are CEOs of public companies who serve on the boards of more than two public companies besides their own – withhold only at their outside boards<sup>13</sup>.</li> </ul> <p><b>Transitioning directors:</b> It is preferable for a director to step down from a board at the annual meeting to ensure orderly transitions, which may result in a director being temporarily overboarded (e.g. joining a new board in March but stepping off another board in June). ISS will generally not count a board for policy application purposes when it is publicly-disclosed that the director will be stepping off that board at its next annual meeting. This disclosure must be included within the company's proxy circular to be taken into consideration. Conversely, ISS will include the new boards that the director is joining even if the shareholder meeting with his or her election has not yet taken place.</p> <p><b>Rationale:</b> Directors must be able to devote sufficient time and energy to a board in order to be effective representatives of shareholders' interests. While the knowledge and experience that come from multiple directorships is highly valued, directors' increasingly complex responsibilities require an increasingly significant time commitment. Directors must balance the insight gained from</p>	<p><b>General Recommendation:</b> For meetings on or after February 1, 2023, generally vote withhold for individual director nominees who:</p> <ul style="list-style-type: none"> <li>▪ Are non-CEO directors and serve on more than five public company boards; or</li> <li>▪ Are CEOs of public companies who serve on the boards of more than two public companies besides their own – withhold only at their outside boards<sup>13</sup>.</li> </ul> <p><b>Transitioning directors:</b> It is preferable for a director to step down from a board at the annual meeting to ensure orderly transitions, which may result in a director being temporarily overboarded (e.g. joining a new board in March but stepping off another board in June). ISS will generally not count a board for policy application purposes when it is publicly-disclosed that the director will be stepping off that board at its next annual meeting. This disclosure must be included within the company's proxy circular to be taken into consideration. Conversely, ISS will include the new boards that the director is joining even if the shareholder meeting with his or her election has not yet taken place.</p> <p><b>Rationale:</b> Directors must be able to devote sufficient time and energy to a board in order to be effective representatives of shareholders' interests. While the knowledge and experience that come from multiple directorships is highly valued, directors' increasingly complex responsibilities require an increasingly significant time commitment. Directors must balance the insight gained from</p>

<sup>13</sup> Although a CEO's subsidiary boards will be counted as separate boards, ISS will not recommend a withhold vote for the CEO of a parent company board or any of the controlled (>50 percent ownership) subsidiaries of that parent, but may do so at subsidiaries that are less than 50 percent controlled and boards outside the parent/subsidiary relationship.

<p>roles on multiple boards with the ability to sufficiently prepare for, attend, and effectively participate in all of their board and committee meetings.</p>	<p>roles on multiple boards with the ability to sufficiently prepare for, attend, and effectively participate in all of their board and committee meetings.</p>
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**Rationale for Change:**

The new overboarded director policy for Venture issuers is aligned with the existing policy for TSX-listed issuers. This change is consistent with prevailing client expectations based on the feedback received at the 2021 ISS Canadian Policy Discussion Roundtable, and is also aligned with ISS global policy approach. Given the potential impact on companies and individual directors, the policy change will be effective February 1, 2023, providing a one-year transition period.

## Compensation— Advisory Vote on Executive Compensation (Say-on-Pay) Management Proposals

### Board Communications and Responsiveness (TSX Guidelines)

Current ISS Policy, incorporating changes:	New ISS Policy:
<p><b>General Recommendation:</b> Consider the following on a case-by-case basis when evaluating ballot items related to executive pay:</p> <ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ Board's responsiveness to investor input and engagement on compensation issues, including: <ul style="list-style-type: none"> <li>▪ Failure to respond to majority-supported shareholder proposals on executive pay topics;</li> <li>▪ <del>Failure to respond to concerns raised in connection with significant opposition to MSOP proposals;</del></li> <li>▪ Failure to respond to the company's previous say-on-pay proposal that received support of less than 70-80 percent of the votes cast taking into account the ownership structure of the company.</li> </ul> </li> </ul>	<p><b>General Recommendation:</b> Consider the following on a case-by-case basis when evaluating ballot items related to executive pay:</p> <ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ Board's responsiveness to investor input and engagement on compensation issues, including: <ul style="list-style-type: none"> <li>▪ Failure to respond to majority-supported shareholder proposals on executive pay topics;</li> <li>▪ 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.</li> </ul> </li> </ul>

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.	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.
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### Rationale for 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 moving 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.

### Equity-Based Compensation Plans (Venture Guidelines)

Current ISS Policy, incorporating changes:	New ISS Policy:
<p><b>General Recommendation:</b> Vote on a case-by-case basis on share-based compensation plans. Generally vote against an equity compensation plan proposal if:</p> <ul style="list-style-type: none"> <li>▪ The basic dilution (i.e. not including warrants or shares reserved for equity compensation) represented by all equity compensation plans is greater than 10 percent;</li> <li>▪ The average annual burn rate is greater than 5 percent per year (generally averaged over most recent three-year period and rounded to nearest whole number for policy application purposes);</li> <li>▪ The plan expressly permits the repricing of options without shareholder approval and the company has repriced options within the past three years;</li> </ul>	<p><b>General Recommendation:</b> Vote on a case-by-case basis on share-based compensation plans. Generally vote against an equity compensation plan proposal if:</p> <ul style="list-style-type: none"> <li>▪ The basic dilution (i.e. not including warrants or shares reserved for equity compensation) represented by all equity compensation plans is greater than 10 percent;</li> <li>▪ The average annual burn rate is greater than 5 percent per year (generally averaged over most recent three-year period and rounded to nearest whole number for policy application purposes);</li> <li>▪ The plan expressly permits the repricing of options without shareholder approval and the company has repriced options within the past three years;</li> </ul>

<ul style="list-style-type: none"> <li>The plan is a rolling equity plan that enables auto-replenishment of share reserves without requiring periodic shareholder approval of at least every three years (i.e. evergreen plan).</li> </ul> <p><del>For meetings on or after February 1, 2021, g</del> Generally vote withhold for the continuing compensation committee members <del>(or in cases where compensation committee members have not been identified and the entire board fulfills the role of compensation committee, vote withhold for the board chair),</del> (or, where no compensation committee has been identified, the board chair or full board), if the company maintains an evergreen plan (including those adopted prior to an initial public offering) and has not sought shareholder approval in the past two years and does not seek shareholder approval of the plan at the meeting.</p>	<ul style="list-style-type: none"> <li>The plan is a rolling equity plan that enables auto-replenishment of share reserves without requiring periodic shareholder approval of at least every three years (i.e. evergreen plan).</li> </ul> <p>Generally vote withhold for the continuing compensation committee members, (or, where no compensation committee has been identified, the board chair or full board), if the company maintains an evergreen plan (including those adopted prior to an initial public offering) and has not sought shareholder approval in the past two years and does not seek shareholder approval of the plan at the meeting.</p>
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### Rationale for Change:

While the TSX and TSX-V require regular shareholder reconfirmation of rolling limit equity plans (i.e. equity plans that automatically replenish share reserves), the CSE does not require regular shareholder reconfirmation of rolling limit plans. Therefore, such plans may not appear on ballot for shareholder re-approval unless materially amended. These plans are referred to as "evergreen" plans. To address concerns around evergreen plans effectively eliminating the opportunity for regular periodic shareholder approval, ISS adopted the current policy in 2020 that would have adverse vote recommendation implications for such plans or for directors who maintain these plans.

Since February 2021, ISS recommended a withhold vote for the continuing compensation committee members (or the board chair if the entire board fulfills the role of compensation committee) if the company maintains an evergreen plan and has not sought shareholder approval in the past two years and does not seek shareholder approval of the plan at the meeting. In 2021 (Feb 1 - August 8), there were 174 CSE-listed companies in the ISS Canadian coverage universe. Among them, around 60 percent did not have a compensation committee, and 30 percent did not have a compensation committee and did not identify a board chair.

The policy is being further updated to expand the potential withhold vote recommendation implications for all the board members in the circumstances that the company does not have a compensation committee and does not identify a board chair. In addition, the proposed updates include clarification that evergreen plans adopted prior to the company's public listing would also be subject to this policy.

## Brazil

### Operational Items- Financial Results/Director and Statutory Reports

Current ISS Policy, incorporating changes:	New ISS Policy:
<p><b>General Recommendation:</b> Generally <del>Vote</del> <sup>Vote</sup> for the approval of financial statements, <sup>report of the board of directors, independent auditor reports,</sup> and <sup>other</sup> statutory reports, unless:</p> <ul style="list-style-type: none"> <li>▪ There are concerns about the accounts presented or audit procedures used; <sup>or</sup></li> <li>▪ The external auditor expresses no opinion or qualified opinion over the financial statements. <del>;</del> <sup>or</sup></li> <li><del>▪ The company is not responsive to shareholder questions about specific items that should be publicly disclosed.</del></li> </ul> <p>ISS will note whenever fees for non-audit services exceed standard annual audit-related fees. However, Brazilian companies are not required to present the ratification of external auditors to a shareholder vote, and the establishment of an audit committee is not mandatory. (Brazilian regulations allow external auditors to serve for a five-year term, or a 10-year term if the company establishes an audit committee.) Consequently, excessive non-audit fees will generally not result in adverse vote recommendations.</p> <p>In circumstances where fees for non-audit services include fees related to significant one-time capital structure events (initial public offerings, bankruptcy emergencies, and spinoffs) and the company makes public disclosure of the amount and nature of those fees, which are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining the ratio of non-audit to audit fees.</p>	<p><b>General Recommendation:</b> Generally vote for the approval of financial statements, report of the board of directors, independent auditor reports, and other statutory reports, unless:</p> <ul style="list-style-type: none"> <li>▪ There are concerns about the accounts presented or audit procedures used; <sup>or</sup></li> <li>▪ The external auditor expresses no opinion or qualified opinion over the financial statements.</li> </ul> <p>ISS will note whenever fees for non-audit services exceed standard annual audit-related fees. However, Brazilian companies are not required to present the ratification of external auditors to a shareholder vote, and the establishment of an audit committee is not mandatory. (Brazilian regulations allow external auditors to serve for a five-year term, or a 10-year term if the company establishes an audit committee.) Consequently, excessive non-audit fees will generally not result in adverse vote recommendations.</p> <p>In circumstances where fees for non-audit services include fees related to significant one-time capital structure events (initial public offerings, bankruptcy emergencies, and spinoffs) and the company makes public disclosure of the amount and nature of those fees, which are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining the ratio of non-audit to audit fees.</p>

#### Rationale for Change:

This policy change removes legacy language to update and clarify the policy regarding the approval of financial statements and statutory reports. ISS does not opine on what "items should be publicly disclosed" regarding financial statements and statutory reports as these are mandated by laws and strict regulations in the respective

countries. In addition, the policy update also removes the reference to a responsiveness analysis in the evaluation of financial statements, which is not applicable to this agenda item. As such, the existing bullet point may create confusion with clients and the appearance that ISS would be making recommendations regarding 'which' items should be disclosed as part of financial statements and statutory reports and evaluate company's responsiveness, which are both not applied by ISS on the financial statements analysis.

The existing policy application will remain unchanged and is focused on whether there are any concerns regarding the accounts presented and/or audit procedures, which are the main vote recommendation drivers for the analysis of such proposals, as stated in the updated policy language.

## Board of Directors- Voting on Director Nominees under Uncontested Election

### Election of Minority Nominees (Separate Election)

Current ISS Policy, incorporating changes:	New ISS Policy:
<p><b>General Recommendation:</b> 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 <del>may</del> 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</p>	<p><b>General Recommendation:</b> 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</p>

<p>nominees. In the absence of timely disclosure of a minority fiscal council 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>nominees. In the absence of timely disclosure of a minority fiscal council 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 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 updating 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.

## Installation of Fiscal Council

Current ISS Policy, incorporating changes:	New ISS Policy:
<p><b>Installation of Fiscal Council</b></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><b>General Recommendation:</b> 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><b>Installation of Fiscal Council</b></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><b>General Recommendation:</b> 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 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.

## Brazil and Americas Regional

### Board Gender Diversity

Current ISS Policy, incorporating changes:	New ISS Policy:
<p><b>Gender Diversity</b></p> <p><del>For meetings on or after Feb. 1, 2022, g</del>Generally, vote against director elections at companies where the post-election board contains no female directors.</p> <ul style="list-style-type: none"> <li>▪ For bundled elections, vote against the entire slate.</li> <li>▪ For unbundled elections, vote against the chair of the Nominating Committee or chair of the committee designated with the responsibility of a nominating committee, or all such committee members if no committee chair has been identified. In case no nominating committee has been disclosed, vote against the chair of the board, or the entire board if no board chair has been identified.</li> </ul> <p><del>A one-year transitional period will apply in 2021 to allow companies to incorporate gender diversity into their board compositions. During this transitional period, vote recommendations will not be impacted by the gender diversity policy. The gender diversity policy will come into effect on Feb. 1, 2022.</del></p>	<p><b>Gender Diversity</b></p> <p>Generally, vote against director elections at companies where the post-election board contains no female directors.</p> <ul style="list-style-type: none"> <li>▪ For bundled elections, vote against the entire slate.</li> <li>▪ For unbundled elections, vote against the chair of the Nominating Committee or chair of the committee designated with the responsibility of a nominating committee, or all such committee members if no committee chair has been identified. In case no nominating committee has been disclosed, vote against the chair of the board, or the entire board if no board chair has been identified.</li> </ul>

### Rationale for Change:

The existing 2021 transitional period language is being removed from the policy as it is no longer applicable. The gender diversity policy will come into effect on Feb. 1, 2022.

## ISS Classification of Directors

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

<ul style="list-style-type: none"> <li>▪ Any director who has conflicting or cross-directorships with executive directors or the chair of the company;</li> <li>▪ Relative<sup>[1]</sup> of a current employee of the company or its affiliates;</li> <li>▪ Relative<sup>[1]</sup> of a former executive of the company or its affiliates;</li> <li>▪ A new appointee elected other than by a formal process through the General Meeting (such as a contractual appointment by a substantial shareholder);</li> <li>▪ Founder/co-founder/member of founding family, but not currently an employee;</li> <li>▪ Former executive (five-year cooling off period);</li> <li>▪ Any director who has served for 12 or more years on the board will be deemed non-independent, unless local best practices recommend a lower tenure limit which will then be applied;</li> <li>▪ Any director whose vote in board meetings is bound under the company's shareholder agreement;</li> <li>▪ Any director who is an employee or executive of a shareholder who is part of the company's shareholder agreement;</li> <li>▪ Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance.</li> </ul> <p><b>Independent NED</b></p> <ul style="list-style-type: none"> <li>▪ No material<sup>[4]</sup> connection, either directly or indirectly, to the company (other than a board seat) or the dissenting significant shareholder.</li> </ul> <p><b>Employee Representative</b></p> <ul style="list-style-type: none"> <li>▪ Represents employees or employee shareholders of the company (classified as "employee representative" but considered a non-independent NED).</li> </ul> <p><b>Footnotes:</b></p> <p>[1] "Relative" follows the definition of "immediate family members" which covers spouses, parents, children, stepparents, stepchildren, siblings, in-laws, and any person</p>	<ul style="list-style-type: none"> <li>▪ Any director who has conflicting or cross-directorships with executive directors or the chair of the company;</li> <li>▪ Relative<sup>[1]</sup> of a current employee of the company or its affiliates;</li> <li>▪ Relative<sup>[1]</sup> of a former executive of the company or its affiliates;</li> <li>▪ A new appointee elected other than by a formal process through the General Meeting (such as a contractual appointment by a substantial shareholder);</li> <li>▪ Founder/co-founder/member of founding family, but not currently an employee;</li> <li>▪ Former executive (five-year cooling off period);</li> <li>▪ Any director who has served for 12 or more years on the board will be deemed non-independent, unless local best practices recommend a lower tenure limit which will then be applied;</li> <li>▪ Any director whose vote in board meetings is bound under the company's shareholder agreement;</li> <li>▪ Any director who is an employee or executive of a shareholder who is part of the company's shareholder agreement;</li> <li>▪ Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance.</li> </ul> <p><b>Independent NED</b></p> <ul style="list-style-type: none"> <li>▪ No material<sup>[4]</sup> connection, either directly or indirectly, to the company (other than a board seat) or the dissenting significant shareholder.</li> </ul> <p><b>Employee Representative</b></p> <ul style="list-style-type: none"> <li>▪ Represents employees or employee shareholders of the company (classified as "employee representative" but considered a non-independent NED).</li> </ul> <p><b>Footnotes:</b></p> <p>[1] "Relative" follows the definition of "immediate family members" which covers spouses, parents, children, stepparents, stepchildren, siblings, in-laws, and any person</p>
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<p>(other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.</p> <p>[2] Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship.</p> <p>[3] A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company's turnover or 1 percent of the turnover of the company or organization with which the director is associated. OR, A business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is associated is more than 10 percent of the company's shareholder equity or the transaction value, (of all outstanding financing operations), compared to the company's total assets, is more than 5 percent.</p> <p>[4] For purposes of ISS' director independence classification, "material" will be defined as a standard of relationship financial, personal, or otherwise that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders.</p>	<p>(other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.</p> <p>[2] Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship.</p> <p>[3] A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company's turnover or 1 percent of the turnover of the company or organization with which the director is associated. OR, A business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is associated is more than 10 percent of the company's shareholder equity or the transaction value, (of all outstanding financing operations), compared to the company's total assets, is more than 5 percent.</p> <p>[4] For purposes of ISS' director independence classification, "material" will be defined as a standard of relationship financial, personal, or otherwise that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders.</p>
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**Rationale for Change:**

The expansion of the classification of non-independent directors under the Brazil and Americas Regional policy guidelines seeks to include additional criteria that may compromise a director's independence, including the following scenarios: 1) A director serving as an executive or an employee of a company within the same economic group, 2) the existence of a shareholder agreement binding the votes of directors appointed by the signatories of such agreements, and 3) A director serving as an executive of a shareholder who is a signatory of a shareholder agreement but is not part of a controlling group.

The updated policy addresses all three scenarios; regarding point 1, the Brazil and Americas Regional policy guidelines are now aligned with a number of ISS' global policies in considering such directors as non-independent, further harmonizing such policies. Furthermore, being an executive or employee of a company in the same economic group generally already deems a director as non-independent under the laws and regulations of the majority of markets covered in Latin America.

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Points 2 and 3 are more relevant to Brazil where shareholder agreements between significant and/or controlling shareholders are common. ISS considers that a director who does not have sufficient independence in casting his/her vote at a board meeting cannot be considered independent. Furthermore, under regulations for issuers that trade on the Novo Mercado listing segment, Brazil's highest differentiated corporate governance listing segment, directors who must vote in accordance with a shareholder agreement are not considered independent.

While the previous classification already considered an employee or executive of a shareholder with at least 10 percent of the share capital as non-independent, there have been cases where a shareholder with less than 10 percent of the share capital is a signatory of a shareholder agreement, despite not being part of the controlling group. Despite their lower ownership, such shareholders may have an outsized influence on management given their relationship with the controlling shareholders, and any director who is an employee or executive of such shareholder will be considered non-independent.

## Americas Regional

### Operational Items

#### Financial Results/Director and Statutory ~~Auditor~~ Reports

Current ISS Policy, incorporating changes:	New ISS Policy:
<p><b>General Recommendation:</b> Generally <del>v</del>ote for the approval of financial statements, <del>report of the board of</del> <del>and</del> directors, <del>and</del> independent auditor reports, <del>and other statutory reports</del>, unless:</p> <ul style="list-style-type: none"> <li>▪ <del>t</del>There are concerns about the accounts presented or audit procedures used.; <del>or</del></li> <li>▪ <del>The company is not responsive to shareholder questions about specific items that should be publicly disclosed.</del></li> </ul>	<p><b>General Recommendation:</b> Generally vote for the approval of financial statements, report of the board of directors, independent auditor reports, and other statutory reports, unless there are concerns about the accounts presented or audit procedures used.</p>

#### Rationale for Change:

See the rationale for the change for [Financial Results/Director and Statutory Reports](#) for Brazil.

## Foreign Private Issuers Listed on U.S. Exchanges

### Board Gender Diversity

Current ISS Policy, incorporating changes:	New ISS Policy:
<p><b>General Recommendation:</b> Vote against (or withhold from) non-independent director nominees at companies that fail to have the following: a majority-independent board; standing audit, compensation, and nominating committees, each composed entirely of independent directors.</p> <p>For companies in the Russell 3000 or S&amp;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 board. An exception will be made if there was a woman on the board at the preceding annual meeting and if the board makes a firm commitment to return to a gender-diverse status within a year.</p> <p>Where the design and disclosure levels of equity compensation plans are comparable to those seen at U.S. companies, U.S. compensation policy will be used to evaluate the compensation plan proposals. In all other cases, equity compensation plans will be evaluated according to ISS' Americas Regional Proxy Voting Guideline.</p> <p>All other voting items will be evaluated using the relevant ISS regional or market proxy voting guidelines.</p>	<p><b>General Recommendation:</b> Vote against (or withhold from) non-independent director nominees at companies that fail to have the following: a majority-independent board; standing audit, compensation, and nominating committees, each composed entirely of independent directors.</p> <p>For companies in the Russell 3000 or S&amp;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 board. An exception will be made if there was a woman on the board at the preceding annual meeting and if the board makes a firm commitment to return to a gender-diverse status within a year.</p> <p>Where the design and disclosure levels of equity compensation plans are comparable to those seen at U.S. companies, U.S. compensation policy will be used to evaluate the compensation plan proposals. In all other cases, equity compensation plans will be evaluated according to ISS' Americas Regional Proxy Voting Guideline.</p> <p>All other voting items will be evaluated using the relevant ISS regional or market proxy voting guidelines.</p>

### Rationale for Change:

Diversity on corporate boards remains a high-profile corporate governance issue. In addition to client feedback, increased disclosure requirements and minimum diversity standards for all companies (with some exceptions) listed on the NASDAQ shows continued engagement and increased minimum expectations from the wider market on this topic. Updating the Foreign Private Issuers (FPI) policy for U.S. tax havens in the Russell 3000 or S&P 1500 indices to require at least one female director puts the policy in line with the market norm and increases alignment with internationally government mandated or recommended gender diversity quotas.

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